



Inoue Rubber (Thailand) Public Co., Ltd.

A large, abstract graphic consisting of several overlapping, wavy bands of blue. The bands transition from a deep blue at the bottom to a lighter, cyan blue at the top, creating a sense of movement and depth. This graphic occupies the lower half of the page.

# **ANNUAL REPORT 2018**

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## Remarks

\* Social Responsibility data appears in the Sustainability Report 2018 at the backside of Annual Report

\* Investors can find more information of Inoue Rubber Public Company Limited from the Annual Registration Statement (Report 56-1) posted on the Securities and Exchange Commission's website at [www.sec.or.th](http://www.sec.or.th) or on the Company's website at [www.ircthailand.com](http://www.ircthailand.com)



# About IRC

Inoue Rubber (Thailand) Public Co., Ltd.

**"IRC"** is a joint-venture company, established on December 15<sup>th</sup>, 1969 with the aim to manufacture elastomer products for automotive and other industries, and motorcycle tires and tubes with high quality at the international standard. Those quality products are manufactured from Rangsit, Pathumthani and Wangnoi, Ayutthaya plants.

Throughout 49 years of our business history, **"IRC"** has managed to achieve sustainable growth with the commitment to create innovation together with production capacity enhancement in order to control product quality at reliable and trustful level as well as maximize customers' satisfaction both locally and internationally.

This emphasizes **"IRC"** vision and mission: **"Be the Leading Company in Innovation Development and the Smart Factory of Quality Elastomer Products, Motorcycle Tires and Tubes in AEC"**.





# Vision & Mission

“Be the Leading Company  
in Innovation Development and the Smart Factory  
of Quality Elastomer Products,  
Motorcycle Tires and Tubes in AEC”

on the ground of  
**7**  
policies:

**1** Sustainability in Safety and Environment



**2** Quality in Each Product with  
International Quality Systems



**3** Best Satisfaction to Customers in 4  
Product-Dimensions



- **Price / Cost (C)** At the Best Competitive Level for Customers
- **Quality (Q)** At the Best Competitive Quality Rating by Customers
- **Delivery (D)** At the Best Competitive Delivery Rating by Customers
- **Services / Solutions (S to S)** At the Best Service to Solutions for Customers at All Time

**4** Create the Opportunities of Human  
Resource Improvement to Achieve  
Competencies in All Levels



**5** Continuous Research and Development  
for New Innovations, Products, Processes  
and Market and Keep Generating the  
Outputs of Existing Business



**6** Generating Strong Financial Status and Attractive Return to  
Shareholders



**7** Supporting the Good Corporate Governance and  
Corporate Social Responsibility



# Financial Highlight

## Inoue Rubber (Thailand) Public Company Limited and its subsidiaries

As of September 30<sup>th</sup>, 2018

Unit: Thousand Baht

	2016	2017	2018
<b>Financial Performance and Status</b>			
Sales and services income	4,954,768	5,232,565	5,562,408
Costs of sales and services	4,028,243	4,465,927	4,788,679
EBIT	626,168	510,516	432,473
Net Profit	513,630	423,790	358,616
Total Assets	4,272,367	4,631,757	5,058,055
Total Liabilities	1,071,559	1,214,885	1,461,757
Total Equity	3,200,808	3,416,872	3,596,298
<b>Financial Ratios</b>			
Net Profit Margin (%)	10.37	8.10	6.45
Return on Assets (ROA) (%)	12.02	9.15	7.09
Return on Equity (ROE) (%)	16.05	12.40	9.97
Debt to Equity (D/E)	0.33	0.36	0.41
Earnings per share (THB)	2.57	2.12	1.79
Book Value per share (THB)	16.00	17.08	17.98



# Message from the Chairman

IRC aims to become an organization with sustainable growth contributing to enhance awareness toward economy, society and environment under the vision & mission of "Be the leading Company in Innovation Development and the Smart Factory of Quality Elastomer Products, Motorcycle Tires and Tubes in AEC" by having strong initiatives of 'IRC DNA'"



(Mrs. Pimjai Leeissaranukul)  
Chairman

Dear All Shareholders,

In FY 2018, Inoue Rubber (Thailand) Public Company Limited (IRC) has inevitably faced a number of challenges in several aspects, varying in both domestic and international economy, changing social trends, and environment-related issues, which has brought about the Company's challenge to sustainably adapt towards the changes and continuously improve the potentiality. The overall operating performance in FY 2018 has been supported by the global and Thai economics continuously, resulting in the increasing consumer confidence, and reflects the rising purchasing power in the country. Meanwhile, the automotive industry is considered as one of the key mechanisms that helps accelerate growth potential for Thai industries. The overall automobile production market was around 2.12 million units, grew from the previous year around 8.73 million units, mostly resulted from the production for domestic. Additionally, motorcycles production was around 2.07 million units, which looks relatively stable compared to last year.

According to the aforementioned factors, IRC achieved 5,614.13 million baht of its total revenue, increased by 5.30% compared to the same period last year. However, the cost of sales and services increased around 7.23% from the last year, which mainly resulted from the increasing prices of raw materials especially in chemical supplies which were hugely influenced by the rise in crude oil prices, as well as the sudden production shutdown of several carbon black factory in China regarding to pollution's problem solving, altogether with the unstable demand and supply of the global market. This unexpected factor forced IRC's total raw material cost to shift to 236.62 million baht, resulting in a decrease in the net profit around 65.17 million baht or 15.38% comparing to last year, while the basic earnings per share was at 1.79 baht.

## Vision and Mission together with the Sustainable Growth Concept

### Economic Aspect

As the government has pushed forward the implementation of the Thailand 4.0 economic development model, digital technology and the Internet are expected to play their significant roles in business operations, ranging from production to management, and people's daily routines. IRC has recognized the importance of being adaptable to such advancement by proceeding with further improvement in all aspects, particularly research and development, altogether with fostered a range of automation systems to ensure the steadfastness of operations and management. We have invented and developed new product and innovations, and finally have been honored with the Automation Award by the Inoac Corporation, Japan, continuously. On the other hand, we aim to remodel its production process from "Mass Production" to "Mass Customization" to increase competitiveness based on the 'Quality Policy', which is "Quality First, Delivery on Time and Customer Satisfaction". This has brought about the capability of developing our products' and services' reliability, together with achieving splendid revenue growth as we have successfully maintained the market share, generated new market expansion, and new product's research and development. Consequently, we are stepping forward to "Be the leading Company in Innovation Development and the Smart Factory" as expected.

### Social Aspect

IRC aims to create shared value to bring the maximum benefits to all people in the society. We have continued and launched several corporate social responsibility (CSR) projects in certain communities, for example, 'HAI-ARCHEEP HAI-CHEEVIT', which initiated based on the concept of "returning good citizens back to the society". For five years consecutively since founded, the Company introduced ethics, morality, positive attitude building and vocational training program to female prisoners. Moreover, we have the 'Klongpang Cooperative' project, which comes with the concept of IRC becoming the 'partner' in developing the capacity of Thai rubber farmers by adding value to natural rubber through globally accepted quality standard, and finally help uplift the quality of life and promote sustainable growth among local communities. Additionally, IRC has offered its concrete support to Thailand 4.0 policy by obviously launched the 'Supply Chain Development for Thailand 4.0' project, which focuses on developing the Company's suppliers to understand and be able to initiate new ideas to improve the efficiency of working process that can increase sales as well as reduce excessive cost and waste from the production process. Nevertheless, the Company has also promoted the safety driving campaign through 'Safe Ride – IRC Care' and 'Safe Drive campaign during long holiday' projects in order to raise awareness of "safety", particularly for motorcycle riders.

Importantly, we also emphasize on the development of 'IRC People' as it is considered as the most valuable fundamental toward sustainability. The 'IRC DNA' model unveils three key development strategies focusing on the concept of 1. "Our Company Our Home", 2. "Corporate Culture", and 3. "Competency Development and Career Path" where we received Outstanding Establishment on Skill Development Promotion in accordance with Skill Development Promotion Act B.E. 2545 (2002) Award from the Department of Skill Development, Ministry of Labour. With our long-standing reputation of Corporate Citizenship, we are always aware of pursuing good corporate governance principles. IRC people unanimously signed on the ratification and announced our honest intention to fight against corruption of all kinds.

### Environmental Aspect

To cope efficiently with the severe climate change and support the existence of the Paris Agreement, IRC has adopted its resource efficiency to be applied to everyone in the organization, according to the 'Zero Waste' policy that focuses on the 'Reduce, Reuse, and Recycle' or '3Rs' concept, altogether with water management, dust, smell, and heat reduction in the workplace, solar panel installation for sustainable use of energy, and promote the use of alternative clean energy to help reduce greenhouse gas. This resulted in the Thailand Energy Awards 2018 (Outstanding) for Energy Conservation, Designated Factory from the Ministry of Energy.

In 2018, IRC has grown sustainably and has become concretely successful as the Company has been accredited with 'ESG 100' certificate for the outstanding performance in environmental, social and governance aspects for three years consecutively under the ideas 'a company with ESG 100 accreditation is capable of generating good returns from investment'. Moreover, the Company have been rated with 'Very Good' CG scoring by the Thai Institute of Directors for four consecutive years. In addition, IRC has also listed on the 'Thailand Sustainability Investment (THSI)' for two years consecutively. These remarkable achievements reflect the Company as 'Role model' for outstanding sustainable performance certified by the Stock Exchange of Thailand (SET).

The aforementioned achievements cannot exist without constructive collaboration of the Board of Directors, executives, and employees as well as substantial support provided by valued shareholders. I would like to thank all related sectors for helping IRC to grow efficiently and sustainably. More importantly, I believe that our strong emphasis on three key development areas, including Economy, Society, and Environment will propel IRC's future progress and prosperity alongside with the Thai society sustainably.



# Board of Directors



Mrs. Pimjai Leeissaranukul



Mr. Hiroshi Harada



Mr. Soichi Inoue



Mr. Thanong Leeissaranukul



Mr. Apichart Leeissaranukul



Mrs. Porntip Sethiwan



Mr. Masayuki Inoue



Mrs. Anchalee Chavanich



Assoc.Prof. Jaruporn Viyanant



Mr. Kittichai Raktakanit



Mr. Surong Bulakul



Mr. Kazuo Sato

# Executive Committee



Mr. Hiroshi Harada



Mrs. Pimjai Leeissaranukul



Mr. Takeshi Arakawa



Ms. Witchuda Kupongsak



Mr. Shigeyuki Hosokawa



Mr. Katsunori Ito



Mr. Chaowalit Meethongkum



Mr. Narongchai Rattanaekkawin



Mr. Suchart Kootiratrakarn



Mr. Hirozo Mizuno



Mr. Hiroyuki Hibi

# Details of Directors and Executive Committee



**Position** Chairman/ Executive Director/ Authorized Director/ Vice President of the Executive Committee  
**Age** 57 years  
**Appointment Year** 1993  
**Shareholding Proportion** 2.44%

**Mrs. Pimjai Leeissaranukul**

## Highest Education

Master's Degree in Business Administration, Drexel University, Philadelphia, USA

## Training

Director Training in 2018 :

- Thailand Energy Academy Class 11 (TEA 11), Thailand Energy Academy

Thai Institute of Directors Association (IOD) :

- DCP Director Certification Program Class 37/2003
- RCP Role of the Chairman Program Class 31/2013
- RMP Risk Management Committee Program Class 1/2013

National Defense College (NDC) :

- Diploma, National Defence College, The National Defence Course Class 26/2013

Capital Market Academy (CMA) :

- Leadership Program Class 10 ACMA Business Forum 2017

The Federation of Thai Industries :

- Business Revolution and Innovation Network Batch 1 (BRAIN 1)

## Past Working Experience

- 2013 - Present Chairman of Inoue Rubber (Thailand) PLC.  
 Honorary Chairman of Inoac Tokai (Thailand) Company Ltd.  
 2018 - Present Chairman of Industrial Excellence Center: IEC  
 Chairman of International Commercial Information Centre  
 Vice Chairman of the Federation of Thai Industries  
 Vice Chairman of the Executive Committee of the Federation of Thai Industries  
 Director of the Federation of Thai Industries  
 Director of Human Resources Management Committee  
 Director of Location Sourcing Committee  
 Director of FTI Academy Foundation Committee  
 Director of Thailand-China industrial relations institute  
 Advisor of Organization Communication and Compensation Committee  
 Advisor of The Institute of Agro-Based Industries Committee  
 Advisor of Water and Sustainable Environment Institute Committee  
 Advisor of Encourage Industrial Committee  
 2017 - Present Director of Thailand Capital Market Academy  
 2012 - Present Director of Risk Management Club Thai Listed Companies Association  
 2010 - Present Global Advisory Board Members of Babson College, MA, USA  
 2008 - Present Member of Young Entrepreneur Association  
 2006 - Present Director of Daido Sittipol Co., Ltd.  
 2003 - Present Director of Wang Chula Co., Ltd.  
 2001 - Present Director of Kinno Hoshi Engineering Co., Ltd.  
 1995 - Present Director of Sungold Holding Co., Ltd.  
 Director of IRC (Asia) Research Co., Ltd.  
 President of Thai Inoac Components Co., Ltd.  
 1993 - Present Director of Sopa-Kanok International Co., Ltd.  
 1983 - Present Director of Thai Stanley Electric PCL.  
 2016 - 2018 Director and Secretary of Institute of Agro-based Industries,  
 The Federation of Thai Industries  
 Advisor of Rubber and Rubber wood Cluster, The Federation of Thai Industries  
 Vice President of Thailand Forest Certification Council (TFCC), The Federation of Thai Industries  
 Director and Deputy Secretary of The Federation of Thai Industries  
 2014 - 2018 Director of Student of National Defense College Class of 2013  
 2016 - 2018 Director and Deputy Secretary of Communication Division,  
 The Federation of Thai Industries  
 2014 - 2016 Member of the Board of Thai Women Engineers, The Engineering Institute of Thailand  
 2010 - 2014 Senior Executive Director, Engineering faculty of Chulalongkorn university



**Position** President / Executive Director / Authorized Director/ Chairman of Executive Committee/ Vice-Chairman of Risk Management Committee  
**Age** 60 years  
**Appointment Year** 2017  
**Shareholding Proportion** -None-

**Mr. Hiroshi Harada**

## Highest Education

Bachelor in Private Law, Faculty of Law, Aoyama Gakuin University, Japan

## Training

-

## Past Working Experience

- 2017 - Present President and Vice-Chairman of Risk Management Committee, Inoue Rubber (Thailand) PCL.  
 Director of Kinno Hoshi Engineering Co., Ltd.  
 Director, Thai Inoac Components Co., Ltd.  
 Director of Sungold Holding Co., Ltd.  
 Director, Century Inoac Co., Ltd.  
 Director of Inoac Automotive (Thailand) Co., Ltd.  
 Director of Inoac Industries (Thailand) Co., Ltd.  
 Director of Inoac (Thailand) Co., Ltd.  
 Director of Techno Foam Co., Ltd.  
 2013 - 2017 Executive officer of Oversea Purchasing Department, Inoac Corporation Co., Ltd., (Japan)  
 2014 - 2016 General Manager of Inoac (Vietnam) Co., Ltd.,  
 2011 - 2013 Manager of Purchasing Department, Shanghai Inoac Corporation Co., Ltd., (China)  
 2008 - 2011 General Manager, Rogers-INOAC Corporation Co., Ltd., (Japan)



Position Director  
Age 89 years  
Appointment Year 1993  
Shareholding Proportion -None-

**Mr. Soichi Inoue**

#### Highest Education

Bachelor's degree in Economics, Kobe University, Japan

#### Training

-

#### Past Working Experience

2010 - Present Director of Inoue Rubber (Thailand) PCL.  
2000 - Present Chairman & CEO of Inoac Corporation Co., Ltd.  
1975 - Present President of Inoac International Co., Ltd.  
1973 - Present President of Inoue Rubber Co., Ltd., Japan  
1986 - Present President of Inoac Technical Center Co., Ltd.



Position Director /  
Authorized Director  
Age 58 years  
Appointment Year 1993  
Shareholding Proportion 1.70%

**Mr. Thanong Leeissaranukul**

#### Highest Education

Bachelor's degree in Business Administration Nanzan University, Japan

#### Training

Thai Institute of Directors Association (IOD) :

- DAP Director Accreditation Program Class 136/2017

#### Past Working Experience

1986 - Present Director of Inoue Rubber PCL.  
2017 - Present President of M Vision Co., Ltd.  
2015 - Present Director of Studio 888  
Director of Sonic Design (Thailand) Co., Ltd.  
Member of sub-committee of Public Relations, Organ  
Donation Center, Thai Red Cross Society  
2014 - Present Director of Pacific Auto Part Co., Ltd.  
2007 - Present President of Kanok-Sopa Foundation  
2006 - Present Director of Budsayapan Co., Ltd.  
2003 - Present Director of Wang Chula Co., Ltd.  
2001 - Present President of Smart Sport Promotion Co., Ltd.  
1998 - Present Director of The Studio Production Co., Ltd.  
1996 - Present President of Bike Clinic Co., Ltd.  
Vice President of Daido Sittipol Co., Ltd.  
Executive Director of Seng Guan Hong Co., Ltd.  
1995 - Present Executive Director of Total Oil (Thailand) Co., Ltd.  
Director of Thai Inoac Components Co., Ltd.  
Director of Sungold Holding Co., Ltd.  
Director of IRC (Asia) Research Co., Ltd.  
1993 - Present Director of Sopa - Kanok International Co., Ltd.  
1986 - Present Managing Director of The Sittipol 1919 Co., Ltd.  
1983 - Present Director of Thai Stanley Electric PCL.





Position Director  
Age 55 years  
Appointment Year 1993  
Shareholding Proportion 1.87%

**Mr. Apichart Leeissaranukul**

#### Highest Education

Honorary Doctorate Degree in Engineering (Industrial Engineering), Rajamangala University of Technology Thanyaburi

#### Training

Thai Institute of Directors Association (IOD) :

- DCP Director Certification Program Class 8/2001

Other Training:

- Industrial Business Development and Investment for Top Executive Institute of Business and Industrial Development (IBID 1)

#### Past Working Experience

1991 - Present Director of Inoue Rubber (Thailand) PCL.  
2013 - Present Chairman of Thai Stanley Electric PCL.  
2016 - Present Independent Director, Nominating and Remuneration Committee LEO Global Logistics PCL.  
2014 - Present Director of Pacific Auto Part (Thailand) Co., Ltd.  
2006 - Present Director of Total Oil (Thailand) Co., Ltd.  
Director of PT. Indonesia Stanley Electric  
2004 - Present Executive Director of Investor Club Association  
2003 - Present Director of Wang Chula Co., Ltd.  
2002 - Present Director of Investor Club Association  
2000 - Present Director of Vietnam Stanley Electric Co., Ltd.  
1999 - Present Chairman of Lao Stanley Co., Ltd.  
1997 - Present Director of Sirivit Stanley Co., Ltd.  
Director of Daido Sittipol Co., Ltd.  
1996 - Present Executive Vice President of Asian Stanley International Co., Ltd.  
1995 - Present Director of Sungold Holding Co., Ltd.  
1994 - Present Director of Budsayapan Co., Ltd.  
1993 - Present Director of Pacific Industry (Thailand) Co., Ltd.  
Vice President of Thai Stanley Foundation  
1992 - Present Director of Sopa-Kanok International Co., Ltd.



Position Director  
Age 51 years  
Appointment Year 1993  
Shareholding Proportion 2.10%

**Mrs. Porntip Sethiwan**

#### Highest Education

Bachelor's degree in Business Administration, Chulalongkorn University

#### Training

Thai Institute of Directors Association (IOD):

- DAP Director Accreditation Program Class 5/2003
- RCC Role of the Compensation Class 17/2013

#### Past Working Experience

1991 - Present Director of Inoue Rubber (Thailand) PCL.  
2006 - Present Director of IRC (Asia) Research Co., Ltd.  
2003 - Present Director of Wang Chula Co., Ltd.  
1996 - Present Vice-President of Bike Clinic Co., Ltd.  
Director of Daido Sittipol Co., Ltd.  
1993 - Present Director of Sopa-Kanok International Co., Ltd.  
1990 - Present Executive Director of The Sittipol 1919 Co., Ltd.  
Managing Director of Pacific Industry (Thailand) Co., Ltd.  
1986 - Present Director of Seng Guan Hong Co., Ltd.  
1980 - Present Director of Thai Stanley Electric PCL.



**Position** Director /  
Authorized Director  
**Age** 53 years  
**Appointment Year** 1993  
**Shareholding Proportion** -None-

**Mr. Masayuki Inoue**

#### Highest Education

Master's degree in International Management, Aoyama Gakuin Graduate School, Japan

#### Training

Thai Institute of Directors Association (IOD) :

- DCP Director Certification Program Class 65/2007

#### Past Working Experience

1991 - Present Director of Inoue Rubber (Thailand) PCL.  
2015 - Present CEO of Inoue Rubber Co., Ltd., Japan  
Senior Managing Director of Inoac Corporation Co., Ltd.  
1995 - Present Director of Sungold Holding Co., Ltd.  
2007 - 2015 Managing Executive Officer of Inoac Corporation Co., Ltd.  
2004 - 2015 Executive Vice President of Inoue Rubber Co., Ltd., Japan



**Position** Independent Director/  
Chairman of Risk Management  
Committee  
**Age** 63 years  
**Appointment Year** 2015  
**Shareholding Proportion** -None-

**Mr. Surong Bulakul**

#### Highest Education

Master of Engineering in Operations Research, Cornell University, New York, U.S.A.  
Master of Business Administration, Cornell University, New York, U.S.A.

#### Training

Thai Institute of Directors Association (IOD) :

- Directors Certification Program (DCP 121/2009)

Capital Market Academy (CMA) :

- Capital Market Academy Leadership Program Class 10

National Defense College (NDC) :

- NDC Course (JSPS), Class 4919

Others :

- Program for Management Development, Harvard University, Boston, U.S.A.
- Democratic Politics and Governance for High-Level Administrators Program, King Prajadhipok's Institute Thailand, Class 8
- The Program for Senior Executives on Criminal Justice Administration, National Justice Academy, Thailand, Class 15
- Thai Intelligent Investors Program, Thai Investors Academy, Class 1
- Executive Program, Thailand Energy Academy, Class 2
- Leadership Development Program (LDP 2) by PLLI

#### Past Working Experience

2015 - Present Independent Director/ Chairman of Risk Management Committee Inoue Rubber (Thailand) PCL.  
2018 - Present Chairman of Expressway Authority of Thailand  
2017 - Present Chairman of Port Authority of Thailand  
Advisor of Thai Listed Companies Association, Stock Exchange of Thailand  
Advisor of Federation of Thai Capital Market Organizations  
Advisor of The Office of the Securities and Exchange Commission (SEC)  
2016 - Present Advisor of PTT PCL.  
2015 - Present Vice Chairman of the Thai Chamber of Commerce  
2014 - Present Director and Executive Director of Provincial Electricity Authority  
Chairman of Sakari Resources Ltd. (Singapore)  
Director of Tiger Energy Trading Pte. Ltd. (Singapore)  
Director of 24M Technologies, Inc. (U.S.A.)  
2013 - Present Chairman of Global Power Synergy Public Company Limited  
2014 - 2017 Director of Federation of Thai Capital Market Organizations  
2014 - 2016 Director of the Federation of Thai industries  
2014 - 2015 Chief Operation Officer Infrastructure of PTT PCL.  
2013 - 2017 Chairman of Thai Listed Companies Association (TLCA), The Stock Exchange of Thailand  
2012 - 2014 Acting Chief Financial Officer of PTT PCL.  
2009 - 2012 President of Thai Oil PCL.



**Position** Independent Director/  
Chairman of Audit Committee  
**Age** 68 years  
**Appointment Year** 2018  
**Shareholding Proportion** -None-

**Mrs. Anchalee Chavanich**

#### Highest Education

Master's degree in Engineering Management, University of Missouri – Rolla, USA

#### Training

Thai Institute of Directors Association (IOD) :

- ACP Audit Committee Program class 1/2004
- DCP Directors Certification Program class 45/2004
- FND Finance for Nonfinance Director class 10/2004
- RCP The Role of The Chairman Program class 13/2006

Thailand National Defence College :

- Diploma, National Defence College, The Joint State - Private Sector Course Class 11/2541
- Advance Security Management Program Class 3/2555

Capital Market Academy :

- Leadership Program Class 7/2551

#### Past Working Experience

2018 – Present	Chairman of Audit Committee, Inoue Rubber (Thailand) PCL.
2017 - Present	Honorary Advisor of the Eastern Economic Corridor (EEC) Director of WHA Industrial Development PCL.
2016 - Present	Director of B. Grimm Power PCL.
2011 - Present	President of Thai Industrial Estate and Strategic Partner Association
2000 - Present	President of Coral & Coastal Conservation Foundation
2016 - 2017	Board of Director, the Economic Steering Sub-Committee Industries and Service (National Reform Steering Assembly) Advisor, Commission National Reform Steering Assembly (Energy)
2015 - 2016	Member of the National Reform Council (NRC)
2013 - 2014	Chairperson, Electricity Generating Authority of Thailand (EGAT)
2011 - 2013	President, Siam Solar Co., Ltd. Board of Director, the Engineering Institute of Thailand Under H.M the King's Patronage (Chairperson of Thai Women Engineers)
2000 - 2015	Governor of Industrial Estate Authority of Thailand



**Position** Independent Director /  
Audit Committee /  
Chairman of Good Corporate  
Governance and Social Responsibility  
Committee  
**Age** 74 years  
**Appointment Year** 2015  
**Shareholding Proportion** -None-

**Assoc.Prof. Jaruporn Viyanant**

#### Highest Education

Master Degree in Financial Economic, Middle Tennessee State University, U.S.A.

#### Training

Training in 2018 :

- Boards That Make a Difference Class 6/2018, Thai Institute of Directors Association
- Upcoming Financial Reporting Standards (TFRS 9, 15, and 16) : Major Changes of Financial Reporting, KPMG
- Value Creation and Enhancement for Listed Companies with the New COSO 2017 Enterprise Risk Management (ERM), Faculty of account, TU and SET
- Fintech and Cryptocurrency VS Law Enforcement, TU Law Foundation, Professor Sanya Dharmasakti's Cooperative TU, and the Faculty of Law, Thammasat University

Thai Institute of Directors Association (IOD) :

- DCP Director Certificate Program
- DCP Director Certificate Program Update
- ACP Audit Committee Program
- MFM Monitoring Fraud Risk Management
- MIA Monitoring the Internal Audit Function
- MIR Monitoring the System of Internal Control and Risk Management
- MFR Monitoring the Quality of Financial Reporting
- RCC Role of the Compensation Committee
- ACEP Anti-Corruption Executive Program

Capital Market Academy (CMA):

- Capital Market Academy Leadership Program Class 10

#### Past Working Experience

2015 - Present	Independent Director, Member of Audit Committee, and Chairman of CGSR Committee of Inoue Rubber (Thailand) PCL.
2017 - Present	Independent Director, Chairman of Audit Committee of BBGI PCL.
2014 - Present	Independent Director, Audit Committee, Nomination and Remuneration Committee of Ocean Life Insurance PCL.
2012 - Present	Independent Director, Chairman of Audit Committee, Chairman of the Corporate Governance Committee, Nomination and Remuneration Committee of VGI Global Media PCL.
2018 - 2018	Audit and Corporate Governance Sub-Committees ,Thailand Arbitration Centre, Ministry of Justice
2016 - 2017	Independent Director, Chairman of Audit Committee, and Nomination and Remuneration Committee of KSL Green Innovation PCL.
2012 - 2014	Executive director of Electronic Government Agency (Public Organization)
2011 - 2014	Committee of the Financial Institutions Policy, Bank of Thailand
2010 - 2012	Expert Committee of the Anti-Money Laundering Office (AMLO)
1999 - 2015	Senior Director of Insurance Business Chamber
1999 - 2010	Director, Chairman of Audit of the Stock Exchange of Thailand



Position Independent Director /  
Audit Committee  
Age 58 years  
Appointment Year 2017  
Shareholding Proportion -None-

**Mr. Kittichai Raktakanit**

#### Highest Education

Bachelor of Business Administration, INDIANA STATE UNIVERSITY U.S.A

#### Training

Thai Institute of Directors Association (IOD) :

- DCP Director Certification Program Class 27/2003
- ACP Audit Committee Program Class 7/2005

Thailand National Defence College :

- National Defence Studies Institute Class 26/2013

#### Past Working Experience

2017 - Present Independent Director, Member of Audit Committee of Inoue Rubber (Thailand) PCL.  
Director of Loxley Property Development Co.,Ltd.  
2016 - Present Chairman of Loxley System Integrator Co.,Ltd.  
Director of Law Enforcement Technology Solutions Co.,Ltd.  
2015 - Present Director & Audit Committee (Independent Director) of Sansiri PCL.  
2011 - Present Chair of Executive Board of L-Elevator and Engineering Co.,Ltd.  
2010 - Present Executive Vice President of Loxley PCL.  
2012 - 2017 Managing Director of L Green Solution Co.,Ltd.  
2015 - 2016 Director, Executive Director of Mainstay Property Solutions Co., Ltd.  
2011 - 2016 Director of Town & Country Planning Board, Department of Public works and Town & Country Planning  
2013 - 2014 Director of Cholkij Sakol Co.,Ltd



Position Director  
Age 60 years  
Appointment Year 2013  
Shareholding Proportion -None-

**Mr. Kazuo Sato**

#### Highest Education

Bachelor of Engineering, Nagoya Institute of Technology, Japan

#### Training

Thai Institute of Directors Association (IOD) :

- DAP Director Accreditation Program Class 108/2014

#### Past Working Experience

2016 - Present Director of Inoue Rubber (Japan) Co., Ltd.  
2013 - Present Director of Inoue Rubber (Thailand) PCL.  
2013 - 2016 President of Inoue Rubber (Thailand) PCL.  
2007 - 2013 General Director of Inoue Rubber (Vietnam) Co., Ltd.



# Details of Executive Committee



Position Managing Director /  
Member of Executive Committee  
Age 59 years  
Appointment Year 2018  
Shareholding Proportion -None-

**Mr. Takeshi Arakawa**

## Highest Education

Bachelor's Degree in Mechanical Engineering, Nihon University, Japan

## Training

Thai Institute of Directors Association (IOD):

- Director Accreditation Program 65/2007

## Past Working Experience

2018 - Present Member of Executive Committee/ Managing Director, Inoue Rubber (Thailand) Public Co., Ltd.  
Director and Executive Director of IRC (Asia) Research Co., Ltd.  
2012 - 2018 Director of BIMC Co., Ltd.  
2011 - 2012 General Manager of Inoue Rubber Co., Ltd. (Japan)  
2009 - 2011 Managing Director of Inoue Rubber (Thailand) Public Co., Ltd.  
2006 - 2009 Executive Director of Inoue Rubber (Thailand) Public Co., Ltd.  
2004 - 2005 General Manager Production Division of Bridgestone IRC Manufacturing Co., Ltd.  
2000 - 2004 Engineering Manager of Bridgestone IRC Manufacturing Co., Ltd.



Position Executive Director of  
Administrative and Control Unit /  
Member of Executive Committee  
Age 54 years  
Appointment Year 2013  
Shareholding Proportion 0.024%

**Ms. Witchuda Kupongsak**

## Highest Education

Master of Business Administration, Thammasat University

## Training

Training in 2018 :

- Pack 5 & Fair Value, Federation of Accounting Profession Under the Royal Patronage of His Majesty the King
- Driving Productivity through Human Centered Development, Thailand Productivity Institute
- Digital Social Innovation 2018, The Association of Thai ICT Industry
- BOI Policy (Internal)
- Basic Accounting for Executive (Internal)
- Labor Law and Regulation for Executive (Internal)

Thai Institute of Directors Association (IOD) :

- DAP Director Accreditation Program Class 117/2015
- ELP Ethical Leadership Program Class 2/2015
- SFE Successful Formulation & Execution of Strategy Class 28/2013

CEDI - Babson Entrepreneurial Leadership Program Babson College

## Past Working Experience

2015 - Present Executive Director of Administrative & Control Unit, Inoue Rubber (Thailand) PCL.  
2013 - Present Member of Executive Committee, Inoue Rubber (Thailand) PCL.  
2016 - Present Director of Thai Inoac Component Co., Ltd.  
2001 - Present Director of Kinno Hoshi Engineering Co., Ltd.  
1998 - Present Director of Inoue Rubber (Vietnam) Co., Ltd.  
2010 - 2015 Deputy Executive Director of Administrative & Control Unit, Inoue Rubber (Thailand) PCL.



**Position** Executive Director of Motorcycle Tire & Tube Business Unit / Member of Executive Committee  
**Age** 50 years  
**Appointment Year** 2014  
**Shareholding Proportion** -None-2015

**Mr. Shigeyuki Hosokawa**

#### Highest Education

Bachelor of Engineering, Department of Applied Chemistry, Okayama University of Science

#### Training

-

#### Past Working Experience

2014 - Present Member of Executive Committee, Inoue Rubber (Thailand) PCL.  
 2013 - Present Executive Director of Motorcycle Tire & Tube Business Unit, Inoue Rubber (Thailand) PCL.  
 2015 - 2017 Member of Corporate Governance and Social Responsibility Committee, Inoue Rubber (Thailand) PCL.  
 2012 - 2013 Assistant Manager of Quality Assurance Section, Inoue Rubber Co., Ltd. (Japan)  
 2004 - 2012 Assistant Manager of Industrial Engineering Division, Bridgestone IRC Manufacturing Co., Ltd.



**Position** Executive Director of IED Business Unit / Member of Executive Committee  
**Age** 56 years  
**Appointment Year** 2014  
**Shareholding Proportion** -None-

**Mr. Katsunori Ito**

#### Highest Education

Bachelor of Engineering, Department of Applied Chemistry, Shizuoka University

#### Training

-

#### Past Working Experience

2016 - Present Director of Kinno Hoshi Engineering Co., Ltd.  
 2014 - Present Member of Executive Committee, Inoue Rubber (Thailand) PCL.  
 2013 - Present Executive Director of IED Business Unit, Inoue Rubber (Thailand) PCL.  
 Executive Director of IRC (Asia) Research Co., Ltd  
 2011 - 2013 Manager of Rubber and Elastomer Division, Inoac Corporation Co., Ltd.  
 2009 - 2011 Managing Director of Inoac Vietnam Co., Ltd.



**Position** Deputy Executive Director of IED Business Unit / Member of Executive Committee / Member of Risk Management Committee  
**Age** 60 years  
**Appointment Year** 2015  
**Shareholding Proportion** 0.0005%

**Mr. Chaowalit Meethongkum**

#### Highest Education

Bachelor 's degree of Production Engineering, King Mongkut's University of Technology North Bangkok

#### Training

Thai Institute of Directors Association (IOD)

- RCL Risk Management Program for Corporate Leaders Class 2/2015
- DAP Director Accreditation Program Class 122/2015

#### Past Working Experience

- 2015 - Present Deputy Executive Director of IED Business Unit, Member of Executive Committee and Risk Management Committee of Inoue Rubber (Thailand) PCL.
- 2001 - Present Director and Executive Director of Kinno Hoshi Engineering Co., Ltd.
- 2013 - 2014 Planning Manager of IED Business Unit, Inoue Rubber (Thailand) PCL.



**Position** Deputy Executive Director of IED Business Unit/ Member of Executive Committee / Member of Risk Management Committee  
**Age** 48 years  
**Appointment Year** 2014  
**Shareholding Proportion** 0.005%

**Mr. Narongchai Rattanaekkawin**

#### Highest Education

Master of Science in Computer and Engineering Management (MS(CEM), Assumption University

#### Training

Thai Institute of Directors Association (IOD) :

- SFE Successful Formulation & Execution of Strategy รุ่น 28/2016
- HRP How to Develop a Risk Management Plan Class 8/2015
- FSD Financial Statements for Directors Class 18/2012
- RMP Risk Management Committee Program Class 5/2014

#### Other Training

- Babson Entrepreneurial Leadership Program Babson College (CEDI)
- Thai Railway Engineer Program, NSTDA
- ISO9001:2000 Internal Auditing, Robere & Associates
- ISO/TS16949:2002 Internal Auditing, Robere & Associates
- ISO14001 Internal Auditing, Robere & Associates

#### Past Working Experience

- 2016 - Present Director of Kinno Hoshi Engineering Co., Ltd.
- 2015 - Present Deputy Executive Director of IED Business Unit of Inoue Rubber (Thailand) PCL.  
 Deputy Executive Director of R&D Division of IRC (Asia) Research Co., Ltd.  
 Member of Risk Management Committee of Inoue Rubber (Thailand) PCL.
- 2014 - Present Member of Executive Committee of Inoue Rubber (Thailand) PCL.
- 2013 - Present Director of IRC (Asia) Research Co., Ltd.
- 2013 - 2015 Production Division Manager of Inoue Rubber (Thailand) PCL.
- 2009 - 2015 Engineering Division Manager of Inoue Rubber (Thailand) PCL.  
 R&D Manager of IRC (Asia) Research Co., Ltd.



**Position** Deputy Executive Director of Tire & Tube Business Unit/  
Member of Executive Committee/  
Member of Risk Management  
Committee  
**Age** 49 years  
**Appointment Year** 2013  
**Shareholding Proportion** 0.003%

**Mr. Suchart Kootiratrakarn**

#### Highest Education

Master of Business Economics, National Institute of Development  
Administration (NIDA)

#### Training

Training in 2018 :

- Labor Law and Regulation for Executive (Internal)
- Basic Accounting for Executive (Internal)

Thai Institute of Directors Association (IOD) :

- HRP How to Develop a Risk Management Plan Class 8/2015
- FSD Financial Statements for Directors Class 18/2012
- RMP Risk Management Committee Program Class 5/2014

Other training :

CEDI - Babson Entrepreneurial Leadership Program

#### Past Working Experience

2015 - Present Deputy Executive Director of Tire & Tube Business Unit,  
Member of Executive Committee and Risk Management  
Committee of Inoue Rubber (Thailand) PCL.  
Deputy Executive Director of IRC (Asia) Research Co., Ltd.  
2013 - Present Executive Committee of Inoue Rubber (Thailand) PCL.



**Position** Member of Executive  
Committee  
**Age** 63 years  
**Appointment Year** 2012  
**Shareholding Proportion** -None-

**Mr. Hirozo Mizuno**

#### Highest Education

Bachelor of Industrial Engineering, Shibaura Institute of Technology

#### Training

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#### Past Working Experience

2018 - Present President Director of PT IRC Gajah Tunggal Manufacturing  
Indonesia  
2016 - Present Senior Executive Advisor of PT Gajah Tunggal Tbk  
2012 - Present Member of Executive Committee, Inoue Rubber (Thailand)  
PCL.





Position Member of Executive Committee  
 Age 55 years  
 Appointment Year 2016  
 Shareholding Proportion -None-

Mr. Hiroyuki Hibi

#### Highest Education

Bachelor's Degree in Economics, Ritsumeikan University

#### Training

-

#### Past Working Experience

2018 - Present	Corporate Officer of Rubber and Elastomer Division Inoac Co., Ltd.
2016 - Present	Member of Executive Committee of Inoue Rubber (Thailand) PCL. Director of Kinno Hoshi Engineering Co., Ltd.
2015 - 2016	Managing Director of Division of Rubber and Elastomer Division of INOAC Vice President of PT. IRC INOAC INDONESIA
2010 - 2015	Managing Director of Dongguan Inoac (F.K.) Metal and Elastomer Co., Ltd.

# Shareholding Proportion of Directors

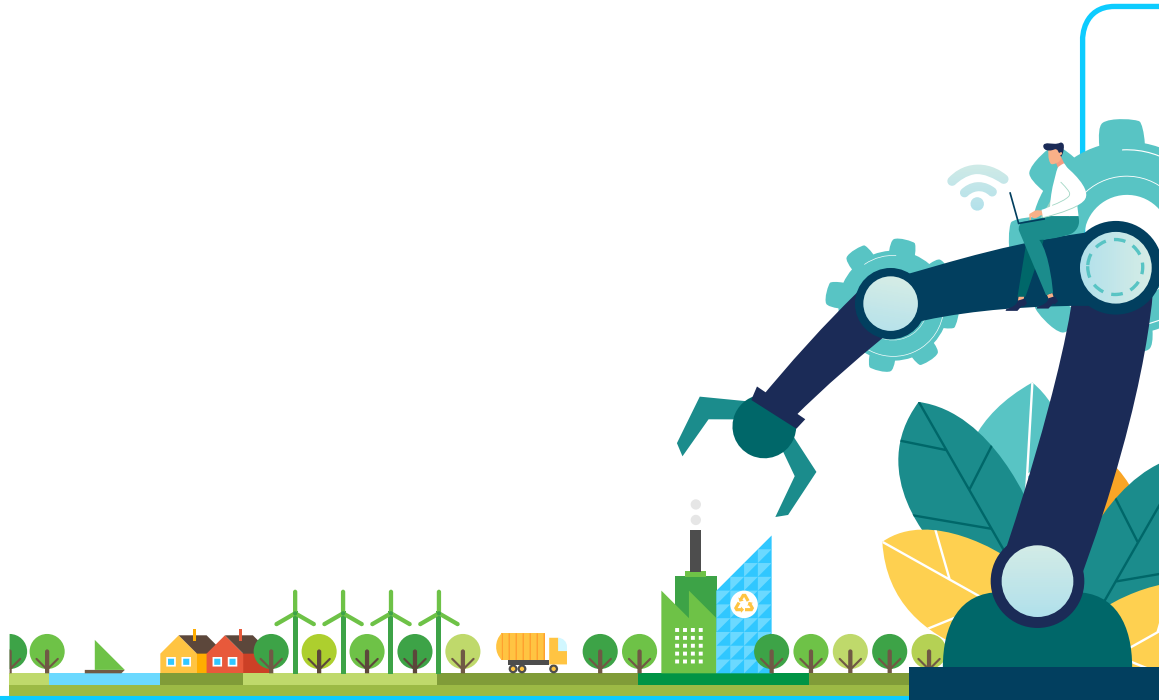
Name	Position	Amount of Shares		Trading during the fiscal year 2018	Proportion (%)
		30 SEP 2017	30 SEP 2018		
Mrs. Pimjai Leeissaranukul <sup>2</sup> spouse and minor children	Chairman / Executive Director	4,881,075	4,881,075	-	2.44
Mr. Hiroshi Harada spouse and minor children	President / Executive Director	-	-	-	-
Mr. Soichi Inoue <sup>1</sup> spouse and minor children	Director	-	-	-	-
Mr. Masayuki Inoue <sup>1</sup> spouse and minor children	Director	-	-	-	-
Mr. Thanong Leeissaranukul <sup>2</sup> spouse and minor children	Director	3,408,000	3,408,000	-	1.70
Mr. Apichart Leeissaranukul <sup>2</sup> spouse and minor children	Director	3,735,200 9,000	3,735,200 9,000	- -	1.87 0.0045
Mrs. Porntip Sethiwan <sup>2</sup> spouse and minor children	Director	4,197,375 195,600	4,197,375 200,000	- 4,400	2.10 0.10
Mr. Kazuo Sato spouse and minor children	Director	-	-	-	-
Mrs. Anchalee Chavanich spouse and minor children	Director / Independent Director	-	-	-	-
Assoc.Prof. Jaruporn Viyanant spouse and minor children	Director / Independent Director	-	-	-	-
Mr. Kittichai Raktakanit spouse and minor children	Director / Independent Director	-	-	-	-
Mr. Surong Bulakul spouse and minor children	Director / Independent Director	-	-	-	-
Mr. Takeshi Arakawa spouse and minor children	Managing Director	-	-	-	-
Ms. Witchuda Kupongsak spouse and minor children	Executive Director of Administrative and Control Unit	47,800	47,800	-	0.0239
Mr. Shigeyuki Hosokawa spouse and minor children	Executive Director of Motorcycle Tire & Tube Business Unit	-	-	-	-
Mr. Katsunori Ito spouse and minor children	Executive Director of IED Business Unit	-	-	-	-
Ms. Praewphan Songhong spouse and minor children	Accounting and Finance Division Manager	-	-	-	-

Remark: <sup>1</sup>Major shareholders: Inoue Rubber Co., Ltd (Japan)

<sup>2</sup>Major shareholders: Leeissaranukul Family

# Milestones in the Past 3 Years

## 2018



- Received “Automation Award” for the Company’s creation of ROBOT for TUBE VALVE FITTING Machine - [January](#)
- Received Safety Award for the road to 10 Million hours zero accident - [January](#)
- Received Runner Up of 2017 Outstanding Performance Supplier in Quality Performance Award from Toyota - [March](#)
- Received Delivery 2017 Best Award from ROKI - [March](#)
- Received Cost Award 2017 from Thai Stanley Electric Public Company Limited - [May](#)
- Received Certificate for 2017FY Supplier Evaluation Score from ISUZU Engine Manufacturing Company (Thailand) Limited - [May](#)
- Received Awards of Quality 2017 from Mitsubishi Motors (Thailand) Company Limited - [May](#)
- Received Certificate Gold Level for 2 Consecutive year, Zero Accident Campaign from the Ministry of Labour - [June](#)
- Ranked at the top 100 companies for outstanding performance in terms of environment, social, and governance among 683 listed companies, “ESG 100 Certificate 2018” for 3 consecutive years - [June](#)
- Certified as the Green Industry Level 3 (Green System) by systematic environmental management, monitoring evaluation, and reviewed for continuous improvement from the Ministry of Industry - [August](#)
- Received Thailand Energy Awards 2018 (Outstanding) for Energy Conservation, Designated Factory from the Ministry of Energy - [August](#)
- Received Outstanding Establishment on Skill Development Promotion in accordance with Skill Development Promotion Act B.E. 2545 (2002) Award from the Department of Skill Development, Ministry of Labour - [September](#)
- Received Gold Award for Presenting the project at the International Convention on Quality Control Circles 2018 (ICQCC 2018) by Singapore Productivity Centre - [October](#)
- Received “Very Good” (4 Stars) CG scoring rated by the Thai Institute of Directors Association (IOD) from the survey of 657 listed companies in 2018 - [October](#)
- Listed in Thailand Sustainability Investment (THSI) 2018 awarded by the Stock Exchange of Thailand. The Company is one of 79 listed companies with outstanding performance on Environmental, Social and Governance for 2 years consecutively - [October](#)
- Received “SET Sustainability Awards 2017 - Rising Stars”. The Company was one of 24 listed company that was chosen as “Role model” for excellence sustainable business performance. - [October](#)

# 2017

- Received “Automation Award” in Productivity Improvement of the Assembly process of air intake hose by automation from INOAC CORPORATION - [January](#)
- Received certificate of “Good organization that empower persons with disabilities” from Pathumthani province- [February](#)
- Organized “IRCT Group Step to Thailand 4.0 with the DVE” event and presented the successful projects from the graduated students in IRCT Dual Vocational Project 2016 - [March](#)
- Ranked at the top 100 companies for outstanding performance in terms of environment, social, and governance among 656 listed companies, “ESG 100 Certificate 2017” for 2 consecutive years - [May](#)
- Certified ISO14001:2015 (new version) - [August](#)
- Certified IATF16949:2016 (new version) and ISO 9001:2015 (new version) - [September](#)
- Achieved 10 million working hours without lost time accident - [September](#)
- Received “Team Presenter - Gold, in actively participating and sharing of best practice” award from the Quality and Productivity Association of the Philippines (QPAP), INC. in “2017 International Convention on Quality Control Circles” event, at the Philippines - [October](#)
- Got “Very Good” CG scoring rated by the Thai Institute of Directors Association (IOD) from the survey of 620 listed companies. This guarantees the Company’s good corporate governance - [October](#)
- Received “SET Sustainability Awards 2017 - Rising Stars”. The Company was one of 24 listed company that was chosen as “Role model” for excellence sustainable business performance. - [November](#)
- Listed in Thailand Sustainability Investment (THSI) 2017 awarded by the Stock Exchange of Thailand. The Company is one of 65 listed companies with outstanding performance on Environmental, Social and Governance aspects - [November](#)

# 2016

- Signed “Anti-Corruption” ratification, IRCT Group stated the power against corruption - [September](#)
- Received certificate: Silver Level, 1st year 2016 Zero Accident Campaign from Ministry of Labour - [August](#)
- Ranked at the top 100 companies for outstanding performance in terms of environment, social, and governance among 621 listed companies, “ESG 100 Certificate 2016” - [July](#)
- Received TLS 8001-2010 Certificate at Basic Level by the Department of Labour Protection and Welfare, The Ministry of Labour. This certified that the Company complied with the social responsibility standard of Thai business according to the Laws of Labour Protection, Labour Relations, Occupational Health and Safety, and working environment - [June](#)
- Signed the Memorandum of Understanding (MoU) on Industrial Supply Chain Efficiency Improvement Project 2016 of Department of Industry Promotion, Ministry of Industry - [May](#)
- Participated in Dual Vocational Training Program with the Vocational Education Commission, Ministry of Education, to push forward the cooperation, as well as to support the scholarships to become a concrete accomplishment - [April](#)
- Kicked off the cooperation project-- Inoue Rubber (Thailand) Public Company Limited and Rubber Cooperative Klongpang with the aim to achieve ISO 9001:2015 - [February](#)
- The Klongpang Cooperative finally achieved the ISO 9001: 2015 international - [June](#)



# Revenue Structure and Product Features

The Company's revenue structure for the past 3 fiscal years consists of;

Business Unit/ Product	Fiscal year 2016	%	Fiscal year 2017	%	Fiscal year 2018	%
<b>Industrial Elastomer Parts</b>						
Domestic Sales	2,119.42	42.78	2,241.66	42.85	2,645.37	47.58
Export Sales	377.04	7.61	398.33	7.61	391.71	7.05
Total	2,496.46	50.39	2,639.99	50.46	3,037.08	54.63
<b>Motorcycle Tires and Tubes</b>						
Domestic Sales	1,484.11	29.95	1,598.55	30.55	1,435.20	25.82
Export Sales	974.00	19.66	993.32	18.99	1,087.07	19.55
Total	2,458.11	49.61	2,591.87	49.54	2,522.27	45.37
Grand Total (million baht)	4,954.57	100.00	5,231.86	100.00	5,559.35	100.00

Remark: Additional information on remark from the financial statement no. 28 Segment Information

## Product Features

### Industrial Elastomer Parts

The Company has manufactured and developed industrial elastomer parts based on customer demands under various specification and different application. Our industrial elastomer parts can be divided into 2 main categories namely;

#### I. Elastomer Parts for Automotive Industry



#### Elastomer Parts in 1 Ton Pickup

- Hose Air Intake Socket Cover
- Lamp Gasket
- Door Grommet
- Column Hole
- Door Seal
- Weather Strip Hood
- Shield Fuel Tank
- Gauge Oil Level
- Shield Rubber
- Engine Mounting
- Stopper Bump
- Gasket Cylinder
- Clamp Injection Pipe
- Shim Body
- Shock Rubber
- Brake Rubber
- Side Step
- Rubber Quarter Window
- Weather Strip Front Window
- Rubber Radiator
- Front Grommet
- Rubber Mirror
- Rubber Strap
- Plug Hole etc.

### Elastomer Parts in Passenger Car

- > Hose Air Intake
- > Socket Cover
- > Lamp Gasket
- > Door Grommet
- > Column Hole
- > Weather Strip Inner
- > Weather Strip Hood
- > Shield Fuel Tank
- > Gauge Oil Level
- > Door Grommet
- > Suspension Rubber
- > Grommet
- > Lens Gasket
- > Weather Strip Front Window
- > Trunk Lid
- > Rubber Strap
- > Rubber Mirror
- > Front Grommet
- > Plug etc.



### Elastomer Parts in Motorcycle



- > Cover Rubber
- > Socket Body
- > Rubber Seat
- > Cover
- > Grommet
- > Guide Chain
- > Chain Guard
- > Vale Inlet
- > Roller
- > Sprocket
- > O-Ring
- > Float
- > Peeling Fuel
- > Damper etc.

## II. Elastomer Parts for Other Industries

The Company has undertaken R&D to support usage in other industries regarding to our customers' specification and using in various aspects such as rubber parts used in the infrastructure projects, agricultural, construction machineries, cooling machines, construction materials, sealing rubber container, sealing rubber valve for the Metropolitan Waterworks Authority, and others depending on customers' needs.

### Elastomer Parts in Electronic and Cooling System



Rubber Grommet



Rubber Protector



Hole Protection Rubber

### Elastomer Parts in Agricultural



**Kubota**



Trim Bonnet Rear



Rubber Isolator



Cover



Bushing

### Elastomer Parts in Building and Construction



Curtain Wall Gasket inside Office Building



Airport expansion joint

**SCG HEIM**

**TOSTEM**



Door and Window Seal and Gasket



Curtain Wall Gasket outside Office Building



Housing Gasket

### Water Supply System



Valves rubber

**SCI VALVES**  
QUALITY VALVES WORLDWIDE

### Compound Rubber



Compound Rubber

**ITTC**

### Vi-pafe®

Rubber Chip



Paving



Soft tile



### Main Groups of Customers

#### 1) Automobile and Motorcycle Original Equipment Manufacturer (OEM)

For the automobile manufacturers, the Company supplies to Mitsubishi, Toyota, Isuzu, Honda, Nissan, Mazda, Suzuki, Ford, Chevrolet, General Motor (Thailand) and General Motor (Brazil), whereas for the motorcycle manufacturers, the Company supplies to Honda, Suzuki, Kawasaki, Yamaha, and Ducati. IRC's quality elastomer products are generally assembled in built-up cars and motorcycles, and are exported to many countries globally.

Additionally, IRC's quality elastomer products are also exported to be assembled in other countries as well as are supplied to manufacturers as spare parts for both domestic and international service centers with the guarantee depending on the customers' specification.

#### 2) Sub-Automobile and Sub-Motorcycle

This group is the part-manufactures which supply for OEMs including the first-tier suppliers which directly supply parts for automotive and motorcycle OEMs and the second-tier suppliers which are sub-contract to supply parts to the first-tier suppliers; for example, IRC supplies our quality elastomer products to an automotive glass manufacture to be assembled before delivering to OEMs later on.

#### 3) Other Industries

The group of customers are variety as product features such as;

- Cooling machines e.g. Mitsubishi Electric, Daikin Industries, and Toshiba Carrier etc.
- Agricultural machines e.g. Kubota and Kobelco etc.
- Vi-Pafe; e.g. Running tracks, Futsal field, floor paving and Rubber Chip.
- Other goods e.g. SCI Corporation Co., Ltd (a valve manufacturer supplies to the Metropolitan Waterworks Authority), Hitachi (a water pump and washing machine manufacturer), and Panasonic (a speaker), etc.

#### • Motorcycle Tires and Tubes

IRC is the leader in the motorcycle tire and tube markets in Thailand which has been relied and utilized in the quality of the product manufacturing and supply potential by motorcycle manufacturers in Thailand such as Honda, Yamaha, Suzuki, Kawasaki etc.

With the distinctive points in quality, manufacturing potential, and delivery, together with the after service, these bring about our success in achieving the number one market share in Original Equipment Manufacturer (OEM) market continuously. Additionally, the Company has strong commitments towards research and development of product and production process to continuously supply customers with accepted-quality products and deliver new innovation to meet the diverse customer demands and lifestyles whether in terms of pattern, size, specification and performance. Currently, the Company is able to manufacture tire and tube products for multi-purposes over than 600 models such as on-road tires, mini-cross tire, off-road tires, scooter tires, heavy-duty tires, snow tires, energy-saving tires, and tires for electric vehicle motorcycle etc.

In 2018, the Company launched motorcycle tire in Radial categorize, under the code RMC810, in response to Big Bike user where the engine size varies from 300 – 1,000 cc, for domestic market.

### Main Groups of Customers

Main groups of motorcycle tire and tube customers are separated by domestic and export distribution namely;

#### 1) Domestic market

- Direct supply to motorcycle OEMs
- The Sittipol 1919 Co., Ltd. as the distributor in the replacement market

#### 2) Export market

- Direct supply to motorcycle OEMs under IRC's global marketing activities
- Inoac International Co., Ltd. and BIMC Co., Ltd. for Japan market
- Inoue Rubber (Japan) Co., Ltd. for the markets in Japan, United State of America, Europe, and other continents
- Supply via agents to customers in Asean countries including Myanmar and Cambodia

## Product Highlight 2018

### GP-5 On & Off Road



Tire size 17 inch.  
Developed for  
international  
motorcycle  
assemble market

### GP-21 GP-22 Off Road



Tire sizes 21  
and 18 inches.  
Developed for  
international  
motorcycle assemble  
market

### NR87 NR95 TUBELESS



Tire size 14 inch.  
Developed for  
domestic  
motorcycle  
assemble market

### RT-001 TUBELESS



Tire size 18 inch.  
Developed for  
RETRO motorcycle  
lover both domestic  
and international  
market

### SCT-008 TUBELESS



Tire size 10 inch.  
Developed both  
domestic and  
international  
market

### SC-3 TUBELESS



Tire size 12 inch.  
Developed for  
domestic market

### DR-5 TUBELESS



Tire size 14 inch.  
Developed for  
domestic market



## Market Situation and Competition

### • The Automotive Industry Situation

In fiscal year 2018 (October 1<sup>st</sup> 2017 – September 30<sup>th</sup> 2018), Thai automobile's total production was increased from the previous year around 8.73%, mainly resulted from the raise of consumer's demand and marketing activities from various car sellers that being held continuously. The production for domestic sales and export reached 2.12 million units. The main driver was the production for export, which was around 1.14 million units, increased by 2.43% from last year. The main export markets include Asia, Oceania, EU, and North America. However, the production for domestic sales amounted to 0.97 million units, increased by 17.18%.

In fiscal year 2018, the automobile production considering by types can be separated as below;

- 1 Ton Pickup with 48.50% of the Thailand's total production increased by 9.21%, and consistently maintained the position as the "Product Champion". There was a direct investment from main automobile manufacturers that localized Thailand as their global bases for manufacturing e.g. Mitsubishi, Toyota, Isuzu, Nissan, Ford and General Motor (GM).
- Passenger cars with 41.11% of the Thailand's total production increased by 9.15% from last year. Passenger cars not over than 1,500 cc showed the most popularity among this group.
- Pick-Up Passenger Vehicle or PPV with 8.51% of the Thailand's total production increased by 8.51% from the previous year.
- Other commercial vehicles (van, bus and truck) with 1.88% of the Thailand's total production decreased by 1.87% from the previous year.

The Motorcycle production in the fiscal year 2018 showed total production of 2.07 million units, which was separated into family model 1.69 million units and sport model 0.37 million units. Overall production increased by 3.04%, whereas the family model increased 8.16%, from the same period last year. This is partly because of the economic recovery in this early year and the increased in demand for the new family models. However, the Big Bike market decelerated by 13.33% due to less model was launched in the past fiscal year.

### • Competitive Situation

#### Industrial Elastomer Part

The main customers of Industrial Elastomer Parts consist of cars and motorcycles manufacturers as well as other industries such as air-conditioners, agricultural machinery, construction industry and other aforesaid infrastructures. Our products are represented as original equipment manufacturers or OEMs thus our sales from this business line are vary to the economic and industry situation as well as overall domestic consumption.

Nevertheless, the Company defines the strategy focusing in the innovation development both in product and process by holding a competition within the Company for every employee to participate and enhance the thought. In addition, the Company enhances its research and development and product design in response to the customer's demand, which increase the competitive proficiency of the Company, the customer's confidence, and in the Company's quality and delivery punctuality. Moreover, there is the development of automation system in production process from the Company's team.

Accordingly, the Company believes in the way of market expansion on the existing customers, and the continuous expansion of customer base in new potential markets based on our strength and innovation.

## Motorcycle Tires and Tubes

**Domestic Market :** The Company supplies motorcycle tires and tubes to 2 main groups of domestic customers;

- **For the motorcycle OEMs,** in 2018, the production for domestic sales was slightly increased comparing to the previous year. However, the motorcycle manufacturers tried to develop new models to stimulate the domestic market by adding a modern capacity and function, particularly in automatic-gear motorcycles size 125-150 cc, which consistently gained popularity from consumers. This includes the family model that specialize for convenience and fuel-saving.
- **For the replacement market,** it expanded better than the previous year comparing to the overall Thailand's economy due to the continuous launching of the sale promotion activities and the cooperation with sales agents; for example, the organizing of seminars with motorcycle mechanics in provinces over the country. This activity helps the Company to promote IRC's new products and to provide the right understanding of product usage and maintenance. Moreover, the Company can hold selling activities at the point of sales to keep close access to customers. Besides, the Company joined the activities with

automotive manufacturer in supporting of "IRC Tires", a popular tire for racing lovers. This type of tire is suitable for on-road racing which promotes safety driving campaign. Nevertheless, there was rally activities throughout Thailand for IRC IZ-S99 and IRC Radial RMC-810' continuous promotion.

In addition, the company has continued to develop and design new products that are outstanding in terms of quality, capacity and reasonable price; for example, the new tires under the code IRC SCT-001 size 12 and 14 inches for new automatic model, mini cross tire GP21F size 21 inch for front tire and GP22R size 18 inch for rear tire, tire model SC-3 size 12 inch, and tire 14 inch in model DR-5.

**Export Market:** Overall export expanded continuously. Although the economics this year were volatile in aspects of raw material cost and exchange rate, which consequently affected the Company's distribution strategy. The Company has tried to adjust the distribution plan responding to the situation in a timely and effective manner, and has received good cooperation from customers in each country, especially customers in Japan and Southeast Asia. In addition, the continuously product designs for the customer in many country, especially in USA, has enabled the Company to gain more product quantities and values in terms of total exports comparing to the previous year.

# General Information of the Company

Company Name	Inoue Rubber (Thailand) Public Company Limited
Abbreviation	IRC
Company Registration Number	0107536001737
Type of Business	Manufacturer of Industrial Elastomer Part and Motorcycle Tires and Tubes
Website	www.ircthailand.com
Site (Head Office)	258 Soi. Rangsit - Nakornnayok 49, Prachatipat, Thanyaburi, Pathumthani 12130 Tel. (66) 2996 0890 Fax (66) 2996 1439
Registered Capital/ Paid-up Capital	200,000,000 Baht (fully paid-up)
Number of Shares	200,000,000 ordinary shares
Par Value	1 Baht
Investor Relation	ir@ircthailand.com

## Company that IRC held more than 10% share

### IRC (Asia) Research Company Limited

258 Soi. Rangsit - Nakornnayok 49, Prachatipat, Thanyaburi, Pathumthanee 12130

Tel : (66) 2 996 0890 Fax : (66) 2 996 1439

157 Moo 5, Phaholyothin Rd., Lamsai, Wangnoi, Ayutthaya 13170

Tel : (66) 2 996 1471-3 Fax : (66) 2 996 1574

Type of Business : Conducts researches and development for the Company's raw materials and products

Registered Capital : 30 million baht, paid-up capital 10.05 million baht, share portion 99.99%

### Kinno Hoshi Engineering Company Limited

157 Moo 5, Phaholyothin Rd., Lamsai, Wangnoi, Ayutthaya 13170

Tel : (66) 35 272 206-7 Fax : (66) 35 214 896

Type of Business : Manufactures metal molds for motorcycle and automotive elastomer parts.

Registered Capital : 10 million baht, paid-up capital 10 million baht, share portion 99.99%

## Reference Persons

## Security Registrar

Thailand Securities Depository Company Limited  
93 Ratchadaphisek Road, Dindaeng, Bangkok, 10400  
Tel. (66) 2 009 9000 Fax (66) 2 009 9991

## Auditor

Ms. Nopanuch Apichartsatien  
Certified Public Accountant (Thailand) 5266  
Pricewaterhouse Coopers ABAS Ltd.  
Bangkok City Tower 15th Floor  
179/74-80 South Sathorn Road, Bangkok, 10120  
Tel (66) 2 286 9999 Fax (66) 2 286 5050

## Major Shareholders

List of the top 10 shareholders as at ex-dividend date (XD) on February 8, 2018

Top Ten Major Shareholders	Number of Shares	Shareholding Percentage
1) Inoue Rubber (Japan) Co., Ltd.*	68,600,000	34.30
2) Sopa-kanok International Co., Ltd.**	50,666,000	25.33
3) Dr. Vicharat Chawa-amphorn	7,404,488	3.70
4) Mrs. Porndee Leeissaranukul **	6,500,000	3.25
5) CITIBANK NOMINEES SINGAPORE PTE LTD-CITIGROUP GLOBAL MARKETS JAPAN INC.-CUSTOMER 1	6,235,000	3.12
6) Ms. Pissacha Hemvachiravarakorn	5,400,000	2.70
7) Mrs. Pimjai Leeissaranukul**	4,881,075	2.44
8) Mrs. Porntip Sethiwan**	4,397,375	2.20
9) Mr. Niti Osathanugrah	3,840,500	1.92
10) Mr. Thanong Leeissaranukul**	3,408,000	1.70

Remarks: \* and \*\* are the major shareholder of Inoue Rubber (Thailand) PCL. participates in formulating the Company's management and operational policies via Directors nominated to IRC's Board of Directors and casting their votes in Board meetings

\*\* Leeissaranukul family Shareholding

## Directors of Subsidiaries

Director		Subsidiaries		Affiliates
		IAR	KIN	IRV
Mrs. Pimjai	Leeissaranukul	/ , X	/ , X	-
Mr. Hiroshi	Harada	-	/ , // , X	-
Mr. Thanong	Leeissaranukul	/	-	-
Mrs. Porntip	Sethiwan	/	-	-
Mr. Eiichi	Yano	/ , // , X	-	-
Ms. Witchuda	Kupongsak	-	/	/
Mr. Chaowalit	Meethongkum	-	/ , //	-
Mr. Narongchai	Rattanaekkawin	/ , //	/	-
Mr. Katsunori	Ito	//	/	-
Mr. Hiroyuki	Hibi	-	/	-

As of 30 September 2018

## Symbols indicate positions

/ = Director    // = Executive Director    X = Authorized Signatory Director

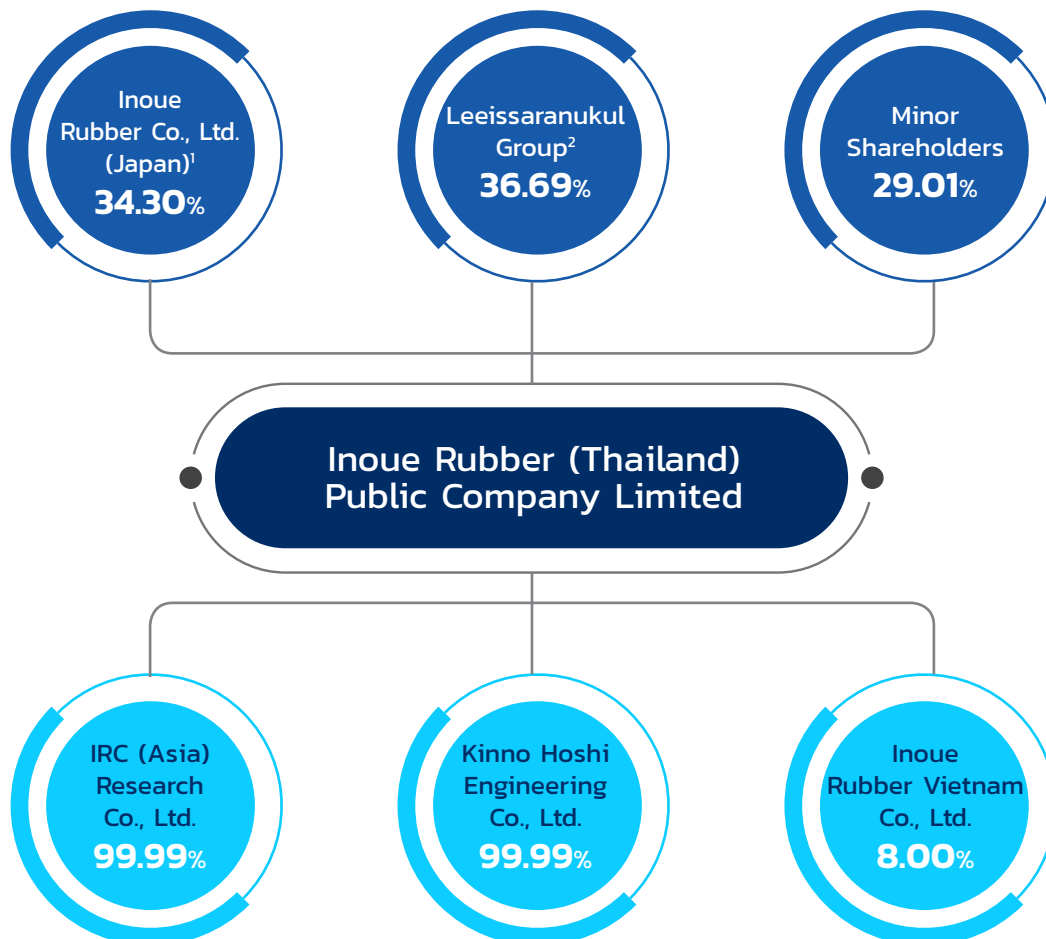
IAR    =    IRC (ASIA) RESEARCH COMPANY LIMITED  
 KIN    =    KINNO HOSHI ENGINEERING COMPANY LIMITED  
 IRV    =    INOUE RUBBER VIETNAM COMPANY LIMITED



# Shareholding Structure

A joint-venture between Leeissaranukul family and Inoue Rubber (Japan), the current major shareholder, is presented in the shareholding structure as follows:

As at December 7<sup>th</sup>, 2018



**Remark:** <sup>1</sup>Major shareholder group who participate in business operation by sending persons to be directors

<sup>2</sup>Leeissaranukul Family including Sopa-Kanok International Co., Ltd, Mrs. Porndee Leeissaranukul, Mr. Thanong Leeissaranukul, Mrs. Pimjai Leeissaranukul, Mr. Apichart Leeissaranukul and Mrs. Pornpip Sethiwan

## Subsidiaries and Joint Venture Business Operation Governance

The Company has the Investment and Management in Subsidiaries policy that shall invest in the businesses that make benefits and encourage the Company's operation in order to strengthen the stability and performance of the Company. Moreover, in case that the Company invests in other companies more than 50% of such company's shareholding, the Board of Directors shall assign the Executive Committee to appoint the

representatives who are the Company's directors or executives to be directors or controlling persons of such subsidiaries, to have the transparent and effective governance and internal control.

## Dividend Policy of the Company

The Company's dividend payment policy is not paying more than 65 percent of net profit of consolidated financial statements after deducting corporate income tax and legal reserve by considering the fiscal year performance.

# Message from Good Corporate Governance and Social Responsibility Committee



(Associate Professor Jaruporn Viyanant)  
The Chairman of Good Corporate Governance  
and Social Responsibility Committee

Dear All Shareholders,

The Board of Directors has appointed the Good Corporate Governance and Social Responsibility Committee, which consists of Assoc. Prof. Jaruporn Viyanant, an independent director, and executives from various departments namely; Mr. Sommai Wandee, Mr. Sunan Lachareon, Ms. Rungtiwa Thongprapaiseng, and Mr. Therdsak Emsem to together perform the duties in good corporate governance and social responsibility as assigned. This is in line with the good governance of the Stock Exchange of Thailand (SET) and the recommendation of the Thai Institute of Directors (IOD), leading to business sustainability and trust among stakeholders.

In 2018, the Committee held 4 meetings every quarter following the plan. Below are the essences of the meetings;

## Good Corporate Governance

- Encouraged shareholders to propose agenda in advance for AGM 2019 during 1-30 October, 2018, which had been announced on the Company's and SET's websites. The proposed agendas would be collected to propose to the Board of Directors' for consideration on November 2018's meeting. However, there was no agenda proposed in advance.
- Reviewed the Handbook of Good Corporate Governance and the CGSR Committee's charter to be compliant with the amendment of the Securities and Exchange Act B.E. 2559, and Corporate Governance Code for Listed Companies, 2017 (CG Code 2017), by the Securities and Exchange Commission (SEC), in order to enhance the Company's good corporate governance policy and principles, as well as to be the best practice for directors, executives, and employees.
- Developed Form 56-1 and Annual Report following the SEC guideline, and Sustainability report on the basis of Global Reporting Initiative (GRI) Standard, as well as adopted the 'Sustainable Development Goals' (SDGs) to encompass the Company's operation with stakeholders to meet and connect with the sustainable development at international level.

## Corporate Social Responsibility

- Anti – Corruption: The Committee had taken part in driving the Company to declare its intention to join the Private Sector Collective Action Coalition Against Corruption or CAC, also encouraging its Executive and Employees of all levels to receive training and comprehended the Anti-Corruption Policy. The Company has put such policy into one of its Annual Training Plan in order to imbued it as the Company's culture, altogether with defined the complaint channel (Whistle Blowing Channel) for fairness to every stakeholder.
- Social and Community Development Activities: The Committee has determined the framework to drive the Company's CSR activities following the sustainable business strategy. The activities focused on the environment and eco-system concern, as well as the well-being of people and communities' development through 7 major projects as following;

1. Activities in “Global” level that promote the sustainably use of energy by reducing the use of energy and the emission of greenhouse gas which are the factors for the Climate Change and the destruction of the earth’s atmosphere; e.g, Zero Waste Policy or Zero Waste through 3Rs processes (Reduce, Reuse, and Recycle) such as energy reduction, create awareness of resources sustainable and worthwhile usage, as well as environmental nourishment through environmental project.
2. Activities in “Community/ National” level where the major projects are Safety Riding Campaign: IRC Care, Supply Chain Development Project, Klongpang Cooperative Fund, and Hai Archeep – Hai Cheevit Project, that the Company extended them as Corporate Social Responsibility (CSR) as well as Creating Shared Value (CSV).
3. Activity “Activity with the Communities” which strengthen the Company’s relationship with the nearby communities both in Rangsit and Wangnoi; for example, Safety Riding Campaign during Festival Project and Activity with the Communities Project.
4. Internal activities of “IRC” such as Food Waste Reduction and Plastic Bag Usage Reduction, which are under the Zero Waste project, creating awareness of reducing general waste inside the Company, as well as activities that focus on creating consciousness both in innovation and continuous sustainability, altogether with health care, living, safety, and knowledge and competency development of the employees.

All of stated activities are disclosed in the Sustainability Report.

#### Pride Awards in 2018

- Received ‘ESG 100 Certificate 2018’ awarded by Thaipat Institute for three consecutive years. The Company was one of 100 companies with outstanding performance in terms of environmental, social, and governance from overall 657 listed companies
- Listed in Thailand Sustainability Investment (THSI) 2018 awarded by the Stock Exchange of Thailand for two consecutive years. The Company was one of 79 listed companies with outstanding performance on Environmental, Social and Governance (ESG) aspects.
- Got “Very Good” CG scoring awarded by the Thai Institute of Directors Association (IOD) in 2018.
- Received Thailand Energy Awards 2018 (Outstanding) for Energy Conservation, Designated Factory from the Ministry of Energy.
- Certified as the Green Industry Level 3 (Green System) by systematic environmental management, monitoring evaluation, and reviewed for continuous improvement from the Mistry of Industry.
- Received Outstanding Establishment on Skill Development Promotion in accordance with Skill Development Promotion Act B.E. 2545 (2002) Award from the Department of Skill Development, Ministry of Labour.
- Received Gold level plaque from the “Zero Accident Campaign” in 2018 for two years consecutively from Occupational Safety and Health Division, Department of Labor Protection and Welfare as the Company at Wangnoi Site achieved 10 million continuing working hours without lost time accident.
- Received awards from customers TOYOTA, ISUZU, MITSUBISHI etc. in various aspects e.g. product quality, safety workplace, and risk management etc.

# Corporate Governance

## Corporate Governance Policy

Inoue Rubber (Thailand) Public Co., Ltd., has established the Corporate Governance Policy (herein called CG Policy) by applying principles and guidelines of the Corporate Governance Code for Listed Companies 2017 of the Securities and Exchange Commission (known as CG Code), Thailand, aligning with the Principles of Good Corporate Governance for Listed Companies 2012 of the Stock Exchange of Thailand (known as CG Principles), also in line with the assessment guideline for the Corporate Governance Report of Thai Listed Companies (known as CGR) of the Thai Institute of Directors (known as IOD). The Board of Directors has reviewed the CG Policy on a yearly basis in order to ensure that the Policy is suitable with current business circumstances. The Company published a manual to facilitate good communication with management and employees and to ensure continuing compliance. The Company monitors compliance of the Code of Conduct through channels for whistleblowing and complaint and reports the result to the Audit Committee on a quarterly basis.

The unapplied topics are as follows;

1. The establishment of a Nomination and Remuneration Committee: However, the Board has applied practice guideline of the Nomination and Remuneration Committee recommended by the Stock Exchange of Thailand (SET) as the Company's practices where every director have fully required qualifications and performed the best following the committees' charters. Additionally, the remuneration of the directors was considered using the other companies' in the similar industry and market capitalization remuneration's information.
2. The meeting attendance shall not be less than 75% of all of the Board of Directors' Meeting per year: Since some of

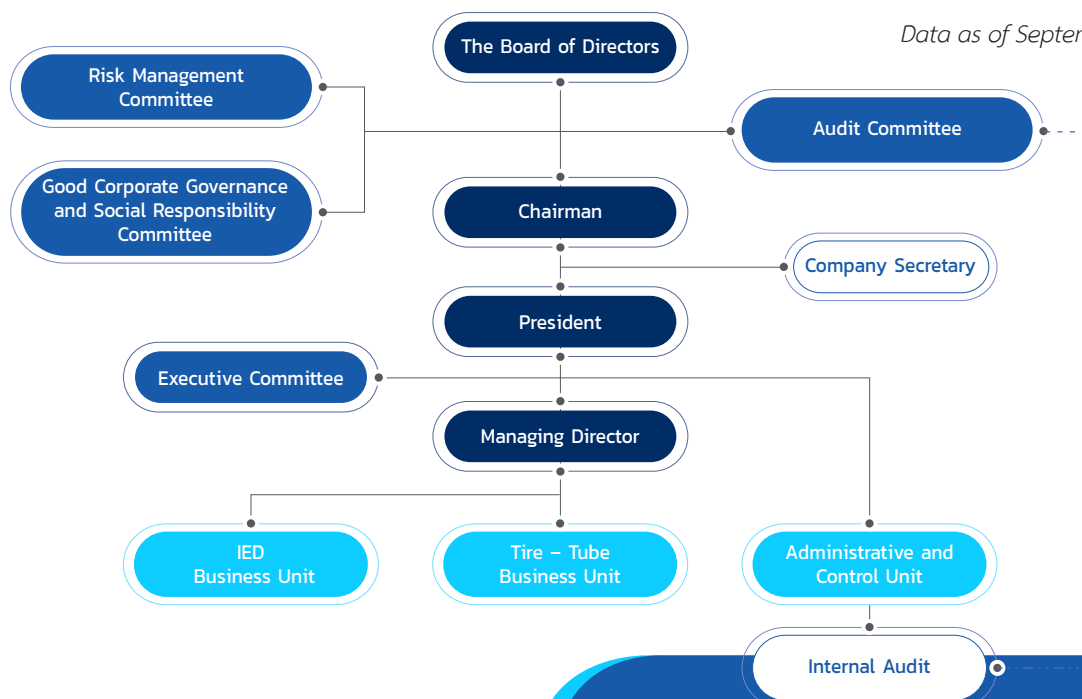
the directors have their residence located abroad, their attendance were less than 75% as mentioned. Anyhow, such directors had performed through concerned reporting channels effectively and supported the Company in many ways. This is considered that those directors' performance was excellent.

3. Non-executive directors are responsible for determining the total compensation of, and performance evaluation criteria for the chief executive officer: However, the current compensation was aligned with the contract that the Company made with related parties, which was considered as Relate Party Transaction. These transactions were audited by the Audit Committee and approved by the Board of Directors

As the Board of Directors has a regular agenda to review the CG Policy on a yearly basis, it could set a plan to implement this topic in the future.

The investors can obtain more details on corporate governance information from its Annual Statement or Form 56-1, or in the Company's website [www.irthailand.com](http://www.irthailand.com) in the page Investor Relations, which covers information on corporate governance and sustain.

Organization structure of the Company includes the Board of Directors and 4 Sub-committees which are Audit Committee, Executive Committee, Risk Management Committee and Good Corporate Governance and Social Responsibility Committee. They are to scrutinize and recommend guidelines on corporate governance and on management of the Company. All directors have freedom to express their opinions on the Company's operations to ensure that business is efficiently, accurately and transparently administered by the management. The Company's organization is shown below:



## Board of Directors

Board of Directors includes at least 5 individual members; at least half of them must reside in Thailand and at least 1/3 and no fewer than three persons must be independent directors. Director nomination applies diversity policy for board structure, for example, skills, experiences, expertise, and in line with the Company's strategy. The nomination process includes information from the Director Pool from IOD as part of consideration.

As of September 30, 2018, the Boards of Directors consisted of 12 members, including 10 non-executive directors, representing more than 4/5 of all members, and 2 executive directors. The Board has 4 independent directors, representing 1/3 of all members, and two of them are female. Independent directors are independent from management and major shareholders.

### Authorized Directors

Authorized Directors are "Mrs. Pimjai Leeissaranukul" or "Mr. Thanong Leeissaranukul" co-signs with "Mr. Hiroshi Harada" or "Mr. Masayuki Inoue" together with the Company's seal.

### Roles, Duties and Responsibilities of the Board of Director

1. To undertake the duties in accordance with laws, objectives and Articles of Association of the Company and resolutions of the Board of Directors' meeting and the shareholders' meeting with due care and integrity and to look after the interest of the Company; furthermore, clearly define the scope of duties and responsibilities for the management;
2. To set the goal, strategy, policy and direction of the Company's business operation together with allocate important resources and supervise the management to ensure efficiency, effectiveness and compliance with the prescribed policies and to achieve sustainable value creation by competitiveness and performance, ethical and responsible business, respect rights and responsibilities of shareholders, stakeholders, social and environment;
3. Provide review of strategy, vision and missions, and corporate values (IRC DNA) which consider changing of environment by encouraging innovation and technology usage that suitable with the Business Ecosystem and consider the needs of customers and stakeholders. It also considers the competitiveness of the business on an annual basis;
4. To arrange a reliable accounting system, financial reports and auditing by settle internal control procedures and suitable internal audit system with consistent follow-up;
5. To approve the quarterly financial statement and propose the shareholders' meeting to consider to approve the annual financial statement, as well as to approve the annual investment budget and to monitor the operating results of the Company, including the major progress in various aspects;
6. To provide advices/suggestions and make a decision with due care on the agenda proposed in the Board of Directors' meeting;
7. To appoint/remove the sub-committee on specific matters as deemed suitable;
8. An independent director is able to provide their independent discretion on the issues and to oppose any act of other directors or the management, if there is any conflict significant to the Company and the shareholders;
9. To arrange a good corporate governance, anti-corruption policy, business conduct and code of conduct for directors and employees as a guideline and to annually review these policies;
10. To approve the importance transactions of the Company such as acquisition or disposal of assets, expansion of the investment projects, determination of the authority to be assigned and any action required by laws and to look after the conflict of interest among stakeholders of the Company;
11. To approve and/or consent on the connected transactions between the Company and its subsidiaries in accordance with related notifications, requirements and guidelines of the Stock Exchange of Thailand;
12. To suspend buying/ selling/ transferring of the Company's securities one month prior to public disclosure of the financial statement and during the period that the Company is undertaking the confidential transaction e.g. increasing in capital, merger and acquisition, or negotiation of new significant projects;
13. To report any securities holding by himself/herself and his/ her spouses and children in the Board of Directors meeting quarterly and to inform the Company Secretary within 3 business days from the first day that securities holding changes, if there is any buying/selling/ transferring of securities of the Company;
14. To report of directors interests annually;
15. To arrange a self-assessment of the director annually;
16. To manage and supervise the Company's intellectual property.

### Responsibilities of the Chairman of the Board of Directors

1. The Chairman of the Board acts as the Chairman of the Board of Directors' meeting and the Shareholders' meeting;
2. To have a casting vote in case the Board of Directors' meeting has a tie vote;
3. To be responsible as the Chairman of the Board of Directors to monitor the operations of the President and other sub-committees to make them achieve the objectives pursuant to the specified plan.



## Audit Committee

Audit Committee consists of 3 independent directors which possess qualifications aligned with the Securities and Exchange Commission's definition. The three Audit Committee members have adequate knowledge and experience to perform the duty in verifying the reliability of the financial statements. One member has education background in accounting.

As of 30 September 2018, Audit Committee composed of 3 members, namely;

Name - Surname		Position
1. Mrs. Anchalee	Chavanich	Chairman of Audit Committee/ Independent Director
2. *Assoc.Prof. Jaruporn	Viyanant	Audit Committee Member / Independent Director
3. Mr.Kittichai	Raktakanit	Audit Committee Member / Independent Director

Notice: \*Audit Committee member who has education background in accounting.

And Ms. Kittunya Naruepracha acts as a Secretary of Audit Committee since 14 September 2018.

### Roles, Duties and Responsibilities of Audit Committee

- To verify and assure that the Company's financial report is accurate and sufficiently disclosed;
- To verify and assure that the Company and its subsidiaries has the internal control system and the internal audit system that is suitable and efficient, incorporate with auditors and internal auditors to consider the independence of the internal audit unit. Throughout giving approval the appointment, transfer and dismissal of the chief of an internal audit unit or any other agency responsible for internal audits. Also approved the annual internal audit plan;
- To verify and assure that the Company has acted in compliance with the law on Securities and Exchange, requirements of the Stock Exchange of Thailand, and other laws in relation to the Company's business;
- To consider, select, propose to appoint, and unemployed an independent person(s) to perform the duty as the Company's auditor. To propose remuneration for that person(s) and to participate in a meeting with the auditors without the management involvement at least once a year;
- To consider connected transactions and any transaction that may have a conflict of interests by referring to the requirements of laws and the Stock Exchange of Thailand, to assure that such transactions are reasonable and resulted in maximum benefits to the Company;
- To review that the Company has a whistleblowing procedure to report fraud as well as inappropriate financial report or other issues. This is to assure that all the complaints will be investigated independently and will acquire the appropriate monitoring;
- To prepare a report of the Committee as disclosed in the Company's Annual Report which must be signed by the Chairman of the Audit Committee and must consist of the information as follows (at least);
  - An opinion(s) about an accuracy, completion and reliability of the Company's financial report.
  - An opinion(s) about the adequacy of the Company's internal control systems including the corruption/ fraud prevention.
  - An opinion(s) about an action in compliance with law of Securities and Stock Exchange, provisions of the Stock Exchange of Thailand or any related laws regarding the Company's business.
  - An opinion(s) about an appropriateness of the auditors.
  - An opinion(s) about any financial transaction that may have a conflict of interests.
  - A total number of the Committee's meetings and each member's meeting participation.
  - An overall opinion(s) or an observation(s) obtained by the Committee from the operation as required in this charter.
  - Other essential information or transactions as deemed to be acknowledged by shareholders and investors under the scope and responsibilities assigned to them by the Board of Directors.
- Any other operation as assigned by the Board of Directors with an approval by the Committee;
- The Committee is able to consult with independent consultant(s) as appropriated with the Company budget.
- To do the self-assessment of the Committee as a whole and the member as an individual annually;
- Any provision or practice regulation or refrainment of practices that are not mentioned in this charter shall be held in accordance with the Company's memorandum of associations, and other laws, as well as the provisions of the Stock Exchange of Thailand and the Securities and Exchange Commission;
- To review the Audit Committee Charter annually to comply with changing conditions and circumstances and propose to the Board of Directors for the approval.

## Good Corporate Governance and Social Responsibility Committee

As of 30 September 2018, the Good Corporate Governance and Social Responsibility Committee consists of 5 members as follows:

Name - Surname		Position
1. Assoc.Prof. Jaruporn	Viyanant	Chairman of the Committee
2. Mr. Sommai	Wandee	Member
3. Mr. Sunan	Lachareon	Member
4. Ms. Rungtiwa	Thongprapaisaeng	Member
5. Mr. Therdsak	Emsem	Member

### Roles, Duties and Responsibilities of Corporate Governance and Social Responsibility Committee

- Propose policies and guidelines that concern the good corporate governance and social responsibility to the Board;
- Consider and review the good corporate governance and social responsibility policies and guidelines to keep them comply with the related laws and regulations, other international guidelines, as well as recommendations from related institutes e.g. the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET);
- Review the Company's performance of good corporate governance and social responsibility. The Chairman of good corporate governance and social responsibility committee, or a person who is assigned by the Chairman shall report the resolutions and performance of the Committee to the Board;
- Follow and report any issues or possibilities that may affect the Company on the subject of good corporate governance and social responsibility to the Board;
- The Chairman of Good Corporate Governance and Social Responsibility Committee or a person who is assigned by the Chairman shall review and agree to disclose the annual good corporate governance and social responsibility report;
- The Committee may invite the Company's directors, executives, employees, or third parties to attend the meeting on related issues;
- Review and amend the charter of the good corporate governance and social responsibility committee to keep it accord with present circumstances and environment by propose to the Board for approval;
- Propose the Management to appoint a working team to support, monitor and report the performance of the Management that related to the policies and important strategies of the good corporate governance and social responsibility as appropriate;
- The Committee shall responsible for any good corporate governance and social responsibility mission as assigned by the Board.

## Risk Management Committee

As of 30 September 2018, the Risk Management Committee consists of 8 members namely;

Name - Surname		Position
1. Mr. Surong	Bulakul	Chairman of the Committee
2. Mr. Hiroshi	Harada	Vice Chairman of the Committee
3. Mr. Chaowalit	Meethongkum	Member
4. Mr. Narongchai	Rattanaekkawin	Member
5. Mr. Suchart	Kootiratrakarn	Member
6. Mr. Buncha	Yutthaworakool	Member
7. Ms. Praewphan	Songhong	Member
8. Mr. Surachai	Chaichalermpong	Member

### Roles, Duties and Responsibilities of Risk Management Committee

1. Propose and scrutinize the Company's risk appetite and risk management policies that are consistent with the Company's mission, strategy, good governance, as well as risk appetite to the Board of Directors for approval; moreover, scrutinize the review of the risk management policies annually to ensure that it conform to and is suitable for the current business circumstances;
2. Oversight, control, and monitor the Company to have risk identification through consideration of internal and external factors that may cause the Company be unable to achieve its objectives, then propose to the Board of Directors to acknowledge;
3. Oversight, control, and monitor the assessment of impact and likelihood of identified risks in order to be prioritized, as well as have appropriate risk response covering all types of risks and provide recommendations for the Company regarding risk prevention and risk reduction to be at the appetite level;
4. To monitor the Subsidiaries to have the risk management that is suitable and efficient.
5. Formulate strategies aligning with the policies, evaluate and monitor the Company's risks to be at the appropriate level for the business operation;
6. Report the Company's significant risks, risk status, risk response procedures, risk management progress, and risk management results to the Board of Directors regularly;
7. Give opinions and recommendations to the Company if it requires external risk management consultant in order to provide independent recommendations regarding the risk management framework, scope, and operation;
8. Communicate to exchange information and coordinate with the Company's internal control unit;
9. Encourage and support the communication about risk and innovation in every aspect to all employees;
10. Report the Committee's progress and performance to the Board of Directors to acknowledge and/or consider on quarterly basis;
11. Review and amend the charter of the Risk Management Committee to keep it conforms to the current circumstances and environment, and propose to the Board of Directors to approve;
12. Consider the appropriated acquirement of suggestion from independent professionals with the Company's financial support;
13. Be responsible for other missions related to risk management assigned by the Board.

The Company separated the responsibility of the Executive Committee whose is the Management, clearly from the Board of Director as follows;

### Executive Committee

As of 30 September 2018, the Executive Committee consists of 11 members are as follows:

Name - Surname		Position
1. Mr. Hiroshi	Harada	Chairman of Executive Committee
2. Mrs. Pimjai	Leeissaranukul	Vice-Chairman of Executive Committee
3. Mr. Takeshi	Arakawa	Member
4. Ms. Witchuda	Kupongsak	Member
5. Mr. Chaowalit	Meethongkum	Member
6. Mr. Suchart	Kootiratrakarn	Member
7. Mr. Narongchai	Rattanaekkawin	Member
8. Mr. Katsunori	Ito	Member
9. Mr. Shigeyuki	Hosokawa	Member
10. Mr. Hiroyuki	Hibi	Member
11. Mr. Hirozo	Mizuno	Member

### Roles, Duties and Responsibilities of Executive Committee

1. To conduct and/or manage the daily business operation in accordance with laws and standards, including policies, action plan, targets, requirements and regulations of the Company prescribed by the Board of Directors;
2. To strictly, honestly and carefully conduct and manage the operation in accordance with the resolutions of the Board of Directors altogether with the approved budget by consideration on the interest of the Company and the shareholders;
3. To report the operating performance of the Company to the Board of Directors' meeting quarterly and to review the operating results periodically for a quick resolution to achieve the business targets;
4. To assess and screen the major investment projects and the annual budget prior to the submission to Board's consideration;
5. To undertake the work in accordance with the good corporate governance principles prescribed as a guideline by the Board of Directors;
6. To approve that appointment of persons of directors, executives or controlling persons to the subsidiaries, to have transparency and effective good governance and internal control, aligned with the company's benefit and the Investment and Management in Subsidiaries policy;
7. To suspend buying/ selling/ transferring of the Company's securities one month prior to public disclosure of the financial statement and during the period that the Company is undertaking the confidential transaction e.g. increasing in capital, merger and acquisition, or negotiation of new significant projects, etc.;
8. To report any securities holding by himself/ herself and his/ her spouses and children in the Board of Directors meeting quarterly and to inform the Company Secretary within 3 business days from the first day that securities holding changes, if there is any buying/ selling/ transferring of securities of the Company;
9. To prepare a report on the conflict of interest of the management annually and the results of the anti-corruption investigation to the Audit Committee (follow the guidelines for joining the Thailand's Private Sector Collective Action Coalition Against Corruption: CAC project);
10. To manage the information system and intellectual property including the Company's important commercial information;
11. To refrain from any reveal of Company's business transaction and/or intellectual property to third party without consent and/or oppose to Code of Conduct for Director and Employee and which affect the Company's business.

### Executives

As of 30 September 2018, the Company's executives per definition of the Capital Market Supervisory Board are following:

Name - Surname		Corporate Position
1. Mr. Hiroshi	Harada	President
2. Mrs. Pimjai	Leeissaranukul	Chairman
3. Mr. Takeshi	Arakawa	Managing Director
4. Ms. Witchuda	Kupongsak	Executive Director of Administrative and Control Unit
5. Mr. Shigeyuki	Hosokawa	Executive Director of Tire and Tube Business Unit
6. Mr. Katsunori	Ito	Executive Director of IED Business Unit
7. Ms. Praewphan	Songhong	Accounting and Finance Division Manager

### Company Secretary and Chief Financial Officer

The Board of Directors appointed Ms. Kittunya Naruepracha as the Company Secretary on November 9, 2018. Ms. Kittunya Naruepracha graduated from the field of economic with well experience of the Assistant to the Company Secretary. Ms Kittunya Naruepracha has improved the proficiency in the part of the Company Secretary continuously, altogether with participated in training courses that related to the position in 2017. The Company Secretary is responsible in giving

consultation and reviewing the preparation and retention of documentation of the Company and the Board in accordance with the Section 89/15 – 89/17 of the SEC Act. Furthermore, the Company appointed Ms. Praewphan Songhong as the CFO of the Company, who is responsible for controlling the accounting transaction to be complied with the accounting standard and other concerned regulations.

### Remuneration and Meeting Participation of the Board and Sub-committees

In 2018, the Company held 1 meeting of Shareholders, 8 meetings of the Board of Directors, 7 meetings of the Audit Committee, 4 meetings of the Good Corporate Governance and Social Responsibility Committee and 4 meetings of the Risk Management Committee. The Company also held 2 meetings of the non-executive directors to discuss topics in relation to sustainable development and topics of interest. In 2018, the selected topics are price situation of natural

rubber, export trend and innovation. (The details are shown in the Table)

### Monetary Remuneration for the Board and Sub-committees

At the AGM 2018, held on 29 January 2018, the shareholders approved director remuneration according to position which consists of yearly retention fee plus transportation allowance at Baht 10,000/ person/ meeting and no other kind of remuneration with the following details;

Chairman of Audit Committee	450,000	Baht/ person/ year
Chairman of Risk Management Committee	200,000	Baht/ person/ year
Chairman of Good Corporate Social and Responsibility Committee	200,000	Baht/ person/ year
Independent Directors	500,000	Baht/ person/ year
Director	300,000	Baht/ person/ year

(Remark : No remuneration for the executives who are not directors.)

Determination of director remuneration is based upon the principles of suitability and transparency, upon comparison with the similar industry, level of incomes and size of business. The proposed remuneration maintains benefits of directors in an appropriate level while the Company can retain and attract qualified directors.

### Other kinds of remuneration for Directors

- None -

Table: Remuneration and Meeting Attendance of Directors and Sub-Committee Members

Name of Director		Position	Number of Meeting Attendance in FY 2018						Remuneration* (Baht)
			AGM	BOD	AC	EXCOM	CGSR	RMC	
Mrs. Pimjai	Leeissaranukul	Chairman	1/1	6/6	-	6/6	-	-	367,000
Mr. Hiroshi	Harada	President/ Vice Chairman of RMC	1/1	6/6	-	6/6	-	4/4	389,500
Mr. Vichit	Vuthisombat	Ex-Chairman of AC/ Independent Director	1/1	6/6	3/3	-	-	-	559,264
Mrs. Anchalee	Chavanich <sup>1</sup>	Chairman of AC/ Independent Director	-	2/2	4/4	-	-	-	521,171
Mr. Kittichai	Raktakanit	Member of AC/ Independent Director	1/1	8/8	7/7	-	-	-	632,500
Assoc.Prof. Jaruporn	Viyantant	Member of AC/ Independent Director/ Chairman of CGSR Committee	1/1	8/8	7/7	-	4/4	-	836,500
Mr. Surong	Bulakul	Independent Director/ Chairman of RMC	1/1	7/8	-	-	-	4/4	768,500
Mr. Soichi	Inoue	Director	-	-	-	-	-	-	255,000
Mr. Masayuki	Inoue	Director	1/1	1/8	-	-	-	-	272,000
Mr. Thanong	Leeissaranukul	Director	1/1	8/8	-	-	-	-	386,000
Mr. Apichart	Leeissaranukul	Director	1/1	7/8	-	-	-	-	376,500
Mrs. Porntip	Sethiwan	Director	1/1	8/8	-	-	-	-	386,000
Mr. Kazuo	Sato	Director	1/1	3/8	-	-	-	-	331,020
Total (Baht)									6,080,955

Remark: \* Calculate from net payment in FY2018 as a position of Director only

<sup>1</sup> Mr. Vichit Vuthisombat resigned from the BOD on February 14, 2018 and replaced by Mrs. Anchalee Chavanich on February 14, 2018.

## Remuneration for Executives

During the fiscal year 2018, the Company paid remuneration to the executives under definition of the Securities and Exchange Commission for Baht 49.55 million, comprised of salary, bonus, provident fund, social security fund and other welfares.

## Employee

As of 30 September 2018, numbers of employees of the Company and its subsidiaries which were classified by business units, are following;

Business Unit	Number of Employees (person)
Administrative and Control	151
Motorcycle Tire – Tube	766
Industrial Elastomer Parts	615
IRC (Asia) Research Co., Ltd.	123
Kinno Hoshi Engineering Co., Ltd.	24
Total	1,679

Remark: During last 3 years, the Company and its subsidiaries do not have labor dispute nor significant change of number of employees.

During the fiscal year 2018, the Company and its subsidiaries paid employees totaling Baht 857.59 million in term of salary, bonus, provident fund, social security fund and other welfares.

## Employee Remuneration Policy

The Company defines the employee remuneration regarding to the employees' privilege and welfare under the principles of fairness and non-discrimination and in line with the employees' performance evaluation, labor market situation, and the Company's performance.

## Corporate Governance Policy

### Section 1 Right of Shareholders

The Company emphasizes the rights of shareholders as the owners of the Company; therefore, this policy was announced to be the practice guideline. All groups of shareholders, either retail investors or institutional investors are encouraged to exercise their fundamental rights, e.g. receipt of adequate and in a timely manner information either via the SET's or the Company's website or other channels, attendance at shareholders' meetings to acknowledge the Company's annual business performance and voting rights at the shareholders' meetings to approve important issues as determined by law such as directors' remuneration e.g. the appointment of the auditor and determination of the auditor's fee, dividend payment or suspension of dividend payment and making enquires or comments on the issues that the Board of Directors presents or requests for approval at the shareholders' meeting, etc.

### Shareholders' Meetings

The Company will conduct an annual general meeting of shareholders within 4 months since the last day of the Company's fiscal year. The Company might hold more meetings if it is necessary and appropriate. The Company

Secretary performs its duty of policy compliance of which shareholders' meetings are called and conducted as required by law and in accordance with the guidelines for shareholders' meetings as specified by the SET. The Company's auditor and a legal consultant who act as independent parties are allowed to attend the shareholders' meeting to count and inspect the vote. To encourage the rights of shareholders, the Company opens the channel for qualified shareholders to propose an agenda/agendas, director candidates, and questions in advance for inclusion in the annual general meeting of shareholders during 1-31 October of each year so that the Company shall gathered and proposed to the Board of Directors for consideration through the Company's website and email: [ir@irc Thailand.com](mailto:ir@irc Thailand.com).

### Sending Invitation Letters and Shareholders Facilitation

The Company assigns Thailand Securities Depository Company Limited which acts as a securities registrar to deliver the invitation letter at least 21 days prior to the meeting date, including publish on the Company's website at least 30 days in advance. Therefore, the invitation letter will need to state the place, date, time, and agenda of the meeting with enough supporting information for each agenda to shareholders in order to allow shareholders enough time to study the information. The information includes objectives and reasons for each proposed agenda with comments of the Board of Directors on each agenda. There shall be no hidden agenda or other agendas not stated in the invitation letter to the shareholders' meeting for the consideration and approval of the shareholders, except for urgent matters that are known after the invitation letter is sent. The Company will send an English version of the invitation letter and supporting documents to foreign shareholders. The Company also publishes the invitation letter together with supporting documents on the website prior to the meeting date. The invitation letter shall be announced via a Thai newspaper for 3 consecutive days before the meeting date.



To preserve the rights of shareholders who are inconvenient to attend the meeting in person, the Company sends the proxy form together with the invitation letter and clearly specifies the list of documents and evidences required for the appointment of a proxy. The shareholders can assign representatives or independent directors to attend the meeting and cast the vote on their behalves. The Company will state in the invitation letter the name of at least 1 independent director, whom a shareholder can give proxy to.

In addition, the Company uses the barcode system for registration and vote counting in order to increase shareholders' transparency and facilitation. The Company allows shareholders to register 2 hours before the meeting and extends registration time before final agenda consideration. There are the Company's staff to welcome and facilitate shareholders and prepare revenue stamps for those who appoint their proxies.

### During and After Shareholders' Meeting

Before open the meeting, the Chairman of the meeting will introduce the Board of Directors, the Company Secretary, the external auditor and the legal consultant who act as the moderator to the meeting. The Company Secretary will inform the meeting about the voting procedures and vote counting in the meeting. After the information has been provided for each agenda, the Chairman of the meeting will give floor to all attendants to express opinions or enquiries relevant to the agenda equally. The enquiries will be answered clearly and precisely and given adequate time for debate. For the agenda on the appointment of directors, the shareholders will vote for each director individually and separately.

The Company arranges for use of ballots to support the barcode system on every agenda item which requires vote casting for transparency and inspection can be made.

The minute of the shareholders' meeting will be completely recorded and can be reviewed by shareholders. The resolutions of the meeting are also to be clearly recorded with details of approved, non-approved, and abstention votes for all agenda items which require a vote, as well as recording opinions, questions and answers to the material questions relating to each agenda item. The Company will summarize the resolutions and disclose on the SET's website within 9.00 a.m. of the following business day. The minutes of the shareholders' meeting will be submitted to the SET within 14 days, as well as published on the Company's website.

## Section 2 Equitable Treatment of Shareholders

### The Use of Inside Information

The Company realizes the importance of the protection of inside information usage for their own or the other's benefits of directors, executives, and employees. Therefore, the Company has provided the guideline of the use of insider information and monitored feedback regularly which includes in a handbook of business morality and employee's code of

conduct. The Board of Directors, executives and employees shall practice rules and regulations of the Office of the Securities and Exchange Commission and principles of good corporate governance. Important issues are summarized as follows:

- Directors executives and related person as stated in Section 89-1, the Securities and Exchange Act B.E. 2535, must report changes in securities holding of the Company to the SEC according to Section 59 of the Securities and Exchange Act B.E. 2535 within 3 business days from the first day that securities holding changes. They must also provide a copy of such report to the Company Secretary in order to gather, submit a summary and propose to the Board of Directors' meeting quarterly.
- Directors, executives and employees cannot use inside information in securities trading of the Company and cannot disclose inside information to outsiders or people who are not related before thoroughly reveal to the public via the SET. The Company has the prevention of the improper use of inside information policy as follows:
  - Do not allow the insider persons to sell/ buy/transfer the Company's securities a month before the annual and quarterly financial statements' disclosure.
  - Abstain from selling/buying/transferring the Company's securities after the information disclosure to the public at least 24 hours or 48 hours in case of the complexity of the disclosed information so that shareholders shall have proper time to analyze such disclosed information.

### Protection of Minor Shareholders' Rights

The Company will deliver the invitation letter and define agendas of the meeting approved by the Board of Directors in advance. The Company will not include additional agendas of the meeting which are unnecessary, particularly important agendas that the shareholders need time to study information before making a decision. In election of director agenda, shareholders can exercise right to appoint directors individually.

### Conflict of Interest

The Board of Directors sets the written policy and guidance of conflict of interest and include in the handbook of business morality and employee's code of conduct. The Company has the policy to follow the guideline of the SET and Securities and Exchange Act for the highest benefit. Employees at all levels have duty to consider and resolve conflict of interest cautiously and follow the principle of honesty, integrity and rationality. Employees are also independent within good morality and disclose complete information for the Company's benefit as a whole mainly.

### Report on Interests of Directors and Executives

The Company requires directors and executives to report their trading or holding of securities to the Board of Directors quarterly. All directors and executives are required to report to the Company their own interests or those of their related parties. Criteria, Conditions and procedures for Reporting Interests of Directors and Executives of the Company under Section 89/14 of the Securities and Exchange Act (No. 4) 2008 as follows;

- 1) The Company requires directors and executives to report their trading or holding of securities to the Board of Directors quarterly. All directors and executives are required to report to the Company their own interests or those of their related parties.
- 2) The preparation of the report on interest of Directors which is related to the management of the Company or its subsidiaries. The criteria, conditions and procedures for reporting Interests of Directors and Executives of the Company under Section 89/14 of the Securities and Exchange Act (No. 4) 2008 as follows;
  - Directors and executives must report to the Company on their own interests or related persons which is a related party to the management of the Company or its subsidiaries.
  - In case the directors and management are appointed to be new directors, submit the report of interest of such director and executive to the Company Secretary within 15 working days from the date of his / her appointment.
  - If there is any change in the information in the report of interest related to the management of the Company or subsidiaries of directors and management, the directors and executives shall inform and submit the report on their interest or related party changes to the Company Secretary within 15 days from the date of the change of information on such interest.
  - The Company Secretary must send a copy of the Report of Interests to the Chairman and the Chairman of the Audit Committee within 7 working days from the date of receipt of the report.
  - Notify Information on shareholding in other juristic persons, the Directors and Executives (Including the shareholding of relevant person). Report on the shareholding in other juristic person in the case where shareholding is more than 25% of the total voting shares of that juristic person.
- 3) Meeting attendance of interests' directors

The Board of Directors has a policy to prohibit directors and executives who are connected persons or having interest in matters to be considered for attending the meeting or voting for the consideration of the agenda.

### Section 3 Role of Stakeholders

The Company is aware of the role of stakeholders and emphasizes the rights of all groups of stakeholders, i.e. shareholders, employees, customers, business partners and/or creditors, competitors, social and environment, as well as the public and the community, by ensuring that they are treated properly, equitably and fairly. The Company believes that the good relationship with all groups of stakeholders is significant for long-term achievement and sustainable growth of the Company's group. Therefore, the Company has set the written policy in the Handbook of Business Conduct and Code of Conduct for Directors and Employees.

In addition, the Company has provided a communication channel for stakeholders and related groups to express opinion and complaint on issues that cause damage to the Company and are related to external environment. The Company will improve, fix and find the solution for the complaint in order to incite stakeholders and all related parties to get along sustainably. The Company's Environment Management System Steering Committee will propose opinions and complaints of stakeholders to the Corporate Good Governance and Social Responsibility Committee's meeting that has duty to review and scrutinize information before proposes to the Chairman and the President.

#### Corporate Social Responsibility: CSR

The Company defines vision and appoints Good Corporate Governance and Social Responsibility Committee to concentrate on being responsible for society which affects development and publicity of quality products, sustainable maintenance of standard system, and continuous and systematic conservation of energy for suitable benefit to society.

#### Complaint Report

A special or confidential channel has been arranged for all groups of stakeholders to keep those using the whistleblowing channels safe when the information or clues about offense, embezzlement, corruptions/ fraud, or violation of rights has been informed. The Company will take the safety of the complainer into account. Hence, there are many channels for complainers to choose whether disclose themselves or not, if fear of danger or threat. Complainers can report to Chairman and/or Company Secretary via following the channels stated in "Whistleblowing Policy". Complainers can be assured that the company will keep their information confidential.

### Section 4 Disclosure and Transparency

The Management has to report the Board of Directors immediately, if there is doubt or if there is serious corruption/ fraud, illegal actions or other unusual practices which may affect the Company's reputation or financial position significantly. The Management also presents significant deficiencies with solutions and problem solving progress to the Board of Directors/ Audit Committee for consideration within proper period.

The Company has duty to fully, sufficiently, reliably and on a timely basis disclose financial and non-financial information to all shareholders and stakeholders to ensure equal treatment.

The Company has the policy to disclose significant both financial and non-financial information to the public, namely financial status and business performance and major shareholders. The Company also reveals information in the annual report such as the number of the Board of Directors' meeting, profiles of the Board of Directors and executives, and the criteria for determining the remuneration of the directors as well as the Company's operation in social and environment together with related activities. Therefore, investors and stakeholders can acknowledge and consider information via the SET's publicity channels and the Company's website.

Additionally, there are channels for shareholders, institutional investors, retail investors, analysts and related sectors to contact Investor Relations Department as follows:- Tel:02-996-0890, and email: ir@ircthailand.com.

### Section 5 Responsibilities of the Board

The Company's Board of Directors, Audit Committee, Executive Committee, Good Corporate Governance and Social Responsibility Committee, and Risk Management Committee are to scrutinize and recommend guidelines on corporate governance and on management of the Company. All directors have freedom to express their opinions on the Company's operations to ensure that business is efficiently, accurately and transparently administered by the management. The Company uses CG Handbook as a transparent working framework for the Board and sub-committees. The CG Handbook follows 5 CG Principles of SET as presented in this report.

### Meeting

The Company will conduct the Board's meeting in order to follow-up the business operation and approve issues related to vision, mission, strategy, risk, plan of action, budget and other matters that affect the Company. The Company will also hold the Board meeting not less than 6 times a year and hold the Non-Executive Directors meeting (NED meeting) at least once a year. The Company Secretary is assigned to set up the annual meeting plan in advance and propose to the Board of Directors' meeting on November of every year.

As for stipulation of meeting agendas, the Company Secretary is assigned to propose the draft of meeting agendas to Chairman of the Board, President, and representative of independent directors to consider and make a decision on the agendas proposed in the Board of Directors' meeting. They also have to ensure that important issues are included and give an opportunity to each director to independently present subjects which are beneficial to the Company to be the agendas proposed in the meeting. After the meeting agendas are scrutinized by Chairman of the Board, President

and Independent Director representative, the Company Secretary has to deliver the Board of Directors' meeting invitation letter not less than 14 days and supporting documents not less than 7 days before the meeting day.

The Chairman of the Board has to allocate enough time for directors to discuss important issues, encourage directors to use discretion carefully and pay attention to all subjects proposed in the meeting as well as the good corporate governance. The Executive Committee is invited to attend the Board of Directors' meeting in order to provide supporting information for the directors' consideration.

In the Board of Directors' meeting, there shall be at least one half of the total number of directors to effect a quorum. In the case where the Chairman is absent at the meeting or unavailable to act, the Board of Directors at the meeting shall select one of the Directors as the Substitute Chairman the meeting. Anyhow, the definite decisions of a meeting shall be made by majority votes. Each director shall have one vote except that the director who has any interest on the voting issue cannot give his/ her vote.

### Qualification of Directors

1. Qualifications mentioned under the notification of the Capital Market Supervisory Board;
2. Have a solid knowledge, expertise and experience considered beneficial to the Company;
3. Be determined and have an ethical mind in running business;
4. Must not be a director or a co-executive of a related company and/or organization, which is the rival business to the company;
5. Take a position of a director in not more than 5 listed companies and not more than 6 affiliated companies of any listed companies;

### Definition of Independent Directors

1. Not holding shares exceeding 0.5% of the total shares with voting rights of the Company, its parent company, its subsidiary, its associated company, or any potential conflicting person, which shall be inclusive of the shares held by those related persons;
2. Not being nor having been a director participating in the management, employee, officer, consultant who receives regular salary, or a controlling person over the Company, its subsidiary company, its associated company, its parallel subsidiary company, or potential conflicting person, excepting that he/she has no such characteristic for at least two years before the date of filing of the application with the Office;
3. Not being a person related by blood or by registration under laws, such as father, mother, spouses, siblings, and child, including spouses of the child, of executives, major shareholders, controlling persons, or persons who will be

nominated as executives or controlling persons of the Company or its subsidiary;

4. Not having nor having had any business relationship with the Company, its parent company, its associated company, or any potential conflicting person as might interface with his/her use of independent discretion, including not being nor having been a major shareholder, or a dependent director, of a person who has a business relationship with the Company, its parent company, its subsidiary company, its associated company or potential conflicting person except that he/she has no such characteristics for at least two years before the date of filing of the application with the Office;
5. The business relationship mentioned in the above paragraph includes any trading transaction in the ordinary course of business, granting and taking a lease of real property, any transaction relating to assets or services, the grant or acceptance of financial assistance by way of loan, guarantee or deposit of assets as security for the performance of obligations and other similar transactions to the effect that an applicant or a party must pay a debt to the other parties in the amount equal to 3% or more of its net tangible assets or Baht 20 million or more, whichever is lower. The calculation of connected transaction values as prescribed by Notification of the Capital Markets Supervisory Board Re: Disclosure of Information and Act of Listed Companies Concerning the Connected Transactions apply mutatis mutandis to the method used to calculate the amount of such indebtedness. In this connection, any indebtedness incurred during one year before the date on which the business relationship with the same person arose must be included.
6. Not being nor having been an auditor of the Company, its parent company, its subsidiary company, its associated company, or potential conflicting persons, and not being a major shareholders, a dependent director, and executive, or partner of the auditing firm employing and auditor of the Company, its parent company, its subsidiary company, its associated company, or potential conflicting persons except that he/she has no characteristic for at least two years before the date of filing of the application with the Office;
7. Not being nor having been any professional services providers including a legal advisor or a financial advisor, obtaining service fees of more than Baht 2 million per annum from the Company, its parent company, its subsidiary company, its associated company, or potential conflicting persons. If a professional adviser is a legal entity, this will include a major shareholder, a dependent director, an executive, or a partner of such professional services provider except he/she has no such characteristic for at least two years before the date of filing of the application with the Office;

8. Not being a director appointed to represent any director of the Company, a major shareholder, or a shareholder who is a related person of the Company's major shareholders;
9. Not having any other characteristics which make it incapable of expressing an independent opinion with regard to the Company's operation.

#### Board and Sub-Committees Performance Assessment, Criteria and Procedures

1. The Board of Directors sets a responsibility to do annual self-assessment on the knowledge, skills, and specific experiences of the directors (Board Skill Matrix) which benefit to the Company's business, together with the annual self-assessment on a group and individual basis, including all sub-committees.
2. The Board and sub-committees have standing agenda to do an annual review of the above-mentioned assessment forms. The assessment forms adopt practical guideline of the SET, accept for the case of Audit Committee, the form adopts practical guideline of SEC.
3. The Board and sub-committees do the self-assessment. Secretaries to the Board and sub-committees summarize the result and propose to the Board and the sub-committees for review. The Board and the sub-committees will consider comments and recommendations in relation to their performance in order to do continuing efficiency improvement.

#### Board and Management Development

The Company regularly and continuously encourages and supports directors, executives and Company Secretary to get training and enhance knowledge in order to gain more information in performing duty in different courses and seminars such as of Thai Institute of Directors Association.

The Board of Directors also assigns the Company Secretary to coordinate with the Board and executives in order to inform training courses. If there is a new director, the Company Secretary has duty to deliver a Handbook of Listed Company, a Director's Handbook of Listed Company, duties and responsibilities of the Board, Company's Articles of Association, Public Law, The Securities and Exchange Act, Good Corporate Governance Policy and Code of Conduct.

New directors will be introduced the corporate overview, SET operations, Strategic plans, legal, regulations, and directors' code of conduct. The top executives and the secretary of the board presented the information before the first meeting of the new director. The Company is responsible for the management and development of personnel to be knowledgeable in the operational continuously.

#### Director Selection and Succession Plan

For the director selection, the Board of Directors defines the qualification of director candidates to harmonize with the Company's strategy in business operation by

considering the Board Skill Matrix together with the composition based on the Board diversity, including knowledge, skills, experiences, ages, and genders of directors. Additionally, the Company shall adopt the director pool database prepared by the Thai Institute of Directors Association in the director selection process to ensure that a candidate for a director or an executive is qualified and independent as well as has proper experience before proposing the Board of Directors or shareholders to consider to appoint. Anyhow, the Board of Directors shall consider the appointment of a director in replacement of the resigned director with the remaining term in office. For a new director and/or a director who completes his/her term in office shall be appointed by shareholders.

Besides, the Company has the succession plan under the selection and evaluation on skills and qualifications in the Company's key positions to ensure that the Company will have qualified executives to carry on the Company's achievement onwards.

#### Nomination criteria and process

- 1) Consider the suitability of knowledge, experience, and expertise that is beneficial to companies with experience in the core business or industry of the Company. The Board of Directors has the required composition as a Board Skill Matrix, which makes the nomination process consistent with the Company's business direction;
- 2) Considering the dedication of the directors. If the former director resigns for another term, may be considered by the performance during the term in office. It should also consider the number of companies in which each director will be appointed to suit the profile or condition of the company which should not exceed 5 listed companies to ensure that performance is not compromised;
- 3) Consider the term in office of the independent director. If the former independent director will return for another term, the term in office should continue from the date of being appointed to the position of independent director not more than 9 years. In case of appointment of an independent director for another term, should consider reasonably.

#### Remuneration for Auditor

##### Appointment of Auditor

The Annual General Meeting of Shareholders is to appoint external auditors and fix audit fees for the Company's and its subsidiaries. The Audit Committee selects and proposes the external auditor together with the audit fee to the Board of Directors before the Board proposes the same to the Annual General Meeting of Shareholders for consideration and approval.

Selection criteria includes the review of auditing firms and external auditors, which are independent with no conflict of interest with the Company, the management, major shareholders or related persons. In addition, the auditing firm shall rotate the external auditor in order to align with the notification of the Capital Market Supervisory Board if the former auditor has reviewed, audited and expressed an opinion on the financial statements of the Company for 5 consecutive years.

##### Audit fee

The Company's and its' subsidiaries' financial statements of the fiscal year 2018 were reviewed and expressed an opinion by Ms. Noppach Apichartsatien, Certified Public Accountant No.5266 of PricewaterhouseCoopers ABAS Limited (PwC). The Company and its subsidiaries paid audit fee for the fiscal year 2018 as follows:

Company	Audit Fee (Baht)
Inoue Rubber (Thailand) Public Company Limited	1,283,640
IRC (Asia) Research Co., Ltd.	240,660
Kinno Hoshi Engineering Co., Ltd.	240,660
Audit Fee for BOI business (4 businesses @ 64,000 each)	259,200
Out of Pocket Expenses	194,090
Non-audit fees	25,000
<b>Total</b>	<b>2,243,250</b>



# Message from Risk Management Committee



(Surong Bulakul)

Chairman of the Risk Management Committee

Dear All Shareholders,

Inoue Rubber (Thailand) Public Company Limited has effectively realized and prioritized risk management across the organization to build the trust with stakeholders. The Company has conducted risk management employing with the changes of economic, industrial and surrounding situations through the supervision of the Company's Risk Management Committee, which consists of 8 knowledgeable luminaries who are skilled in risk management: Mr. Surong Bulakul as a Chairman, Mr. Hiroshi Harada as a Vice Chairman, Mr. Chaowalit Meethongkum, Mr. Narongchai Rattanaekkawin, Mr. Suchart Kootiratrakarn, Mr. Bancha Yutthaworakool, Mr. Surachai Chaichaluempong and Ms. Praewphan Songhong as a director. The Risk Management Committee has been performed duties under the mission and roles as assigned by the Board of Directors to become a part

of Good Corporate Governance and to stably support the business operation. In 2018, 4 Risk Management Committee's meeting were held. The significant issues are summarized as follows;

1. Scrutinize and review the Company's risk management policy to ensure that it is consistent and appropriate with the current business circumstance
2. Supervise and consider the risk management of the Company, which include the risk identification, analysis and assessment based on both internal and external factors which may affected the Company's achievement, as well as establish the risk management measures and follow up the risk management result in order to manage the risk at the appetite level and to achieve the Company's goals
3. Provide guidance on Company's risk management to the risk management working team for effective operation onwards
4. Review the roles and duties of the Risk Management Committee for systematic and effective risk reporting
5. Review the Risk Management Committee Charter in accordance with the CG Code 2017
6. Promote and support risk and innovation education and activities to whole employees thoroughly
7. Push forward the innovation and provide suggestion toward new technology changes and product development. In 2018, the Company has invented new innovations around 26 projects, which brought about the productivity up around 53,631,520 baht
8. Report the progress and performance of the Risk Committee to the Board of Directors on a quarterly basis

Lastly, the Risk Management Committee and the working team have cautiously, intentionally, completely, and fully performed the duties to ensure all shareholders and stakeholders that the Company has closely supervised and managed each type of risk in order to drive the organization towards goals and objectives sustainably.



# Risk factors and risk management

## Risk Management Policy

The Company determines and realizes risk management as a part of good corporate governance in driving the organization growth stably regarding the impacts on the Company's objective, goal, reputation, and image. Thus the enterprise risk management standard is established and communicated throughout all business units for inculcating the understanding of framework, procedure, and plan of risk management at an appetite level. This can be ensured that each business unit shall assess, control, monitor and report risk at the same standard level.

Therefore, the Risk Management Committee has established the policy framework, procedure and plan of risk management by emphasizing on;

1. The maximum efficiency of risk management at the minimum or appetite level;
2. Continuously monitoring, reviewing, examining and assessing current and upcoming risks in accordance with changing circumstances both from internal and external factors;
3. Encouraging employees at all level to acknowledge and prevent the risk that might occur;
4. Encouraging risk management and innovation as the Company's culture and driving to value enhancement of the Company".

*This policy was announced in replacement of the old policy since July 24<sup>th</sup>, 2017.*

Nowadays, economic situations and global trends have changed dramatically, resulting in a continuous increase of business challenges. Obviously, the Board of Directors has recognized that the risk management is the significant process for business operation and sustainable growth, as well as has complied with the good Corporate Governance for listed company 2017 (CG Code 2017). Thus the Risk Management Committee has been assigned to systematically perform the Company's risk management to comply with the rules, regulations and international standards such as the Committee of Sponsoring Organizations of the Treadway Commission (COSO ERM), ISO 14001: 2015 and ISO 9001: 2015. With a clear emphasis on the management of four major risks including strategy risk, operational risk, financial risk, and compliance risk, the Risk Management Committee has determined to earnestly pursue the "Risk Appetite" framework that pave the way to strategic plan and business planning following the short-term and long-term organizational objectives and goals.

To drive the organization to a greater achievement of objectives and goals, the Risk Management Committee has determined the risk management working team's pivotal roles by stimulate risk owners to realize and understand causes and effects of their responsible risks, while having a strong sense of responsibility towards their everyday tasks. In addition, the Risk Management Committee has held an

innovation and risk management contest within the organization, as part of the strategy to encourage all employees to have an inbuilt awareness of risks as well as take part in the development of risk management. This substantial commitment has been expected to foster systematic reporting of risks in an efficient and appropriate manner.

Furthermore, the Risk Management Committee has thoroughly reviewed its Key Risk Indicators (KRIs) covering the main business lines of motorcycle tires & tubes, and industrial elastomer parts to highly facilitate the assessment of key risks. Also, the Committee has strategically developed its Business Continuity Plan (BCP) to cope efficiently with changing economic situations and be prepared to tackle business crises to ensure no impact caused to the overall business process and the Company's stakeholders. Moreover, the Committee has monitored and summarized the performances of the risk management working team then reported to the Board of Directors on a quarterly basis.

### Strategy Risk

In addition to the disruptive change the world and technology, the adaptation to Thailand 4.0 is one of the challenging topics that the Company prioritized in planning and creating the risk management system to manage all impacts by implementing the production line with robotics, information technologies,

and digital system. The Company has considered to use these systems to enhance the production efficiency which is considered as one of the support forces in expanding the chance of investing in oversea; thus, considered one of the short-manpower risk prevention.

The Company has periodically revised and set the strategy plan as a responding to any disruptive changes, and defined the strategy aligned with the Company's vision which is "Be Leading Company in Innovation Development and the Smart Factory of Quality Elastomer Products, Motorcycles Tires and Tubes in AEC", firmly stand in creating products "Quality Reliability", by operating through the "Quality First, Delivery on Time, Customer Satisfaction" quality policy which is a reliable quality control system and trustworthy to customer, including the production processes development that give out products to customer on time and grant satisfactions to customer. Besides, the Company has introduced a set of strategies to promote its research and product development to meet both general and specific requirements of all customers, creating innovation and become the "Smart Factory", corresponding to the disruptive technology and proudly step in to the Industry 4.0. Furthermore, the Company has a strong sense of awareness towards environmental sustainability by fosters "Zero Waste" policy in harmony with the "Reduce, Reuse, and Recycle" or "3Rs" concept to be adapted with the business process.

#### **Motorcycle Tires and Tubes Business Unit:**

As the demand for new motorcycles in the country grew slightly compared to last year followed the economic situations, resulted in a slightly increase of motorcycle's production, including the decrease of agriculture's price and finance conditions adjustment, making the sports motorcycle productions' market proportion decreased due to unfavorable economic situations which making the customer decided to by the lower price, family motorcycle's products instead. However, in this year most motorcycle brands will showcase many new motorcycle models to stimulate the sales. Also, the trends of motorcycle tires and tubes market are considered the same, this can be said that domestically, people are fancies a wider-bigger tires especially the 12-14 inches' tires, so in this year, the Company has focus on producing the said tires. To mitigate such impact from occurring, the Company persisted on separating the markets into three major segments including:

(1) Original Equipment Market (OEM) - For 2018, the company emphasizing on maintaining the market share and increasing

the production of high performance tires such as Tubeless tires for new motorcycle models in various patterns, including new tire models for motorcycle under 150CC.

(2) Replacement Market - Focusing on the launch of marketing and promotional campaigns in collaboration with sales representatives to satisfy market demands such as SC3 model for tubeless tire.

(3) Export Market - Growth of neighboring country's market has supported IRC. Products from IRC still continuously increased in popularity, such as the market in Vietnam, Cambodia, and China which obviously expanded comparing to last year.

#### **Industrial Elastomer Part Business Unit:**

The Industrial Elastomer Part Business Unit is inevitable affected by the advancement of technology; i.e, the Electrical Vehicle (EV). According to the estimation of the Thailand Automotive Institute (TAI), the electrical vehicle market in Thailand will be expected to have a remarkable growth in the next 15-20 years. Similarly, the automotive expert in Europe had expected that the vehicle with Internal Combustion Engine (ICE) are on the brink of extinction by 2030. Hence, the Company are accelerating the development of value-added products and the potential development in creating new innovation; e.g, the Rubber Chip for Sport Track that developed from defected natural and synthetic rubbers, rubber seal for mirror (Gasket Building) and floor (Expansion Joint) for building or skyscraper, or rubber part for Construction industry. This grant a diversity of the Company products, as a solution for the Company's variety of customers and increased a chance for a market expansion, altogether with designing the Company's products with better function and performance. Moreover, the Company has sent its officer to train in Japan about rubber-part products design for car, supporting and responding to the needs of the Company's customer target groups directly and hasty. This is considered one of our sophisticated strategies launched to maintain the proportion of our market share.

#### **Operational Risk**

The Company has brought lean concept and automation system to co-develop with intelligent technologies, to enhance the efficiency and to reduce cost and losses in production management. The Company has also been encouraged to promote the Company's innovation deemed as part of the Company's corporate culture conforming to the Company's organizational vision and mission and the Thailand 4.0 model progressed by the government. These

well-developed strategies will lead the Company's organization to greater competitiveness and success, while creating potential values for the Company's products and services in a sustainable manner. Moreover, to maintain the quality standard of the Company's productions, the Company has also determined to focus on controlling, developing, and maintaining machinery and equipment to ensure effective production process at all times, while preventing possible production problems that may affect customer satisfaction. Significantly, the Company has managed and improved the Company's production process to exceed the required standards and regulations continuously, and to ensure the least impact caused to the surrounding communities, in which the Company's executives have perfectly prepared to handle and manage such risks. The Company are striving to maintain good relationship and understanding with all people living in the communal areas adjacent to the Company.

Moreover, the Company have never abandoned the importance of developing a concrete foundation of the organization by fostering knowledge promotion to create good and consistent consciousness among employees in order to work according to the expected goals and objectives. The Company are also aware of the highest safety in the workplace as it helps reduce all possible risks that may take place during the employees' daily operations. The Company aim to become a "zero-accident" workplace through the instillation and implementation of safety principles among employees. All employees in the Company are encouraged to pursue the "5 Do 5 Don't" concept, being committed to doing good things and refraining from being involved in improper practices. A safety training program is featured in the Safety Day, a corporate activity launched to ensure sufficient knowledge on occupational health and safety for employees. In 2018, the Occupational Health and Safety Committee has performed in accordance with the Company's target excellently.

Furthermore, the Company have increased the intensity in controlling and monitoring the Company's information technology system and internal network under the supervision and management of the Information Technology Department, with the increased awareness of the attack of cyber threats and the enhanced ability in tackling floods and fire incidents. Responsible departments in the Company are prepared to monitor flood problems closely, while submitting significant reports on flood-related incidents to top executives for acknowledgement on a weekly basis. Aside from an overwhelming risk of flood, the Company also holds its fire evacuation drill regularly.

#### **Motorcycle Tires & Tubes Business Unit:**

The Company has emphasized on improving production efficiency. Including continuously improved the quality of the production process. We introduced the modern machinery with good performance to maintain the continuous of production process and significantly brought automation system into the production process; e.g, automation system for Curing process in Tire Production line, the implementation of Robot in Tube Production line, the use of Auto-Balance, Run Out for inspection, these bring a significant reduced of lost products and enhance production efficiency. Furthermore, the Company have modified the packing method for tubes products to enhance production efficiency without affecting the product.

In addition, the Company has implemented the IRC Smart Production (ISP) program for planning and controlling production, to increase production efficiency and product delivery in order meet the customer's satisfaction

#### **Industrial Elastomer Part Business Unit:**

The Company has developed the machine and implement the Automatic Robot (Automation System) into the Industrial Elastomer Business Unit; for instance, the detection camera instead of using human's sight, automatic system for part assembling with rubber product, Transportation, altogether with Quality Control System and Quality Inspection, which enhancing the quality control efficiency, reduce wastes from production, prevent machine malfunction and cost management. As a guarantee for the automation performance thorough to the quality control on process and product of the Company, various awards was granted such as "Automation Award" from Inoac Corporation, passed through the final round of Thailand Quality Prize 2018 in New Born QQC Prize category. These awards are part of the guarantees that the Company has excellent operation risk management.

#### **Financial Risk**

Thailand's economic of 2018 are strongly growth. In the first half of the year, the expansion was good due to exportation and traveling. Anyhow, the growth in the second half has increased risk from inside matters such as Domestic Fiscal Policy and major markets that become tighter, including outside matter; e.g, the re-appreciation of US dollar and anxiety over the risk of trade war.

Various financial fluctuations resulted in the major financial risk of the Company, which is the volatile exchange rate. The Company had transactions in both Japanese Yen (JPY), US

Dollar (USD), that all have high fluctuation. Therefore, the Company observed the movement of exchange rate and raw material price closely. Moreover, the Company defined a Forward Contract policy and making options to close down this transactional risk that involved foreign currency, report also made regularly for the Management to acknowledge and reported to the Risk Management Committee every quarter.

About Financial Ratio, it was better than the average of the same industry, both Return on Asset (ROA), Return on Equity (ROE), and Debt to Equity Ratio (D/E) showing the excellent performance of the Company.

Also, the Company managed their cash by paying out dividend in a rating higher than interest rate that the Company received from short-term investment. Moreover, the Company plan to invest in other channels; for example, an investment in mutual fund of Thailand top financial institutes, new innovation and new product's research and development in response to Climate Change, and Electric Vehicle, together with invest in development to become the Smart Factory; e.g. implement Robots and Automatic Systems to enhance production process. Apart from being a sufficient way for financial management and benefits the Company in the long term, such investments could be used as tax deduction.

For Customer's Credit Risk, The Company set to regularly report the age of account receivables to the Management, in order to make a follow-up action whenever potentially risky transactions were found then features such items in every quarter of the Financial Statement report. However, most of the Company account receivables did not reach maturity, which is not affect the liquidity and financial status of the Company.

### Compliance Risk

The Company is fully aware and committed to perform in complied with the laws, rules and regulations both production, business operation, accounting, occupational health and safety, labour, information disclosure, anti-corruption altogether with other global standards that deemed necessary and concerned the Company's business such as ISO Standard. Thus, the Company's had performed follows such rules and standards excellently.

In 2018, there is a review of Risk Management policy, Risk Management Committee's charter, as well as Roles, Duties and Responsibilities of the Board of Directors, to be aligned with the Corporate Governance Code 2017 (CG Code) and the enforcement of the new Securities and Exchange Act B.E. 2016, which adjust the article of Market Misconduct Act Prevention, and the Thailand 4.0 policy. One of the guarantee that the Company has performed follow the law, rule, regulation in the aspect of environmental, social, and governance is being selected by Thaipat Institute to be one of the Company with outstanding performance in the area of Environmental, Social, and Governance (ESG: ESG100), or rather called as ESG100 Securities group as of 2018 for 3 years consecutively. The Company has also certified as Green Industry Level 3 Green System, from systematic environmental management, with evaluation and revision being follow-up for continuously development.

For Anti-Corruption, the Company has declared their intention to be part of the Private Sector Collective Action Coalition Against Corruption (CAC), encouraging the Risk Management Committee to assess the potential impacts caused by corruption stringently, apart from the follow-up and control of the Management, to ensure that the Company has an appropriate internal control system. The Company also defined the Anti-Corruption policy and communicated to employees through the Handbook of Good Corporate Governance training course by the Top Management and create an official channel to file a complaint about corruption called as "Whistle Blowing Channel" as show in the details below;

- 1) By reported directly to the Chairman
- 2) By sending a postmail to the Chairman or Company Secretary through 258 Soi Rangsit-Nakornnayok 49, Prachathipat, Thunyaburi, Pathumthani 12130
- 3) Through email; [listen@irc thailand.com](mailto:listen@irc thailand.com)
- 4) Through website; [www.irc thailand.com/en/investor/corporate/whistleblowing](http://www.irc thailand.com/en/investor/corporate/whistleblowing)

Moreover, the Company is fully aware that in order to be the "Corporate Citizenship", is not only performed follow the laws, rules, and regulations, it also include the listening and responding to the need and expectation of the stakeholders with fairness. The Company has established the Environmental Committee and Social Responsibility Committee to communicate between the Company and the Stakeholders, to ensure that the Company can operate its business in the society sustainably.

# Message from the Audit Committee



**Mrs. Anchalee Chavanich**  
Chairman of Audit Committee

Dear Shareholders,

The Audit Committee consists of three independent directors who are fully qualified with related requirements and possess with experience, knowledge and capability that are beneficial to the Company's business. They include Mrs. Anchalee Chavanich as the chairman of the Audit Committee, Associate Professor Jaruporn Viyanant and Mr. Kittichai Raktakanit as members. Mrs. Anchalee Chavanich, Associate Professor Jaruporn Viyanant and Mr. Kittichai Raktakanit are the members with adequate expertise and experience in reviewing the credibility of the Company's financial statements. Associate Professor Jaruporn Viyanant graduated in accounting.

During the 2018 fiscal year, the Audit Committee fully performed its duty according to the roles, duties and responsibilities as stated in the Charter of the Audit Committee, which was approved by the Board of Directors. A total of 7 meetings were held with the Company's management, internal auditors and external auditors, with opinions and offers being expressed freely and

Name	Position	No. of participation / No. of the total meeting
Mrs. Anchalee Chavanich	Chairman of the Audit Committee	6/6
Associate Professor Jaruporn Viyanant	Member of the Audit Committee	7/7
Mr. Kittichai Raktakanit	Member of the Audit Committee	7/7

*Remark: Mr. Vichit Vuthisombut had resigned from the Audit Committee since February 14<sup>th</sup>, 2018, and Mrs. Anchalee Chavanich has been appointed as the replacing member.*

independently. Participation in these meetings by each Audit Committee member is as follows;

Summary of the Audit Committee's performance and opinions to the Board of Director meetings in 2018 is as follows:

## Review of Financial Statement

The Audit Committee reviewed the accuracy and reliability of all quarterly and annual financial statements, reviewed and audited by the external auditor. The external auditor found no essential issue or drawback in the financial statements and reviewed the report from the internal auditor on the essential operating process. The Committee also invited the external auditor to the meetings to discuss on topics covering the area, process and plan for annual audit, including to review the accuracy and completeness of the changes made to the statements, accounting standards, as well as the adequacy of the disclosure information on efficiency of internal control system that is necessary for the preparation of the financial statements and suitability on the accounting in order to ensure that the Company's financial statements comply with generally accepted accounting standards. The Committee held 4 meetings with the Company's external auditors without management participation for an independence of the auditors to report on concerned matters and the obstacle, or irregularity faced in the performance of their duty for the benefit of those who utilize or read the financial statements.

## Assessment and Review of Internal Control System

The Audit Committee reviewed the reports from the external auditor and internal auditor relating to the Company's internal control system and reviewed the internal control assessment which were conducted in accordance with the guideline of the Securities and Exchange Commission and the Stock Exchange of Thailand.

The Audit Committee gave the useful suggestions in relation to both reports from external auditor and internal control system on the assessment of performance, fraud and



reliability of the financial report. The Company used the suggestions of the Audit Committee, external auditor and internal auditor to increase the efficiency of its performance to ensure that the operation process is continuously and efficiency controlled.

#### Review of the Connected Party Transactions

The Audit Committee reviewed the connected party transactions or transaction with potential conflicts of interest based on the reasonableness and best interest for the Company, to ensure that they comply with laws and regulations relating to the Securities and Exchange Commission and the Stock Exchange of Thailand. The Committee also gave useful suggestions in relation to setting of policy for general trading conditions, with focus on the compliance with related regulations, so that the Company's management can manage the transactions with fairness and no undue transfer of benefit, at the same time, comply with the principle approved by the Board of Directors.

#### Reviewed of Whistleblowing Procedure for Fraud Complaint as well as Information on the Inappropriateness of Financial Report

The Audit Committee quarterly reviewed the whistleblowing report in order to open the opportunity and increase the efficiency on complaint procedure, as well as to obtain information on the inappropriateness of financial report or other issues.

In the past fiscal year, the Audit Committee did not receive any report on complaint on fraud or inappropriateness of financial report or other issues.

#### Review of the Compliance with Rules, Regulations and Policies

The Audit Committee reviewed the Company's compliance with the securities and exchange law and other laws related to the Company's business and found no violation in this area.

In addition, the Committee was quarterly reported on changes in significant regulations and policies related to business of Company, and that the Company is preparing its operations as well as hiring the advisers in several areas to review and provide suggestions to the Company in the essential issues in order to be ready for the continuing changes.

#### Selection of the External Auditor

The Audit Committee had considered the external auditors' independence and knowledge as well as their understanding of the Company's business, work quality, auditor qualifications, and the audit fee, the Audit Committee proposed PricewaterhouseCoopers ABAS Limited as the

Company's and subsidiaries' external auditor for 2019, consisting of Ms. Napanuch Apichatsatien CPA Number 5266, Mr. Chanchai Chaiprasit CPA Number 3760, and/or Mr. Pisit Tangtanakul CPA Number 4095.

The external auditor who places his/her signature on the financial report of the Company is qualified with the above regulations and approved by the Security and Exchange Commission of Thailand. In addition, no external auditor has continuously audited the financial report of the Company for more than 5 consecutive years.

#### Performance Assessment on Group and Individual Basis as well as the Review of Compliance with its Charter

The Audit Committee reviewed and conducted self-assessment on the entire committee and each individual member based on the guideline of the Audit Committee prepared by the Security and Exchange Commission of Thailand and the Stock Exchange of Thailand, as well as the Charter of the Audit Committee of Company. According to the self-assessment result in 2018, it is found that the performance of the Audit Committee complies with its responsibilities. The score result of each individual member and entire committee is very good.

The Audit Committee reviewed the roles, duties and responsibilities as stated in the Charter of the Audit Committee annually by comparing with the guideline of the Audit Committee, recommended by the Security and Exchange Commission of Thailand and the charters of audit committee of other listed companies and proposing the amendment to the Board of Directors for approval. The Company had disclosed information related to the change of responsibility of the Audit Committee.

#### Overall Opinion of the Audit Committee

The Audit Committee is confident that it has discharged its duties according to the Charter of the Audit Committee as approved by the Board of Directors through the exercise of its knowledge, expertise, concern, circumspection and independence as well as provided constructive opinions and suggestions for the best interest of all stakeholders, with good cooperation and support provided by the relevant units and personnel in the Company.

The Committee is confident that financial statements were prepared in accordance with generally accepted accounting principles and are accurate, complete, reliable and in line with accounting standards; connected party transactions are reasonable and for the best interest of the Company; information is disclosed adequately and reliably; internal control is adequate and effective; and good corporate governance and related laws and regulations are fully complied with.



# Internal Control

Availability of a good internal control system is very important for ensuring the Company's operation meets purposes to be able to prevent and manage risks or reduce the possible losses/ damages caused by incidents taking place to the Company and stakeholders. Therefore, the Company has established the Audit Committee that can effectively and independently review the internal control system to achieve the best efficiency. The Company's internal control system covers 5 main topics to correspond with the Committee of Sponsoring Organization of the Treadway Commission – Enterprise Risk Management (COSO-ERM) with the following details;

## 1) Control Environment

The Board of Directors and the Management together determine the Company's management structure, roles and duties of related persons, as well as the authority of approval in each issue to ensure that the Company has effective and appropriate internal control systems that are aligned with the Company's objectives, goals and strategies, and comply with applicable law standards, under the good corporate governance principle.

The Company had determined the Handbook of Good Corporate Governance, including Directors and employees Code of Conduct, investor relations Code of Conduct, violation and penalties reporting, Complaint and Whistle Blowing Policy in 2005, and it has been developed to align with changing in laws, rules and regulations, as well as circumstances. The latest revision was done on August 10th, 2018 as approved by the Board to ensure that the roles and duties of the Board of Directors and sub-committees in the charter comply with the Corporate Governance code for listed companies 2017 or CG Code 2017, which was implemented by the Securities and Exchange Commission in 2017.

In order to inculcate the integrity and Code of Conduct, the Company has provided the internal communication of good corporate governance, business morality, and code of conduct for executives and employees at all levels including training session, orientation to new employees, and presentation to enhance understanding in the canteen. This activity was held to pinpoint all IRCT's employees to pay attention to the integrity towards themselves and public as a whole by together giving their written commitment and stating their words.

For the determination to persuade, develop and preserve

talented employees, the Company has a promotion procedure to manage; moreover, for the performance evaluation, the Company considered the evaluation result together with the proportion of salary increase. Additionally, the employee development and training plans have been tailored for employees at all levels, especially the talented groups as a part of the Company's succession plan.

## 2) Risk Assessment

In 2018, the Risk Management Committee constructed the risk assessment matrix, which shows impact and likelihood of each kind of risks, and keep monitoring strategic risk, operational risk, financial risk, and compliance risk as the quarterly basis. Moreover, the Committee has communicated to risk owners and line managers to raise risk awareness in the organization.

Moreover, the Committee had proposed risk monitoring in term of Risk Dashboard to create effective and up-to-date risk management among changing circumstances. For all the fiscal year 2018, all risk issues were managed in the positive way.

## 3) Control Activities

The Company determined the policies and procedures in written document which cover the business operation appropriately. They encompass the financial transaction, procurement and general administration processes; and specify the approval scopes, authorities and hierarchy clearly in accordance with the Company organization and managerial authority. The approval authority responsibility is isolated from the responsibility in accounting transactions and IT records as well as the responsibility in properties keeping in order to check and balance each other.

Additionally, the Company provided the effective internal control system through policies and work procedures for the imposed policies to be practical and able to manage risks to meet the Company's objective. The control activities are followed by every business unit in the Company.

## 4) Information and Communication System

The Company prepares the operational information which are relevant and qualified selected from both internal and external to support the business operation and internal control to proceed as specified. Furthermore, employees at all levels need to communicate information accurately, appropriately, and sufficiently for the operation.

For the shareholders, Board of Directors, and sub-committees' meetings, the Company provides shareholders, directors, and executives, and all stakeholders to have the correct and sufficient information for decision making within a reasonable, in order to monitor conflicts of interest that might occur between the company, management, directors, and shareholders. The Company also prevented the inappropriate use of corporate assets, information, and opportunities, including preventing inappropriate transactions with related parties. The Company has consistently undertaken and defined them in the Good Corporate Governance and Business Morality Handbook as well.

In addition, the Company has provided 4 special channels for internal and external persons to report information or complaints related to fraud and corruption directly to the Company via "Whistle-Blowing Channel" which any reporters can choose to make an anonymous report if fear of danger or threat.

#### 5) Monitoring Activities

The Company conducts the internal control follow-up and evaluation to ensure it is carried on completely and appropriately. Following-ups and evaluations are continuously conducted executives at each line to ensure the internal control components still exist and function appropriately and effectively. Moreover, there is monitoring system to manage and monitor conflicts of interest that might occur between the company, management, directors, and shareholders, and

prevention of the inappropriate use of corporate assets, information, and opportunities, including inappropriate transaction with related parties.

Weekly and monthly executives' meetings are convened to follow-up targets and oversee the plans action mentioned in the annual budget plan approved by the Board of Directors. Progresses and unexpected changes against plans are reported to the Board of Directors. If the inspection found substantial internal control shortcoming, the Executive Committee shall report to the Board of Directors or Audit Committee or other sub-committees to make an explanation and spontaneous corrective measures.

#### Comments from the related persons of the Company's Internal Control System

The management has conducted the internal control assessment form following the Securities and Exchange Commission (SEC)'s guideline, covering 5 topics as mentioned above. The evaluation is reviewed by the Audit Committee and present to the Board of Directors annually.

Furthermore, the external auditors found no significant issues on internal control or the ability to protect the Company's property and its subsidiaries from illegally or without authorization used by the executives or the employees. Besides, they agreed that the financial reporting is accurate and reliable in accordance with generally accepted accounting standards and financial reporting standards.

## Table of Connected Transaction

For Fiscal Year 2018 (1 October 2017 – 30 September 2018)

Connected Parties/ Type of Relationship	Type of Transaction	Amount (Mill. Baht)		Type of Connected Transaction/ Approval
		FY2017	FY2018	
1 Thai Inoac Component Co., Ltd. “TIC”/  - Be indirect shareholders - Have directors in common	Assembly expense	3.02	3.93	<b>Normal business</b> The transaction with the aim to determine TIC to assembly finish good supplying to the Company under the same practice as the price charged to other third parties which is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.
	Rental income	1.20	1.20	<b>Short-term property rental</b> Contact term is 1 year. The rental rate shall not be less than the fair price from 2 independent appraisers’ estimation, whereas the rental price is at market price rating which also estimated by 2 independent appraisers’. The value of the transaction is subject to approval by the Management according to relevant regulations.
	Service and Utility income	0.19	0.19	<b>Service price from external payment collection</b> The transaction is reasonable and truly aims for the highest benefit of the Company. The value of the transaction is subject to approval by the Management according to relevant regulations.
2 Thai Stanley Public Co., Ltd. “STANLY”  - Have a major shareholder– Sopa-Kanok International Co., Ltd. –in common - Have directors in common	Sales of finish goods	13.72	13.28	<b>Normal business</b> The transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties which is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.
3 Sirivit-Stanley Co., Ltd.  - Have a major shareholder– Sopa-Kanok International Co., Ltd. –in common - Have directors in common	Sales of finish goods	15.12	11.38	<b>Normal business</b> The transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties which is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.
4 Inoue Rubber Co., Ltd. “IRCJ”  IRCJ is a major shareholders in IRC and has directors in common	Technical assistance fee expenses	14.19	12.55	<b>Supporting normal business transaction:</b> Charged are on cost basis, calculated from number of working hours or day spent and other expenses. The remuneration and conditions of the transaction are comparable to general trading terms. Management has the authority to proceed under the principles which were approved by the Board of Directors.
	Sales of motorcycle tire and tube products	92.66	76.12	<b>Normal business</b> The transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties. This is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.

Connected Parties/ Type of Relationship	Type of Transaction	Amount (Mill. Baht)		Type of Connected Transaction/ Approval
		FY2017	FY2018	
	Finish goods expenses	2.74	6.23	<b>Normal business</b> The transaction by adopting the same practice as other third parties which is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.
5 Inoac Corporation Co., Ltd. “Inoac Corp”  - Have a major shareholder– IRCJ – in common - Have directors in common	Technical assistance fee expenses	19.65	20.38	<b>Supporting normal business transaction:</b> Charged are on cost basis, calculated from number of working hours or day spent and other expenses. The remuneration and conditions of the transaction are comparable to general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.
6 Inoue Rubber (Vietnam) Co., Ltd. “IRV”  IRCT’s joint-venture by holding 8% of total shares with the major shareholder– IRCJ –and directors in common	Sales of finish goods	77.93	16.78	<b>Normal business</b> The transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties. This is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.
	Professional service fee expenses	37.02	32.95	<b>Supporting normal business transaction:</b> Professional service fee 1 year contract ITH provides the professional service fee in marketing and product quality control which the remuneration rule was set in accordance with the IRCT’s group. The transaction is reasonable and truly aims for the highest benefit of the Company. Management has the authority to proceed under the principles which were approved by the Board of Directors.
7 Inoac Thailand Co., Ltd. “ITH”  Be indirect shareholding	Sales of finish goods	2.69	1.24	<b>Normal business</b> The transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties. This is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.
	Rental and service incomes	0.40	0.40	<b>Short-term property rental contract,</b> period 1 year. The contract price (Rental rate is not less than the 2 independent appraisers’ estimation.) Charges calculated from cost-plus margin determination by product type which is the same practice as the price charged to other third parties. This is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.

# Connected Transactions

During fiscal year 2018, the Company and its subsidiaries entered into connected transactions with businesses and parties with potential conflict of interest. Most of the mentioned transactions were related to sales and purchases of business supporting, short-term property rent, services rendered/received and long-term machinery lease. The terms and basis of such transactions were negotiated between the parties in the ordinary course of business and according to normal trade conditions. The external auditor presented connected transactions in the Note no. 24 of financial statements

## Necessity and Appropriateness of Transactions

Most of connected transactions were entered into between the Company and the related parties involving the Company's business operations. Such transactions give more flexibility of routine operations of the Company, which will lead to sustainable development. Consideration of such transactions is based upon the long-term interest of the Company's and all shareholders, without misappropriation of benefit from a publicly held company to the related people.

## Measures and Procedures for Connected Transaction Approval (Connected Transactions Policy)

In order to ensure that the connected transactions or transactions with potential conflict of interest are transparent and based

on stakeholders' benefits, the Company had clearly stated the procedures for connected transaction approval in the delegation of authority table. Such delegation of authority is aligned with regulations of the Security and Exchange Commission.

In addition, in 2017 the Board of Directors approved the Connected Transactions Policy (or called Related Party Transaction Policy) upon reviewing principles for general trading conditions, which are under the decision authority of the management, if the criterion meet the principle approved by the Board of Directors. The Policy are to create clear framework for personnel involved, setting prices and conditions that are reasonable and within arm's length or market price, and based upon the Company's interest as if the Company enters into a transaction with outsider, which considered as an act of transparency and complied with concerned law and regulation.

Connected transactions of fiscal year 2018 as shown in the table next page were presented to the Audit Committee for review and to the Board of Director for acknowledgement.

## Potential Connected Transactions in the Future

Potential connected transactions in the future will be done for normal business operations of the Company and its subsidiaries. The Company will enter into each transaction transparently and comply with related regulations earnestly.

Connected Parties/ Type of Relationship	Type of Transaction	Amount (Mill. Baht)		Type of Connected Transaction/ Approval
		FY2017	FY2018	
8. Inoac Vietnam Co., Ltd. “IVC”  Have indirect shareholders in common	Sales of finish goods	0.52	0.75	<b>Normal business</b> The transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties. This is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.
9. The Sittipol (1919) Co., Ltd. “STP”  Have a major shareholder– So-pa-Kanok International Co., Ltd. – and directors in common	Sales of finish goods	655.32	559.19	<b>Normal business</b> The transaction which STP was appointed as the only distributor in domestic sales of motorcycle tires and tubes in Thailand The prices are determined by the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties. This is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.
	Advertising expenses	4.00	4.62	<b>Normal business</b> The transaction with the aim to support and promote the selling activities of STP which is the only distributor in domestic sales of motorcycle tires and tubes in Thailand. This is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.
10. Smart Sport Promotion Co., Ltd.  Have an indirect shareholder– So-pa-Kanok International Co., Ltd. – and directors in common	Advertising expenses	0.25	0.26	<b>Normal business</b> The transaction in advertising activities to increase agility in operation. The rate fee is in the price range of general entrepreneur to process with general people which is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.
11. Total Oil (Thailand) Co., Ltd. “TOTAL”  Have a major shareholder– So-pa-Kanok International Co., Ltd. – and directors in common	Material and spare part expenses	3.85	2.70	<b>Normal business</b> The transaction by adopting the same practice as other third parties. This is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.
12. Pacific Industries (Thailand) Co., Ltd. “PACIFIC”  Have a major shareholder– So-pa-Kanok International Co., Ltd. – and directors in common	Raw material expenses	73.10	70.32	<b>Normal business</b> The transaction by adopting the same practice as other third parties. This is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.



Connected Parties/ Type of Relationship	Type of Transaction	Amount (Mill. Baht)		Type of Connected Transaction/ Approval
		FY2017	FY2018	
13 Wang Chula Co., Ltd. “Wang Chula”  Have an indirect shareholder– So- pa-Kanok International Co., Ltd. –in common	Work in Process incomes	36.03	59.77	<b>Normal business</b> The transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties. This is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.
	Purchase of goods	65.07	96.32	<b>Normal business</b> The transaction by adopting the same practice as other third parties. This is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.
14 Inoac International Co., Ltd. “IIC”  Have a major shareholder So- pa-Kanok International Co., Ltd. –and directors in common	Sales of finish goods	175.05	159.13	<b>Normal business</b> The transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties. This is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.
	Material expenses	146.84	170.09	<b>Normal business</b> The transaction by adopting the same practice as other third parties. This is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.
15 Techno Foam Co., Ltd.  Have an indirect shareholder– IRCJ –in common	Sales of finish goods	0.53	0.21	<b>Normal business</b> The transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties. This is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.
16 Inoac Automotive (Thailand) Co., Ltd.  Have an indirect shareholder– IRCJ –in common	Sales of finish goods	4.66	5.17	<b>Normal business</b> The transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties. This is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.
	Raw material expenses	3.95	3.58	<b>Normal business</b> The transaction by adopting the same practice as other third parties. This is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.

Connected Parties/ Type of Relationship	Type of Transaction	Amount (Mill. Baht)		Type of Connected Transaction/ Approval
		FY2017	FY2018	
17 BIMC Co., Ltd.  Have an indirect shareholder– IRCJ –in common	Sales of finish goods	108.84	123.36	<b>Normal business</b> The transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties. This is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.
18 Inoac Tokai (Thailand) Co., Ltd. (“ITTC”)  Have an indirect shareholder– So-pa-Kanok International Co., Ltd. –in common	Purchase of finish goods	284.35	392.36	<b>Normal business</b> The transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties, this is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.
	Work in Process incomes	615.84	767.68	<b>Normal business</b> The transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties. This is the terms of general trading condition. Management has the authority to proceed under the principles which were approved by the Board of Directors.
	Service and professional service incomes	8.56	10.67	<b>Professional service fee 1 year's contract</b> IRCT provides the professional service in accounting, finance, human resource, computer system, and other services under the average fixed cost of existing system and this service providing is able to maximize the capacity of the system. The Board of Directors (without interests directors), by concurrence of the Audit Committee, after having considered that the transaction is reasonable and truly aims for the highest benefit of the Company

# Management Discussion and Analysis

## The Automotive Industry Situation

### Car and Motorcycle Production in Fiscal Year 2017-2018

	FY 2017 (1 OCT 16 – 30 Sep 17)	FY 2018 (1 OCT 17 – 30 Sep 18)	Change (%)
<b>Car Production (units)</b>	1,945,426	2,115,195	+8.73
Domestic Sales(units)	830,450	973,149	+17.18
ExportSales(units)	1,114,976	1,142,046	+2.43
<b>Motorcycle Production (units)</b>	2,005,282	2,066,222	+3.04
Domestic Sales(units)	1,649,084	1,694,177	+2.73
ExportSales(units)	356,198	372,045	+4.45

According to the data from the Federation of Thai Industries (FTI), automobile production in fiscal year 2018 (1 October 2017 – 30 September 2018), was around 2.12 million units, growing 8.73% or 1.70 hundred thousand units. This mainly resulted from the popularity in new model car and the increasing of consumer's demand, altogether with marketing activities from various car sellers that being held continuously, this led to a tremendous increase in production for domestic sales around 17.18%. However, the production for export grew 2.43%.

For the Motorcycle production in fiscal year 2018 (1 October 2017 – 30 September 2018), the total production was 2.07 million units, increased from last year around 3.04%. This could be classified into production for export 0.37 million units, which grew around 4.45%, and for domestic 1.69 million units, which grew around 2.73%. The increased was accordance with the rise of consumer's demand and the growth of economic in the first half of the year.

### Overview of the Company and its Subsidiaries Operation

(Unit: million Baht)	Q1/2018	Q2/2018	Q3/2018	Q4/2018	FY 2017	FY 2018	%YoY
Total Revenues	1,366.11	1,437.30	1,402.09	1,408.63	5,331.47	5,614.13	5.30%
Cost of Sales and Services	1,139.66	1,210.20	1,211.44	1,227.38	4,465.93	4,788.68	7.23%
Selling and Administration	100.96	97.22	97.36	97.44	355.03	392.98	10.69%
EBIT	125.50	129.88	93.29	83.80	510.52	432.47	-15.29%
Net Profit	104.37	105.55	77.02	71.68	423.79	358.62	-15.38%
Basic Earnings per Share	0.52	0.53	0.39	0.35	2.12	1.79	-15.38%

### Performance Report

Better performance of Thai Economy in FY2018 pushed forward the market's growth in every aspect, as well as growth of Thai economy that led to;

1. Increase in Company's revenue around 282.66 million baht or 5.30% comparing to last year due to the growth of automobile's and motorcycle's production.
2. Increase in raw material costs around 236.62 million baht or 8.19% comparing to last year. Most raw material prices increased following the rising of crude oil price that increased around 29.77% comparing to last year as well as the production slowdown of several steel mills and smelting works in China regarding to pollution's problem solving.

3. Decrease in conversion cost rate around 0.68 comparing to last year.
4. Increase in selling and administrative expenses around 37.95 million baht or 10.69% comparing to last year due to the increase in sales volume.
5. The Company did not receive dividend from the related company.

Overall, in FY2018, the Company had net profit around 358.62 million baht, increased from last year around 65.17 million baht or 15.38% comparing to last year, and recorded earning per share at 1.79 baht.

Moreover, in FY2018, the Company had technology and innovation research and development expenditure following the suggestion, or additional explanation on technology and innovation research and development expenditure around 122.41 million baht.

#### Financial Status

As at September 30, 2018, the Company had total assets at 5,058.06 million baht, rose by 426.30 million baht comparing to September 30, 2017 mainly due to the increase in cash and cash equivalent, inventories as well as investment in property, plant and equipment.

The Company's total liabilities amounted to 1,461.76 million baht, rose by 246.87 million baht comparing to September 30, 2017 due to the increase in trade payables and other payables following the sales' increase and increase in raw material costs. Therefore, the Company's status remained clears of long-term liabilities.

Accordingly, the total shareholders' equity amounted to 3,596.30 million baht, increased by 179.43 million baht comparing to September 30, 2017. These represented the Company's book value per share at 17.98 and debt to equity ratio (D/E ratio) at 0.41 times.

#### Cash Flow

As at September 30, 2018, the Company had cash received from the operating activities around 748.17 million baht, rose by 111.56 million baht comparing to September 30, 2017. On the other hand, the cash paid for investing activities amounted to 161.91 million baht, due to the Investment in property, plant and equipment. As a result, as at September 30, 2018, the Company had cash and cash equivalents around 822.97 million baht, increased by 416.74 million baht compared to September 30, 2017.

#### The Possible Impacts on Financial Position and Performance in the Future

Economic and political situations of the world and Thailand are major factors that might affect the Company's performance in the future. The Company believed that the total sales will increase following the growth of automotive industries, which rise by the demand of consumer. Additionally, there are other factors that might affect the Company as stated below;

1. Electrical Vehicle or EV: From the forecast of Thailand Automotive Institute, the EV market in Thailand will have significant growth in the next 15-20 year, which does not affect the Company in short-term basis. Moreover, there will be a use of hybrid cars before a change to EV cars, which the hybrid cars does not have an impact on the Company's products.
2. Climate Change: Global warming that raise the temperature and environmental pollution conflicts are an opportunity that the Company take it as a chance to develop new products. The Company launches various products to response such climate change; e.g., new construction material that reduce heat incoming into the building, floor paving (Vi-Pafe) that help reduce waste and is friendly to the environment, and a rubber part in air conditioner.

Nevertheless, the Company still aware of the importance of risk management in production cost and the competitiveness enhancement to confront the growth of the economy and the changes of industrial 4.0 continuously.

# Report of the Board of Directors' Responsibility for the Financial Reports

The Board of Directors is responsible for the financial statements of the Company and its subsidiaries and the financial information as presented in the annual report of the Company. The financial statements of the Company and its subsidiaries as of September 30, 2018 have been prepared with careful consideration, in conformity with generally accepted accounting principles in Thailand, and using appropriate accounting policies and best estimation. All material information has been sufficiently disclosed in the notes to financial statements. The financial statements have been duly audited by independent authorized auditors who have provided unqualified opinions. The financial statements therefore reflect the Company's financial condition and results of operation that is true, transparent and reasonable for the benefits of all shareholders and investors.

The Board of Directors has established an appropriate and efficient internal control system and internal audit system to ensure that all accounting records are accurate, complete and sufficient to safeguard the Company's assets and prevent corruptions and materially irregular practices.

The Board of Directors has appointed an Audit Committee, which consists of independent directors who are responsible for the accuracy and adequacy of the financial reports, the appropriateness and efficiency of the internal control system and internal audit system, and compliance with laws and regulations related to the Company's business. The opinion of the Audit Committee is provided in the Report of the Audit Committee as presented in this annual report.

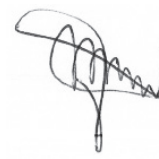
The Board of Directors is of the opinion that the Company's overall internal control system is satisfactory and provides reasonable assurance to the credibility of the financial statements of the Company and its subsidiaries as of September 30, 2018.

On behalf of the Board of Directors

Inoue Rubber (Thailand) Public Company Limited



(Mrs. Pimjai Leeissaranukul)  
Chairman



(Mr. Hiroshi Harada)  
President

## Independent Auditor's Report

To the shareholders of Inoue Rubber (Thailand) Public Company Limited

### My opinion

In my opinion, the consolidated financial statements of Inoue Rubber (Thailand) Public Company Limited (the Company) and its subsidiaries (the Group) and the separate financial statements of the Company present fairly, in all material respects, the consolidated and separate financial position of the Group and of the Company as at 30 September 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

### What I have audited

I have audited the accompanying consolidated and separate financial statements of the Group and the Company, which comprise the consolidated and separate statements of financial position as at 30 September 2018, and the related consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

### Basis for opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of my report. I am independent of the Group and the Company in accordance with the Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the consolidated and separate financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key audit matter	How my audit addressed the key audit matter
<p><b><i>Allowance for obsolete and slow-moving inventories</i></b></p> <p>Refer to note 2.8 (accounting policies) and note 9 (inventories), allowance is made for obsolete and slow-moving inventories.</p> <p>As at 30 September 2018, the gross amounts of inventories in the consolidated and separate statements of financial position were Baht 649.88 million and Baht 644.09 million, respectively. The allowance for inventories obsolescence was Baht 8.52 million, equally.</p>	<p>I performed the following procedures:</p> <ul style="list-style-type: none"> <li>□ Updated my understanding of the Group's assumptions used to develop the allowances for obsolete and slow-moving inventories and determined that the accounting policies were consistent with prior years.</li> <li>□ Assessed the reasonableness of management's assumptions used in developing the allowances for obsolete and slow-moving inventories by considering historical data and prior years' experience including key inventory ratios. I also challenged management's assumption of specific periods as to whether they were appropriately used in determining the valuation of inventories.</li> </ul>



Key audit matter	How my audit addressed the key audit matter
<p>The valuation of inventories was an area of focus because inventories were a significant part of the total assets and the allowances for obsolete and slow-moving inventories were subject to management's judgement and experience and market situation.</p> <p>The Group recorded allowance for obsolete and slow-moving inventories, where necessary. The assessment for the allowances for obsolete and slow-moving inventories required a degree of estimation from judgement. Management has applied their assessment on their experience and historical data. Each category of inventory with no movement longer than the ordinary course of business was subject to 100% allowance. The level of the allowances was assessed by taking into account the historical and recent sales experience, the aging of inventories and other factors that affected obsolete and slow-moving inventories.</p>	<ul style="list-style-type: none"> <li>□ Tested the reliability of the inventory aging report that was used by the management to assess the valuation of the allowance by tracing the last movement date of the inventory aging report to the supporting documents in order to confirm that inventories were assigned to the correct aging category by the system.</li> <li>□ Tested the mathematical accuracy of the allowances</li> </ul> <p>Using the above procedures, I determined that management's assumption was properly applied. In addition, the estimation of the allowances for obsolete and slow-moving inventories were applied appropriately.</p>
<p><b><i>Fair value estimation on available-for-sale investments</i></b></p> <p>Refer to note 2.9 (accounting policies) note 3.3 (fair value estimations) and note 10 (available-for-sale investments), the Group invested in available-for-sale investments in debt securities which were measured at fair value level 2 by using inputs other than quoted prices, were valued at Baht 701.04 million which represented 14% of total assets in both consolidated and separate financial statements.</p> <p>I focused on fair value measurement of available-for-sale investments in debt securities defined to be level 1 which is the fair value of financial instruments traded in active markets. The management has also obviously focused on and closely monitored the policy compliance by Asset Management Company. In addition, available-for-sale investments are a significant part of the total assets. Therefore, the accuracy of fair value estimation for purpose of disclosure in note to the financial statements was considered as a significant area.</p>	<p>I performed the following procedures:</p> <ul style="list-style-type: none"> <li>□ Inquired with the management to understand investment policies regarding to types of securities, risk criteria, investment valuation and measurement, terms and conditions, reporting period, information sharing and management monitoring and approval process.</li> <li>□ Checked with the fund manager on the compliance with investment policies and confirmed no exceptional case incurred during the year.</li> <li>□ Obtained the monthly report to review the investments in securities and other information complied with agreed investment policies.</li> <li>□ Checked the monthly report on the authorised signatures as final approval before release to the Group.</li> <li>□ Agreed the valuation of available-for-sale investments from the monthly report to the accounting records.</li> </ul> <p>Using the above procedures, I determined that the fair value estimation on available-for-sale investments was proper and complied with the investment policies.</p>

## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the consolidated and separate financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated and separate financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to the audit committee.

## Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with TFRSs, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee assists the directors in discharging their responsibilities for overseeing the Group and the Company's financial reporting process.

## Auditor's responsibilities for the audit of the consolidated and separate financial statements

My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the audit committee with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, I determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers ABAS Ltd.



**Nopanuch Apichatsatien**

Certified Public Accountant (Thailand) No. 5266

Bangkok

22 November 2018

**Inoue Rubber (Thailand) Public Company Limited**  
**Statements of Financial Position**  
**As at 30 September 2018**

		Consolidated		Separate	
		financial statements		financial statements	
		2018	2017	2018	2017
Notes		Baht	Baht	Baht	Baht
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	822,969,023	406,228,379	794,380,077	382,734,981
Short-term investments		-	244,073,432	-	240,002,005
Trade and other receivables, net	8	999,109,139	1,025,941,380	999,429,496	1,026,529,299
Inventories, net	9	641,360,281	504,973,893	635,568,428	502,046,501
Other current assets		15,676,117	17,548,495	12,142,840	15,782,076
<b>Total current assets</b>		<b>2,479,114,560</b>	<b>2,198,765,579</b>	<b>2,441,520,841</b>	<b>2,167,094,862</b>
<b>Non-current assets</b>					
Available-for-sale investments	10	701,044,282	702,739,996	701,044,282	702,739,996
Investments in subsidiaries	11	-	-	20,049,230	20,049,230
Other long-term investment	12	30,781,799	30,781,799	30,781,799	30,781,799
Investment property, net	13	9,206,611	9,224,908	9,947,116	9,994,458
Property, plant and equipment, net	14	1,750,230,052	1,604,615,276	1,681,168,149	1,536,259,760
Computer software, net	15	32,795,640	35,014,689	27,144,473	29,587,110
Deferred tax assets	16	40,237,702	31,597,158	36,795,953	30,329,584
Other non-current assets		14,644,597	19,018,000	14,644,597	19,018,000
<b>Total non-current assets</b>		<b>2,578,940,683</b>	<b>2,432,991,826</b>	<b>2,521,575,599</b>	<b>2,378,759,937</b>
<b>Total assets</b>		<b>5,058,055,243</b>	<b>4,631,757,405</b>	<b>4,963,096,440</b>	<b>4,545,854,799</b>

Director \_\_\_\_\_

Director \_\_\_\_\_

The accompanying notes are an integral part of these consolidated and separate financial statements.

**Inoue Rubber (Thailand) Public Company Limited**  
**Statements of Financial Position (Cont'd)**  
**As at 30 September 2018**

		Consolidated		Separate	
		financial statements		financial statements	
		2018	2017	2018	2017
Notes		Baht	Baht	Baht	Baht
<b>Liabilities and equity</b>					
<b>Current liabilities</b>					
Trade and other payables	17	1,219,954,043	998,172,531	1,226,323,281	1,004,263,152
Income tax payable		31,373,499	32,549,357	31,373,499	32,549,357
Other current liabilities		2,303,850	2,532,341	-	492,380
<b>Total current liabilities</b>		<b>1,253,631,392</b>	<b>1,033,254,229</b>	<b>1,257,696,780</b>	<b>1,037,304,889</b>
<b>Non-current liabilities</b>					
Employee benefit obligations	18	207,176,072	179,805,700	185,127,774	162,090,408
Deferred tax liabilities	16	949,036	1,825,347	-	-
<b>Total non-current liabilities</b>		<b>208,125,108</b>	<b>181,631,047</b>	<b>185,127,774</b>	<b>162,090,408</b>
<b>Total liabilities</b>		<b>1,461,756,500</b>	<b>1,214,885,276</b>	<b>1,442,824,554</b>	<b>1,199,395,297</b>

The accompanying notes are an integral part of these consolidated and separate financial statements.

**Inoue Rubber (Thailand) Public Company Limited**  
**Statements of Financial Position (Cont'd)**  
**As at 30 September 2018**

	Notes	Consolidated		Separate	
		financial statements		financial statements	
		2018	2017	2018	2017
		Baht	Baht	Baht	Baht
Liabilities and equity (Cont'd)					
Equity					
Share capital	19				
Authorised share capital					
Ordinary shares, 200 million shares					
at par value of Baht 1 each		200,000,000	200,000,000	200,000,000	200,000,000
Issued and fully paid-up share capital					
Ordinary shares, 200 million shares					
paid-up of Baht 1 each		200,000,000	200,000,000	200,000,000	200,000,000
Share premium	19	298,000,000	298,000,000	298,000,000	298,000,000
Retained earnings					
Appropriated - legal reserve	20	20,000,000	20,000,000	20,000,000	20,000,000
Unappropriated		3,088,640,862	2,899,545,008	3,008,254,197	2,826,315,345
Other components of equity		(10,347,111)	(677,677)	(5,982,311)	2,144,157
Equity attributable to owners of the parent		3,596,293,751	3,416,867,331	3,520,271,886	3,346,459,502
Non-controlling interests		4,992	4,798	-	-
Total equity		3,596,298,743	3,416,872,129	3,520,271,886	3,346,459,502
Total liabilities and equity		5,058,055,243	4,631,757,405	4,963,096,440	4,545,854,799

The accompanying notes are an integral part of these consolidated and separate financial statements.



**Inoue Rubber (Thailand) Public Company Limited**  
**Statements of Comprehensive Income**  
**For the year ended 30 September 2018**

	Notes	Consolidated		Separate	
		financial statements		financial statements	
		2018	2017	2018	2017
		Baht	Baht	Baht	Baht
<b>Revenues</b>					
Sales and services income		5,562,408,385	5,232,565,186	5,559,352,367	5,231,860,894
Dividend income	11, 12	-	45,914,000	6,999,713	69,912,658
Other income		51,723,476	52,992,551	54,342,030	55,656,562
<b>Total revenues</b>		<b>5,614,131,861</b>	<b>5,331,471,737</b>	<b>5,620,694,110</b>	<b>5,357,430,114</b>
<b>Expenses</b>					
Costs of sales and services		4,788,678,608	4,465,926,970	4,809,919,244	4,484,820,743
Selling expenses		112,035,293	97,453,730	112,035,293	97,453,730
Administrative expenses		263,706,291	237,498,671	254,566,580	228,589,365
Other expenses		17,238,325	20,076,859	17,118,178	19,930,075
<b>Total expenses</b>		<b>5,181,658,517</b>	<b>4,820,956,230</b>	<b>5,193,639,295</b>	<b>4,830,793,913</b>
<b>Profit before finance costs and</b>					
<b>income tax expense</b>		432,473,344	510,515,507	427,054,815	526,636,201
Finance costs		(22,454)	(449,847)	(22,397)	(449,847)
<b>Profit before income tax expense</b>		432,450,890	510,065,660	427,032,418	526,186,354
Income tax expense	22	(73,834,667)	(86,275,737)	(75,573,735)	(85,689,656)
<b>Net profit for the year</b>		<b>358,616,223</b>	<b>423,789,923</b>	<b>351,458,683</b>	<b>440,496,698</b>

The accompanying notes are an integral part of these consolidated and separate financial statements.

**Inoue Rubber (Thailand) Public Company Limited**  
**Statements of Comprehensive Income (Cont'd)**  
**For the year ended 30 September 2018**

	Notes	Consolidated		Separate	
		financial statements		financial statements	
		2018	2017	2018	2017
		Baht	Baht	Baht	Baht
<b>Other comprehensive income (expense)</b>					
Items that will not be reclassified					
subsequently to profit or loss:					
Remeasurements of employee					
benefit obligations	18	(11,500,760)	(3,545,210)	(9,143,188)	(3,197,851)
Income tax on remeasurements of					
employee benefit obligations	22	2,643,187	599,355	1,828,638	500,927
Total items that will not be reclassified					
subsequently to profit or loss		(8,857,573)	(2,945,855)	(7,314,550)	(2,696,924)
Item that will be reclassified					
subsequently to profit or loss:					
Change in value of available-for-					
sale investments	10	(844,697)	680,802	(844,697)	680,802
Income tax on change in value of					
available-for-sale investments	22	32,779	-	32,779	-
Total item that will be reclassified					
subsequently to profit or loss		(811,918)	680,802	(811,918)	680,802
<b>Other comprehensive expense</b>					
<b>for the year, net of tax</b>					
		(9,669,491)	(2,265,053)	(8,126,468)	(2,016,122)
<b>Total comprehensive income</b>					
<b>for the year</b>					
		348,946,732	421,524,870	343,332,215	438,480,576
<b>Profit attributable to:</b>					
Owners of the parent		358,615,685	423,790,015	351,458,683	440,496,698
Non-controlling interests		538	(92)	-	-
		358,616,223	423,789,923	351,458,683	440,496,698
<b>Total comprehensive income</b>					
<b>attributable to:</b>					
Owners of the parent		348,946,251	421,524,967	343,332,215	438,480,576
Non-controlling interests		481	(97)	-	-
		348,946,732	421,524,870	343,332,215	438,480,576
<b>Earnings per share</b>					
Basic earnings per share	23	1.79	2.12	1.76	2.20

The accompanying notes are an integral part of these consolidated and separate financial statements.

Inoue Rubber (Thailand) Public Company Limited  
**Statements of Changes in Equity**  
**For the year ended 30 September 2018**

Consolidated financial statements												
Attributable to owners of the parent												
Note	Retained earnings			Other components of equity								
	Issued and fully paid-up share capital	Share premium	Appropriated		Unappropriated retained earnings	Other comprehensive income (expense)			Total other components of equity	Total owners of the parent	Non-controlling interests	Total equity
			- Legal reserve	Baht		Change in value of available-for-sale investments	Remeasurements of employee benefit obligations	Baht				
	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
<b>Opening balance</b>												
<b>as at 1 October 2016</b>	200,000,000	298,000,000	20,000,000	2,681,214,880	-	1,587,371			1,587,371	3,200,802,251	6,237	3,200,808,488
Total comprehensive income (expense) for the year	-	-	-	423,790,015	680,802	(2,945,850)			(2,265,048)	421,524,967	(97)	421,524,870
Dividends paid	-	-	-	(205,459,887)	-	-			-	(205,459,887)	(1,342)	(205,461,229)
<b>Closing balance</b>												
<b>as at 30 September 2017</b>	200,000,000	298,000,000	20,000,000	2,899,545,008	680,802	(1,358,479)			(677,677)	3,416,867,331	4,798	3,416,872,129
<b>Opening balance</b>												
<b>as at 1 October 2017</b>	200,000,000	298,000,000	20,000,000	2,899,545,008	680,802	(1,358,479)			(677,677)	3,416,867,331	4,798	3,416,872,129
Total comprehensive income (expense) for the year	-	-	-	358,615,685	(811,918)	(8,857,516)			(9,669,434)	348,946,251	481	348,946,732
Dividends paid	-	-	-	(169,519,831)	-	-			-	(169,519,831)	(287)	(169,520,118)
<b>Closing balance</b>												
<b>as at 30 September 2018</b>	200,000,000	298,000,000	20,000,000	3,088,640,862	(131,116)	(10,215,995)			(10,347,111)	3,596,293,751	4,992	3,596,298,743

The accompanying notes are an integral part of these consolidated and separate financial statements.

**Inoue Rubber (Thailand) Public Company Limited**  
**Statements of Changes in Equity (Cont'd)**  
**For the year ended 30 September 2018**

Separate financial statements										
Note	Issued and fully paid-up share capital	Share premium	Retained earnings		Other components of equity				Total equity	
			Appropriated - Legal reserve	Unappropriated retained earnings	Change in value of available-for-sale investments		Remeasurements of employee benefit obligations			Total other components of equity
					Baht	Baht	Baht	Baht		
Opening balance										
as at 1 October 2016	200,000,000	298,000,000	20,000,000	2,591,278,534	-	4,160,280	4,160,280	4,160,280	3,113,438,814	
Total comprehensive income										
(expense) for the year	-	-	-	440,496,698	680,802	(2,696,924)	(2,696,924)	(2,016,122)	438,480,576	
Dividends paid	-	-	-	(205,459,887)	-	-	-	-	(205,459,887)	
Closing balance										
as at 30 September 2017	200,000,000	298,000,000	20,000,000	2,826,315,345	680,802	1,463,356	2,144,158	3,346,459,503		
Opening balance										
as at 1 October 2017	200,000,000	298,000,000	20,000,000	2,826,315,345	680,802	1,463,356	2,144,158	3,346,459,503		
Total comprehensive income										
(expense) for the year	-	-	-	351,458,683	(811,918)	(7,314,550)	(8,126,468)	343,332,215		
Dividends paid	-	-	-	(169,519,831)	-	-	-	-	(169,519,831)	
Closing balance										
as at 30 September 2018	200,000,000	298,000,000	20,000,000	3,008,254,197	(131,116)	(5,851,194)	(5,982,310)	3,520,271,887		

The accompanying notes are an integral part of these consolidated and separate financial statements.

**Inoue Rubber (Thailand) Public Company Limited**  
**Statements of Cash Flows**  
**For the year ended 30 September 2018**

	Notes	Consolidated		Separate	
		financial statements		financial statements	
		2018	2017	2018	2017
		Baht	Baht	Baht	Baht
<b>Cash flows from operating activities</b>					
Profit before income tax expense		432,450,890	510,065,660	427,032,418	526,186,354
Adjustments for:					
Depreciation charges	13, 14	295,388,705	310,487,769	282,508,918	297,591,487
Amortisation charges	15	5,565,248	5,620,197	4,380,637	4,188,608
Loss on (Reversal of) allowance for inventories obsolescence	9	4,691,436	(697,204)	4,691,436	(697,204)
(Gain) Loss on write-offs and disposals of plant and equipment		4,681,360	(1,278,843)	4,681,360	(1,223,566)
Loss on write-offs computer software		-	185,015	-	185,015
Unrealised (gain)/loss on exchange rate		589,720	(651,131)	589,720	(651,131)
Dividend income	11, 12	-	(45,914,000)	(6,999,713)	(69,912,658)
Interest income		(15,276,888)	(4,205,171)	(15,178,617)	(3,983,897)
Interest expenses		22,454	449,706	22,396	449,706
Employee benefits	18	24,356,789	20,290,288	22,381,355	18,360,427
Changes in operating assets and liabilities					
Trade and other receivables		24,774,270	(142,538,156)	25,049,954	(143,482,133)
Inventories		(141,077,824)	(35,592,566)	(138,213,363)	(35,942,689)
Other current assets		1,872,378	(699,190)	3,639,236	(153,008)
Other non-current assets		4,373,403	1,828,883	4,373,403	1,828,883
Trade and other payables		188,571,239	138,270,687	184,747,469	141,953,631
Other current liabilities		(228,491)	(1,486,705)	(492,379)	(1,696,224)
Employee benefits paid	18	(8,487,177)	(2,483,976)	(8,487,177)	(2,483,976)
<b>Cash generated from operating activities</b>		822,267,512	751,651,263	794,727,053	730,517,625
Interest received		5,035,085	2,253,986	4,928,692	2,001,715
Interest paid		(22,454)	(449,847)	(22,396)	(449,706)
Income tax paid		(79,112,793)	(116,848,671)	(79,112,793)	(116,848,671)
<b>Net cash generated from operating activities</b>		748,167,350	636,606,731	720,520,556	615,220,963

The accompanying notes are an integral part of these consolidated and separate financial statements.

## Inoue Rubber (Thailand) Public Company Limited

## Statements of Cash Flows (Cont'd)

For the year ended 30 September 2018

	Notes	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
		Baht	Baht	Baht	Baht
<b>Cash flows from investing activities</b>					
Short-term investments		244,073,432	720,530,260	240,002,005	690,660,482
Purchases of debt securities	10	(1,044,070,861)	(1,362,654,524)	(1,044,070,861)	(1,362,654,524)
Proceeds from disposals of debt securities	10	217,269,400	616,000,000	217,269,400	616,000,000
Proceeds from held-to-maturity debt securities	10	838,500,000	44,595,330	838,500,000	44,595,330
Purchases of property, plant and equipment		(420,297,859)	(317,907,159)	(402,083,385)	(308,912,168)
Purchases of computer software	15	(3,346,199)	(3,613,769)	(1,938,000)	(3,578,069)
Proceeds from disposals of property, plant and equipment		5,965,499	6,781,475	5,965,499	6,643,909
Dividend received	11, 12	-	45,914,000	6,999,713	69,912,658
<b>Net cash used in investing activities</b>		(161,906,588)	(250,354,387)	(139,355,629)	(247,332,382)
<b>Cash flows from financing activities</b>					
Finance lease payments		-	(2,533,014)	-	(2,533,014)
Dividends paid	27	(169,520,118)	(205,461,229)	(169,519,831)	(205,459,887)
<b>Net cash used in financing activities</b>		(169,520,118)	(207,994,243)	(169,519,831)	(207,992,901)
<b>Net increase in cash and cash equivalents</b>		416,740,644	178,258,101	411,645,096	159,895,680
Cash and cash equivalents at the beginning of the year		406,228,379	227,970,278	382,734,981	222,839,301
<b>Cash and cash equivalents at the end of the year</b>		822,969,023	406,228,379	794,380,077	382,734,981

## Non-cash transactions

Significant non-cash transactions for the years ended 30 September 2018 and 2017 comprised:

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
	Baht	Baht	Baht	Baht
Account payables from property, plant and equipment acquisition	102,247,468	70,913,282	116,836,175	80,902,737

The accompanying notes are an integral part of these consolidated and separate financial statements.



**Inoue Rubber (Thailand) Public Company Limited**  
**Notes to the Consolidated and Separate Financial Statements**  
**For the year ended 30 September 2018**

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## **1 General information**

Inoue Rubber (Thailand) Public Company Limited (“the Company”) is a public limited company which is listed on the Stock Exchange of Thailand and is incorporated and domiciled in Thailand. The addresses of the Company’s registered offices are as follows:

Head office: No. 258, Soi Rangsit-Nakornnayok 49, Prachathipat sub-district, Thanyaburi district, Pathumthani.

Branch office: No. 157, Moo 5, Phaholyothin Road, Lamsai sub-district, Wangnoi district, Pranakorn Sri Ayutthaya.

For reporting purpose, the Company and its subsidiaries are referred to as “the Group”.

The principal business operations of the Group are summarised below:

The Company is principally engaged in the manufacture and distribution of motorcycle tires, tubes, and industrial elastomer rubber parts.

Kin No Hoshi Engineering Company Limited, a subsidiary, is principally engaged in the manufacture, repair and modification of metal molds and equipment for production of motorcycle tires, tubes, and automotive rubber parts.

IRC (Asia) Research Limited, a subsidiary, is principally engaged in the research and development of motorcycle tires, tubes, and automotive rubber parts.

These consolidated and separate financial statements were authorised for issue by the Board of Directors on 22 November 2018.

## **2 Accounting policies**

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below.

### **2.1 Basis for preparation**

The consolidated and separate financial statements have been prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards issued under the Accounting Profession Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act.

The consolidated and separate financial statements have been prepared under the historical cost convention except as disclosed otherwise in relevant accounting policies.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

An English version of the consolidated and separate financial statements have been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

**Inoue Rubber (Thailand) Public Company Limited**  
**Notes to the Consolidated and Separate Financial Statements**  
**For the year ended 30 September 2018**

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**2 Accounting policies (Cont'd)**

**2.2 New/revised financial reporting standards, and related interpretations**

2.2.1 Revised financial reporting standards which are effective for annual periods beginning on or after 1 January 2017 and are relevant to the Group.

TAS 1 (revised 2016)	Presentation of financial statements
TAS 16 (revised 2016)	Property, plant and equipment
TAS 19 (revised 2016)	Employee benefits
TAS 27 (revised 2016)	Separate financial statements
TAS 34 (revised 2016)	Interim financial reporting
TAS 38 (revised 2016)	Intangible assets
TFRS 10 (revised 2016)	Consolidated financial statements

TAS 1 (revised 2016), the amendments provide clarifications on a number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals - line items specified in TAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes - confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method - the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

TAS 16 (revised 2016), key amendments are 1) The amendments clarify that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate and 2) The amendments include bearer plants in scope of this standard.

TAS 19 (revised 2016), the amendments clarify that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.

TAS 27 (revised 2016), the amendments allow an entity a policy choice to account for investments in subsidiaries, joint ventures and associates in its separate financial statements using the equity method as described in TAS 28. While current TAS 27 allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or at fair value (when announced). The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively.

TAS 34 (revised 2016), the amendments clarify that what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'; entities taking advantage of the relief must provide a cross-reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial information.

TAS 38 (revised 2016), the amendments include a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either the intangible asset is expressed as a measure of revenue (i.e. where a measure of revenue is the limiting factor on the value that can be derived from the asset), or it can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

TFRS 10 (revised 2016), the amendments clarify that: 1) the exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities and 2) an investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.

The Group has adopted the above revised standards that do not have a material impact to the Group.

**Inoue Rubber (Thailand) Public Company Limited**  
**Notes to the Consolidated and Separate Financial Statements**  
**For the year ended 30 September 2018**

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**2 Accounting policies (Cont'd)**

**2.2 New/revised financial reporting standards, and related interpretations**

2.2.2 Revised financial reporting standards are effective for annual periods beginning on or after 1 January 2018 which have significant changes and are relevant to the Group. The Group has not yet adopted these revised standards.

TAS 7 (revised 2017)	Statement of cash flows
TAS 12 (revised 2017)	Income taxes
TFRS 12 (revised 2017)	Disclosure of interests in other entities

TAS 7 (revised 2017), the amendments require additional disclosure of changes in liabilities arising from financing activities. This includes changes arising from cash and non-cash.

TAS 12 (revised 2017), the amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profits.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profits.

TFRS 12 (revised 2017), the amendments clarify that the disclosure requirements of TFRS 12 apply to interests in entities that are classified as held for sale according to TFRS 5 (revised 2017), except for the summarised financial information.

The Group has not yet early adopted these revised standards. The management has assessed and considered that the above revised standards will not have a material impact on the Group.

2.2.3 New financial reporting standard is effective for annual periods beginning on or after 1 January 2019, which is relevant to the Group. The Group has not yet adopted this standard.

TFRS 15	Revenue from contracts with customers
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TFRS 15 provide the requirements for the recognition of revenue. This standard will supersede the following standard:

TAS 18 (revised 2017)	Revenue
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The new standard is based on the principle that

- revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards
- an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

**Inoue Rubber (Thailand) Public Company Limited**  
**Notes to the Consolidated and Separate Financial Statements**  
**For the year ended 30 September 2018**

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**2 Accounting policies (Cont'd)**

**2.2 New/revised financial reporting standards, and related interpretations (Cont'd)**

2.2.3 New financial reporting standard is effective for annual periods beginning on or after 1 January 2019, which is relevant to the Group. The Group has not yet adopted this standard. (Cont'd)

Entities will have a choice to apply this standard retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, subject to the expedients or retrospectively with the cumulative effect recognised as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application with additional disclosures. The Group will first apply this standard for annual reporting periods beginning on or after 1 January 2019. Management is currently assessing the impact from initial application of this standard in detail and will consider the following areas (if any):

- extended warranties, which will need to be accounted for as separate performance obligations, which will delay the recognition of a portion of the revenue
- consignment sales where recognition of revenue will depend on the passing of control rather than the passing of risks and rewards
- accounting for cost incurred in fulfilling a contract - certain costs which are currently expensed may need to be recognised as an asset under TFRS 15
- rights of return - TFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligations

**2.3 Group Accounting - Investments in subsidiaries**

**(1) Subsidiaries**

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the separate financial statements, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

A list of the Group's subsidiaries is set out in Note 11.

**(2) Transactions with non-controlling interests**

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

**Inoue Rubber (Thailand) Public Company Limited**  
**Notes to the Consolidated and Separate Financial Statements**  
**For the year ended 30 September 2018**

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**2 Accounting policies (Cont'd)**

**2.4 Foreign currency translation**

(1) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Thai Baht, which is the Company's functional and the Group's presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

**2.5 Financial instruments**

The Group is party to derivative financial instruments, which are foreign currency forward contracts. Such instruments are not recognised in the financial statements.

Foreign currency forward contracts prevent the Group from movements in exchange rates by establishing the rate at which a foreign currency asset will be realised or a foreign currency liability settled. Any increase or decrease in the amount required to realise the asset or settle the liability is offset by a corresponding movement in the value of the forward exchange contract. The gains and losses on the derivative instruments and the underlying financial asset or liability are not recognised in the financial statements. The fee incurred in establishing each agreement is amortised over the contract period, if any.

Disclosures about derivative financial instruments to which the Group is a party are provided in Note 28.

**2.6 Cash and cash equivalents**

In the statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In statements of financial position, bank overdrafts are shown within borrowings under current liabilities.

**2.7 Trade accounts receivable**

Trade accounts receivable are carried at the original invoice amount and subsequently measured at the remaining amount less any allowance for doubtful receivables based on a review of all outstanding amounts at the year-end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written-off during the year in which they are identified and recognised in profit or loss within administrative expenses.

**2.8 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the moving average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less applicable variable selling expenses. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

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## **2 Accounting policies (Cont'd)**

### **2.9 Investments**

Investments other than investments in subsidiaries, associates and joint ventures are classified into the following four categories: (1) trading investments; (2) held-to-maturity investments; (3) available-for-sale investments; and (4) general investments. The classification is dependent on the purpose for which the investments were acquired. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

1. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets.
2. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the statement of financial position date which are classified as current assets.
3. Investments intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest rates, are classified as available-for-sale; and are included in non-current assets unless management has expressed the intention of holding the investment for less than 12 months from the statement of financial position date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.
4. Investments in non-marketable equity securities are classified as general investments.

All categories of investment are initially recognised at cost, which is equal to the fair value of consideration paid plus transaction cost.

Trading investments and available for sale investments are subsequently measured at fair value. The fair value of investments is based on quoted bid price at the close of business on the statement of financial position date by reference to the Stock Exchange of Thailand and the Thai Bond Dealing Centre. The unrealised gains and losses of trading investments are recognised in profit or loss. The unrealised gains and losses of available for sale investments are recognised in other comprehensive income.

Held-to-maturity investments are carried at amortised cost using the effective yield method less allowance for impairment.

General investments are carried at cost less allowance for impairment.

A test for impairment is carried out when there is a factor indicating that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, impairment loss is charged to profit or loss.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit or loss. When disposing of part of the Group's holding of a particular investment in debt or equity securities, the carrying amount of the disposed part is determined by the weighted average carrying amount of the total holding of the investment.

### **2.10 Investment property**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs (if any). Borrowing costs are incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

After initial recognition, investment property is carried at cost less accumulated depreciation and allowance for impairment.



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**2 Accounting policies (Cont'd)**

**2.10 Investment property (Cont'd)**

Land is not depreciated. Depreciation on other investment properties is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Land improvements	10 years
Building and building improvements	5 - 20 years

**2.11 Property, plant and equipment**

Land is stated at cost, plant and equipment are carried at cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items, including an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, when the entity has the obligation to do so.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated on the straight line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Land improvements	10 years
Building and building improvements	5 - 20 years
Machinery	2 - 20 years
Tools and factory equipment	5 years
Furniture, fixtures and office equipment	3 - 5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The assets' carrying amounts are written-down immediately to its recoverable amount if the assets' carrying amounts are greater than their estimated recoverable amounts.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised as other income or expense, net in the statement of comprehensive income.

**2.12 Computer software**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 - 10 years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

**2.13 Impairment of assets**

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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**2 Accounting policies (Cont'd)**

**2.14 Leases**

**Leases - where the Group is a lessee**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

**Leases - where the Group is the lessor**

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with other similar property, plant and equipment owned by the Group. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

**2.15 Current and deferred income taxes**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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**2 Accounting policies (Cont'd)**

**2.16 Employee benefits**

**Retirement benefits**

The Group operate various retirement benefits schemes. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a retirement plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group pays contributions to a separate fund which is managed by an external fund manager in accordance with the provident fund Act, B.E. 2530. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a retirement plan that is not a defined contribution plan. Typically defined benefit plans define an amount of retirement benefit that an employee will receive on retirement, usually depends on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yield of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement liability.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. They are included in other components of equity in statements of changes in equity.

Past-service costs are recognised immediately in profit or loss.

**2.17 Provisions**

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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**2 Accounting policies (Cont'd)**

**2.18 Share capital**

Ordinary shares with discretionary dividends are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**2.19 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and service in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts, and after eliminating sales within the Group. Revenue from sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from rendering services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed.

Rental income is recognised on a straight-line basis over the respective lease terms.

Other income is recognised on an accrual basis. Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

Dividend income is recognised when the right to receive payment is established.

**2.20 Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

**2.21 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker of the Group which includes Chairman, President and Director.

Segment information is presented by business segment of the Group's operations in Note 6.

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### **3 Financial risk management**

#### **3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk, liquidity risk, and risk from investments and deposits. The Group's overall risk management programme focuses on the fluctuation of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain exposures.

Risk management is carried out by management under policies approved by the board of directors. The Group management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investment of excess liquidity.

##### **3.1.1 Foreign exchange risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollars, Japanese Yen, and Euro, foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Entity in the Group use external forward currency contracts, to hedge their exposure to foreign currency risk in connection with measurement currency.

External foreign exchange contracts are designated at group level as hedges of foreign exchange risk on specific assets, liabilities and future transactions.

##### **3.1.2 Interest rate risk**

Interest rate risk is the risk that future movements in market interest rates will affect the results of operations and cash flows of the Group. The Group has normal exposure to interest rate risk relating primarily to deposits with banks, short-term investments and available-for-sale investment. The majority of these financial assets are both short-term and long-term. The Group considers that it is not necessary to use derivative financial instruments to hedge such risk since management believes that future movements in market interest rates will not materially affect the Group's operating results.

##### **3.1.3 Credit risk**

The Group has normal exposure to credit risk primarily with respect to trade accounts receivable. The Group manages the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Group does not have high concentration of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade account receivables as stated in the statements of financial position.

##### **3.1.4 Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

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**3 Financial risk management (Cont'd)**

**3.1 Financial risk factors (Cont'd)**

**3.1.5 Risk from investments and deposits**

The Group is exposed to market risks as the investor of financial instruments, and credit risk from the issuer of financial instruments. The Group, therefore, has a policy of diversifying its investments and deposits to high credit financial institutions according to the investment policy prescribed by the resolution of the board of directors.

The investment policies framework regarding types and proportion of investments are as follows:

**Investments in private fund**

Type of investment	Proportion of investment
Government securities, debentures or bonds	Not to exceed 70% of net asset value of the fund
Collective Investment Scheme (CIS)	Permitted only Money Market Fund

**3.2 Accounting for derivative financial instruments and hedging activities**

The Group is party to derivative financial instrument, which is foreign currency forward contracts. The instrument is not recognised in the financial statements.

Foreign currency forward contracts protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset will be realised or a foreign currency liability settled. The gains and losses on the derivative instruments and the underlying financial asset or liability are recognised in the financial statements upon settlement of the transactions. The fee incurred in establishing each agreement is amortised over the contract period, if any.

Disclosures about derivative financial instruments to which the Group is a party are provided in Note 28 (Financial instruments).

**3.3 Fair value estimation**

The fair values of the financial assets and liabilities are disclosed in relevant notes.

**(a) Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Group is the current bid price/closing price by reference to the Stock Exchange of Thailand/ the Thai Bond Dealing Centre. These instruments are included in level 1.

**(b) Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market (over-the-counter) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**(c) Financial instruments in level 3**

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no transfers between levels 1 and 2 during the year.



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**5 Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

**6 Segment information**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker of the Group which includes Chairman, President and Director.

The Group's operations involve principally the manufacture and distribution of rubber and elastomer products mainly for automobile industry with manufacturing facilities in Thailand and operations in both domestic and overseas markets.

The factor used to identify the Group's reportable segments includes geographical areas. There are two reportable segments i.e. (1) Local and (2) Export.

Financial information of the Group for the years ended 30 September 2018 and 2017 classified by market were presented as follows:

	<b>Consolidated financial statements</b>		
	<b>Local Baht</b>	<b>Export Baht</b>	<b>Total Baht</b>
<b>For the year ended 30 September 2018</b>			
Sales and service income	4,083,627,277	1,478,781,108	5,562,408,385
Costs of sales and services	(3,585,362,531)	(1,203,316,077)	(4,788,678,608)
Gross margin	<u>498,264,746</u>	<u>275,465,031</u>	<u>773,729,777</u>
Other income			51,723,476
Selling expenses			(112,035,293)
Administrative expenses			(263,706,291)
Other expenses			(17,238,325)
Financial costs			<u>(22,454)</u>
<b>Profit before income tax expense</b>			432,450,890
Income tax expense			<u>(73,834,667)</u>
<b>Net profit for the year</b>			<u>358,616,223</u>

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**6 Segment information (Cont'd)**

Financial information of the Group for the years ended 30 September 2018 and 2017 classified by market were presented as follows: (Cont'd)

	<b>Consolidated financial statements</b>		
	<b>Local Baht</b>	<b>Export Baht</b>	<b>Total Baht</b>
<b>For the year ended 30 September 2017</b>			
Sales and service income	3,840,913,062	1,391,652,124	5,232,565,186
Costs of sales and services	(3,363,892,466)	(1,102,034,504)	(4,465,926,970)
Gross margin	<u>477,020,596</u>	<u>289,617,620</u>	766,638,216
Other income			52,992,551
Dividend Income			45,914,000
Selling expenses			(97,453,730)
Administrative expenses			(237,498,671)
Other expenses			(20,076,859)
Financial costs			(449,847)
<b>Profit before income tax expense</b>			510,065,660
Income tax expense			(86,275,737)
<b>Net profit for the year</b>			<u>423,789,923</u>

**7 Cash and cash equivalents**

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2018 Baht</b>	<b>2017 Baht</b>	<b>2018 Baht</b>	<b>2017 Baht</b>
Cash on hand	65,000	43,281	50,000	28,281
Deposits held at call with banks				
- Saving deposits	218,203,584	110,353,394	211,708,155	102,706,700
- Current deposits	12,615,667	7,803,692	1,619,897	-
- Fixed deposits	592,084,772	288,028,012	581,002,025	280,000,000
Cash and cash equivalents	<u>822,969,023</u>	<u>406,228,379</u>	<u>794,380,077</u>	<u>382,734,981</u>

The interest rates (per annum) on deposits are as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2018 % per annum</b>	<b>2017 % per annum</b>	<b>2018 % per annum</b>	<b>2017 % per annum</b>
Deposits held at call with banks				
- Saving deposits	0.10 - 0.40	0.10 - 0.50	0.10 - 0.40	0.10 - 0.50
- Fixed deposits	1.08 - 1.22	1.08	1.08 - 1.22	1.08

Fixed deposits are 11 days and 3 months fixed deposits with a financial institution (2017: 7 days and 3 months fixed deposits).

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**8 Trade and other receivables, net**

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2018 Baht</b>	<b>2017 Baht</b>	<b>2018 Baht</b>	<b>2017 Baht</b>
Trade receivables - related companies (Note 24)	444,160,068	421,285,227	446,442,117	422,262,416
Trade receivables - other companies	550,387,106	597,474,889	547,311,743	597,474,889
<u>Less</u> Allowance for doubtful accounts	(2,167,775)	(2,167,775)	(2,167,775)	(2,167,775)
Trade receivables, net	992,379,399	1,016,592,341	991,586,085	1,017,569,530
Prepayments	4,926,629	5,856,673	4,211,021	5,014,423
Accrued income	423,558	987,530	365,306	962,903
Amounts due from related parties (Note 24)	1,334,103	1,299,000	3,221,634	2,961,142
Other receivables	45,450	1,205,836	45,450	21,301
Trade and other receivables, net	<u>999,109,139</u>	<u>1,025,941,380</u>	<u>999,429,496</u>	<u>1,026,529,299</u>

Outstanding trade receivables as at 30 September 2018 and 2017 can be analysed as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2018 Baht</b>	<b>2017 Baht</b>	<b>2018 Baht</b>	<b>2017 Baht</b>
<b><u>Related companies</u></b>				
Current	443,047,069	420,031,049	445,329,118	421,008,238
Overdue up to 3 months	1,112,999	1,254,178	1,112,999	1,254,178
Overdue 3 - 6 months	-	-	-	-
Overdue 6 - 12 months	-	-	-	-
Overdue more than 12 months	-	-	-	-
	<u>444,160,068</u>	<u>421,285,227</u>	<u>446,442,117</u>	<u>422,262,416</u>
<b><u>Other companies</u></b>				
Current	537,849,959	593,061,658	534,794,520	593,061,658
Overdue up to 3 months	10,044,636	2,245,456	10,024,712	2,245,456
Overdue 3 - 6 months	324,736	-	324,736	-
Overdue 6 - 12 months	-	-	-	-
Overdue more than 12 months	2,167,775	2,167,775	2,167,775	2,167,775
	<u>550,387,106</u>	<u>597,474,889</u>	<u>547,311,743</u>	<u>597,474,889</u>
<u>Less</u> Allowance for doubtful accounts	(2,167,775)	(2,167,775)	(2,167,775)	(2,167,775)
	<u>548,219,331</u>	<u>595,307,114</u>	<u>545,143,968</u>	<u>595,307,114</u>
Total trade receivables, net	<u>992,379,399</u>	<u>1,016,592,341</u>	<u>991,586,085</u>	<u>1,017,569,530</u>

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**9 Inventories, net**

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2018 Baht</b>	<b>2017 Baht</b>	<b>2018 Baht</b>	<b>2017 Baht</b>
Raw materials	246,394,250	192,409,069	246,211,106	192,403,519
Work in process	140,089,968	97,243,736	136,748,784	96,053,981
Finished goods	135,989,306	115,997,361	135,989,306	115,997,361
Supplies and spare parts	50,920,319	49,920,041	48,652,794	48,187,954
Inventories in transit	76,485,119	53,230,932	76,485,119	53,230,932
	649,878,962	508,801,139	644,087,109	505,873,747
<u>Less</u> Allowance for inventories				
obsolescence - raw materials	(1,583,569)	(1,349,434)	(1,583,569)	(1,349,434)
Allowance for inventories				
obsolescence - finished goods	(6,935,112)	(2,477,812)	(6,935,112)	(2,477,812)
Inventories, net	641,360,281	504,973,893	635,568,428	502,046,501

During the year, the Group and the Company recognized loss on allowance for diminution in value of inventories to net realisable value and obsolete inventories to the consolidated and separate statements of comprehensive income amounting to Baht 4,691,436 (2017: reversed by Baht 697,204).

**10 Available-for-sale investments**

As at 30 September 2018, the Group and the Company had available-for-sale investments in private fund which is managed by an asset management company, aims to investing in bonds and debentures of both government and private sectors and domestic fixed-income funds. Appropriate investments periods are 2 - 3 years. Investment policies of the private fund was disclosed in Note 3.1.5.

The movements of available-for-sale investments for the years ended 30 September 2018 and 2017 are as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2018 Baht</b>	<b>2017 Baht</b>	<b>2018 Baht</b>	<b>2017 Baht</b>
Opening balance	702,739,996	-	702,739,996	-
Purchase of securities	1,044,070,861	1,362,654,524	1,044,070,861	1,362,654,524
Disposal of securities	(217,269,400)	(46,903,479)	(217,269,400)	(46,903,479)
Disposal of investments at maturity	(838,500,000)	(616,000,000)	(838,500,000)	(616,000,000)
Interest income	10,847,522	2,308,149	10,847,522	2,308,149
Change in fair values	(844,697)	680,802	(844,697)	680,802
At 30 September	701,044,282	702,739,996	701,044,282	702,739,996

Fair value of available-for-sale investments as at 30 September 2018 and 2017 were as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2018 Baht</b>	<b>2017 Baht</b>	<b>2018 Baht</b>	<b>2017 Baht</b>
Debt securities	701,044,282	702,739,996	701,044,282	702,739,996
	701,044,282	702,739,996	701,044,282	702,739,996

The fair value of available-for-sale investments is based on close market price published by the Thai Bond Market Association as at period-end. The fair value is within level 2 of the fair value hierarchy (Note 3.3).

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**11 Investments in subsidiaries**

As at 30 September 2018 and 2017, the Company had investments in subsidiaries as follows:

Company	Type of business	Country of incorporation	Separate financial statements		
			As at 30 September 2018 and 30 September 2017		
			Registered capital Baht	% Ownership interest	Investments Baht
IRC (Asia) Research Limited	Research and development of products	Thailand	10,050,000	99.99	10,049,930
Kin No Hoshi Engineering Company Limited	Manufacture, repair and modification of metal molds	Thailand	10,000,000	99.99	9,999,300
Investments in subsidiaries					<u>20,049,230</u>

At the Annual General Meeting of shareholders for 2018 of IRC (Asia) Research Limited held on 29 January 2018, the shareholders passed a resolution approving dividend payment from its operating results for 2017 at Baht 1 per share from BOI-promoted operations amounting to a total dividend of Baht 3 million. The dividends were distributed on 28 February 2018.

At the Annual General Meeting of shareholders for 2018 of Kin No Hoshi Engineering Company Limited held on 29 January 2018, the shareholders passed a resolution approving dividend payment from its operating results for 2017 at Baht 40 per share from non-BOI promoted operations amounting to a total dividend of Baht 4 million. The dividends were distributed on 28 February 2018.

At the Annual General Meeting of shareholders for 2017 of IRC (Asia) Research Limited held on 30 January 2017, the shareholders passed a resolution approving dividend payment from its operating results for 2016 at Baht 1.67 per share (Baht 1.46 per share from BOI-promoted operations and Baht 0.21 per share from non-BOI promoted operations) amounting to a total dividend of Baht 5 million. The dividends were distributed on 22 March 2017.

At the Annual General Meeting of shareholders for 2017 of Kin No Hoshi Engineering Company Limited held on 30 January 2017, the shareholders passed a resolution approving dividend payment from its operating results for 2016 at Baht 190 per share (Baht 102.96 per share from BOI-promoted operations and Baht 87.04 per share from non-BOI promoted operations) amounting to a total dividend of Baht 19 million. The dividends were distributed on 22 March 2017.

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**12 Other long-term investment**

As at 30 September 2018 and 2017, the Group had other long-term investment as follows:

Company	Type of business	Country of incorporation	Consolidated and Separate financial statements		
			As at 30 September 2018 and 30 September 2017		
			Registered capital	Ownership interest %	Investment Baht
Inoue Rubber Vietnam Company Limited	Manufacture of tires and tubes of motorcycles and industrial elastomer rubber parts	Vietnam	US Dollars 12.5 million	8	30,781,799
Other long-term investment					<u>30,781,799</u>

Other long-term investment is the investment in the limited company, which the holding percentage in the investment is insignificant cause to the Group has no influence control. Other long-term investment was stated at cost less impairment, if any.

On 4 October 2016, Inoue Rubber Vietnam Company Limited declared dividend payment from its operating results for 2015. The Group had the right to receive the dividend of VND 28,697 million (approximated Baht 45.91 million). The dividend was received on 18 November 2016.

**13 Investment property, net**

	Consolidated financial statements		
	Land and land improvements Baht	Building and building improvements Baht	Total Baht
<b>As at 1 October 2016</b>			
Cost	9,020,819	11,371,497	20,392,316
<u>Less</u> Accumulated depreciation	-	(10,566,737)	(10,566,737)
Net book amount	<u>9,020,819</u>	<u>804,760</u>	<u>9,825,579</u>
<b>For the year ended 30 September 2017</b>			
Opening net book amount	9,020,819	804,760	9,825,579
Transferred to property, plant and equipment (Note 14)	-	(554,571)	(554,571)
Depreciation charges	-	(46,100)	(46,100)
Closing net book amount	<u>9,020,819</u>	<u>204,089</u>	<u>9,224,908</u>
<b>As at 30 September 2017</b>			
Cost	9,020,819	10,789,123	19,809,942
<u>Less</u> Accumulated depreciation	-	(10,585,034)	(10,585,034)
Net book amount	<u>9,020,819</u>	<u>204,089</u>	<u>9,224,908</u>

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**For the year ended 30 September 2018**

**13 Investment property, net (Cont'd)**

	<b>Consolidated financial statements</b>		
	<b>Land and land improvements Baht</b>	<b>Building and building improvements Baht</b>	<b>Total Baht</b>
<b>As at 1 October 2017</b>			
Cost	9,020,819	10,789,123	19,809,942
<u>Less</u> Accumulated depreciation	-	(10,585,034)	(10,585,034)
Net book amount	<u>9,020,819</u>	<u>204,089</u>	<u>9,224,908</u>
<b>For the year ended 30 September 2018</b>			
Opening net book amount	9,020,819	204,089	9,224,908
Transferred to property, plant and equipment (Note 14)			
- Cost	-	(4,295,600)	(4,295,600)
- Accumulated depreciation	-	4,295,600	4,295,600
Depreciation charges	-	(18,297)	(18,297)
Closing net book amount	<u>9,020,819</u>	<u>185,792</u>	<u>9,206,611</u>
<b>As at 30 September 2018</b>			
Cost	9,020,819	6,493,523	15,514,342
<u>Less</u> Accumulated depreciation	-	(6,307,731)	(6,307,731)
Net book amount	<u>9,020,819</u>	<u>185,792</u>	<u>9,206,611</u>
	<b>Separate financial statements</b>		
	<b>Land and land improvements Baht</b>	<b>Building and building improvements Baht</b>	<b>Total Baht</b>
<b>As at 1 October 2016</b>			
Cost	9,564,949	21,252,507	30,817,456
<u>Less</u> Accumulated depreciation	-	(20,186,659)	(20,186,659)
Net book amount	<u>9,564,949</u>	<u>1,065,848</u>	<u>10,630,797</u>
<b>For the year ended 30 September 2017</b>			
Opening net book amount	9,564,949	1,065,848	10,630,797
Transferred to property, plant and equipment (Note 14)	-	(554,571)	(554,571)
Depreciation charges	-	(81,768)	(81,768)
Closing net book amount	<u>9,564,949</u>	<u>429,509</u>	<u>9,994,458</u>
<b>As at 30 September 2017</b>			
Cost	9,564,949	20,670,133	30,235,082
<u>Less</u> Accumulated depreciation	-	(20,240,624)	(20,240,624)
Net book amount	<u>9,564,949</u>	<u>429,509</u>	<u>9,994,458</u>



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**13 Investment property, net (Cont'd)**

	Separate financial statements		
	Land and land improvements Baht	Building and building improvements Baht	Total Baht
<b>As at 1 October 2017</b>			
Cost	9,564,949	20,670,133	30,235,082
<u>Less</u> Accumulated depreciation	-	(20,240,624)	(20,240,624)
Net book amount	9,564,949	429,509	9,994,458
<b>For the year ended 30 September 2018</b>			
Opening net book amount	9,564,949	429,509	9,994,458
Transferred to property, plant and equipment (Note 14)			
- Cost	-	(4,362,630)	(4,362,630)
- Accumulated depreciation	-	4,362,116	4,362,116
Depreciation charges	-	(46,828)	(46,828)
Closing net book amount	9,564,949	382,167	9,947,116
<b>As at 30 September 2018</b>			
Cost	9,564,949	16,307,503	25,872,452
<u>Less</u> Accumulated depreciation	-	(15,925,336)	(15,925,336)
Net book amount	9,564,949	382,167	9,947,116

The fair values of investment property are as follows:

	Consolidated financial statements		Separate financial statements	
	2018 Baht	2017 Baht	2018 Baht	2017 Baht
Land and land improvements	15,825,000	15,825,000	19,677,500	19,677,500
Building and building improvements	16,448,000	15,058,000	24,588,720	23,180,587
	32,273,000	30,883,000	44,266,220	42,858,087

The fair values of investment property are within level 3 of the fair value hierarchy which used significant unobservable inputs (Note 3.3).

The fair values of investment property were appraised by professional independent valuers, who qualified as expert and hold a recognised relevant professional qualification and have recent experience in the locations and categories of such investment property.

Amounts recognised in profit or loss relating to investment property were as follows:

	Consolidated financial statements		Separate financial statements	
	2018 Baht	2017 Baht	2018 Baht	2017 Baht
Rental income (Note 24)	1,416,000	1,416,000	4,342,244	4,295,100
Direct operating expense arising from investment property that generated rental income for the year	18,297	46,100	46,828	81,768
Direct operating expense arising from investment property that did not generated rental income for the year	-	-	-	-
	1,434,297	1,462,100	4,389,072	4,376,868



## Inoue Rubber (Thailand) Public Company Limited

## 14 Property, plant and equipment, net (Cont'd)

	Consolidated financial statements					
	Land and land improvements Baht	Building and building improvements Baht	Machinery Baht	Tools and factory equipment Baht	Furniture, fixtures, and office equipment Baht	Motor vehicles Baht
						Assesst under construction and installation Baht
						Total Baht
<b>As at 30 September 2018</b>						
Cost	205,913,020	904,147,223	2,714,617,499	1,822,238,739	133,875,607	66,771,579
Less Accumulated depreciation	(53,052,198)	(641,562,871)	(1,810,826,118)	(1,598,909,198)	(102,635,372)	(44,901,803)
						-
	152,860,822	262,584,352	903,791,381	223,329,541	31,240,235	154,553,945
Net book amount						1,750,230,052
						6,002,117,612
						(4,251,887,560)

Depreciation charges of Baht 278,543,017 (2017: Baht 293,715,919) were included in the costs of sales and services, Baht 16,827,391 (2017: Baht 16,725,750) in administrative expenses for the consolidated statements of comprehensive income.

Inoue Rubber (Thailand) Public Company Limited  
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14 Property, plant and equipment, net (Cont'd)

	Separate financial statements						
	Land and land improvements Baht	Building and building improvements Baht	Machinery Baht	Tools and factory equipment Baht	Furniture, fixtures, and office equipment Baht	Motor vehicles Baht	Assest under construction and installation Baht
<b>As at 30 September 2016</b>							
Cost	202,828,645	845,318,140	2,392,842,682	1,729,490,552	96,608,910	53,746,285	5,385,367,162
Less Accumulated depreciation	(42,609,605)	(560,728,227)	(1,622,350,905)	(1,515,930,449)	(78,039,847)	(39,072,466)	(3,858,731,499)
Net book amount	160,219,040	284,589,913	770,491,777	213,560,103	18,569,063	14,673,819	1,526,635,663
<b>Year ended 30 September 2017</b>							
Opening net book amount	160,219,040	284,589,913	770,491,777	213,560,103	18,569,063	14,673,819	1,526,635,663
Additions	3,739,839	10,330,076	70,782,441	85,220,397	7,746,192	12,592,737	334,708,723
Disposals, net	-	(345,203)	(4,841,547)	(475,428)	(42,352)	(1,090,945)	(6,795,475)
Writes-off, net	(111,863)	(574,748)	(20,599,784)	(31,957)	(15,649)	(2)	(21,334,003)
Transferred from investment property (Note 13)	-	554,571	-	-	-	-	554,571
Transfers in (out)	1,527,894	8,712,787	87,874,352	9,851,245	23,500	-	-
Depreciation charges	(7,247,966)	(35,449,361)	(137,758,839)	(101,258,291)	(9,461,462)	(6,333,800)	(297,509,719)
Closing net book amount	158,126,944	267,818,035	765,948,400	206,866,069	16,819,292	19,841,809	1,536,259,760
<b>As at 30 September 2017</b>							
Cost	203,747,749	853,486,750	2,446,346,006	1,716,435,172	92,309,021	57,654,289	5,470,818,198
Less Accumulated depreciation	(45,620,805)	(585,668,715)	(1,680,397,606)	(1,509,569,103)	(75,489,729)	(37,812,480)	(3,934,558,438)
Net book amount	158,126,944	267,818,035	765,948,400	206,866,069	16,819,292	19,841,809	1,536,259,760
<b>Year ended 30 September 2018</b>							
Opening net book amount	158,126,944	267,818,035	765,948,400	206,866,069	16,819,292	19,841,809	1,536,259,760
Additions	1,688,141	24,593,003	124,746,725	86,160,920	16,026,066	6,397,888	438,016,823
Disposals, net	(10,609)	(960,952)	(8,280,575)	(965,224)	(145,040)	(41,303)	(10,403,703)
Writes-off, net	-	(11)	(189,175)	(45,822)	(8,147)	-	(243,155)
Transferred from investment property (Note 13)	-	-	-	-	-	-	-
- Cost	-	4,362,630	-	-	-	-	4,362,630
- Accumulated depreciation	-	(4,362,116)	-	-	-	-	(4,362,116)
Transfers in (out)	-	5,408,714	102,134,103	10,110,106	7,106,500	92,523	-
Depreciation charges	(7,487,784)	(36,201,023)	(140,177,772)	(82,835,749)	(9,734,036)	(6,025,724)	(282,462,090)
Closing net book amount	152,316,692	260,658,280	844,181,706	219,290,300	30,064,633	20,265,193	1,681,168,149

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## 14 Property, plant and equipment, net (Cont'd)

	Separate financial statements							
	Land and land improvements Baht	Building and building improvements Baht	Machinery Baht	Tools and factory equipment Baht	Furniture, fixtures, and office equipment Baht	Motor vehicles Baht	Assest under construction and installation Baht	Total Baht
As at 30 September 2018								
Cost	205,368,890	881,062,046	2,506,211,768	1,783,089,770	110,577,688	63,659,936	154,391,345	5,704,361,443
Less Accumulated depreciation	(53,052,198)	(620,403,766)	(1,662,030,062)	(1,563,799,470)	(80,513,055)	(43,394,743)	-	(4,023,193,294)
Net book amount	152,316,692	260,658,280	844,181,706	219,290,300	30,064,633	20,265,193	154,391,345	1,681,168,149

Depreciation charges of Baht 266,702,328 (2017: Baht 281,796,225) were included in the costs of sales and services, Baht 15,759,762 (2017: Baht 15,713,494) in administrative expenses for the separate statements of comprehensive income.

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**15 Computer software, net**

	<b>Consolidated financial statements Baht</b>	<b>Separate financial statements Baht</b>
<b>As at 1 October 2016</b>		
Cost	79,823,722	51,302,399
<u>Less</u> Accumulated amortisation	(42,617,590)	(20,919,735)
Net book amount	<u>37,206,132</u>	<u>30,382,664</u>
<b>For the year ended 30 September 2017</b>		
Opening net book amount	37,206,132	30,382,664
Additions	3,613,769	3,578,069
Write-offs, net	(185,015)	(185,015)
Amortisation charges	(5,620,197)	(4,188,608)
Closing net book amount	<u>35,014,689</u>	<u>29,587,110</u>
<b>As at 30 September 2017</b>		
Cost	83,164,088	54,607,065
<u>Less</u> Accumulated amortisation	(48,149,399)	(25,019,955)
Net book amount	<u>35,014,689</u>	<u>29,587,110</u>
<b>For the year ended 30 September 2018</b>		
Opening net book amount	35,014,689	29,587,110
Additions	3,346,199	1,938,000
Amortisation charges	(5,565,248)	(4,380,637)
Closing net book amount	<u>32,795,640</u>	<u>27,144,473</u>
<b>As at 30 September 2018</b>		
Cost	86,510,287	56,545,065
<u>Less</u> Accumulated amortisation	(53,714,647)	(29,400,592)
Net book amount	<u>32,795,640</u>	<u>27,144,473</u>

Amortisation charges of Baht 675,965 (2017: Baht 673,592) were included in the costs of sales and services and Baht 4,889,283 (2017: Baht 4,946,605) in administrative expenses for the consolidated statement of comprehensive income.

Amortisation charges of Baht 4,380,637 (2017: Baht 4,188,608) were included in the administrative expenses for the separate statement of comprehensive income.

**Inoue Rubber (Thailand) Public Company Limited**  
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**16 Deferred income taxes**

The analysis of deferred tax assets and deferred tax liabilities was as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2018 Baht</b>	<b>2017 Baht</b>	<b>2018 Baht</b>	<b>2017 Baht</b>
<b>(a) The Company and subsidiary with net deferred tax asset position</b>				
<b>Deferred tax assets:</b>				
Deferred tax assets to be recovered within 12 months	4,057,873	5,072,291	4,056,859	3,709,933
Deferred tax assets to be recovered after 12 months	<u>42,040,646</u>	<u>32,875,062</u>	<u>38,485,248</u>	<u>32,875,062</u>
	<u>46,098,519</u>	<u>37,947,353</u>	<u>42,542,107</u>	<u>36,584,995</u>
<b>Deferred tax liabilities:</b>				
Deferred tax liabilities to be settled within 12 months	(455,056)	(408,199)	(435,177)	(408,199)
Deferred tax liabilities to be settled after 12 months	<u>(5,405,761)</u>	<u>(5,941,996)</u>	<u>(5,310,977)</u>	<u>(5,847,212)</u>
	<u>(5,860,817)</u>	<u>(6,350,195)</u>	<u>(5,746,154)</u>	<u>(6,255,411)</u>
<b>Deferred income taxes, net (assets)</b>	<u>40,237,702</u>	<u>31,597,158</u>	<u>36,795,953</u>	<u>30,329,584</u>
<b>(b) Subsidiary with net deferred tax liability position</b>				
<b>Deferred tax assets:</b>				
Deferred tax assets to be recovered within 12 months	233,298	212,444	-	-
Deferred tax assets to be recovered after 12 months	<u>619,949</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>853,247</u>	<u>212,444</u>	<u>-</u>	<u>-</u>
<b>Deferred tax liabilities:</b>				
Deferred tax liabilities to be settled within 12 months	6,255	-	-	-
Deferred tax liabilities to be settled after 12 months	<u>(1,808,538)</u>	<u>(2,037,791)</u>	<u>-</u>	<u>-</u>
	<u>(1,802,283)</u>	<u>(2,037,791)</u>	<u>-</u>	<u>-</u>
<b>Deferred income taxes, net (liabilities)</b>	<u>(949,036)</u>	<u>(1,825,347)</u>	<u>-</u>	<u>-</u>



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**16 Deferred income taxes (Cont'd)**

Deferred tax assets and liabilities in the statements of financial position are presented at net position of deferred tax assets or liabilities incurred by each entity of the Group. Deferred tax assets and liabilities are offset where the income taxes relate to the same tax authority, being the Revenue Department.

The movements of deferred income taxes during the years were as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2018 Baht</b>	<b>2017 Baht</b>	<b>2018 Baht</b>	<b>2017 Baht</b>
<b>Net deferred taxes (assets):</b>				
Opening balance	31,597,158	25,546,507	30,329,584	25,063,574
Recognised to profit or loss	6,234,472	5,439,512	4,604,952	4,765,083
Recognised to other comprehensive income	2,406,072	611,139	1,861,417	500,927
Closing balance	<u>40,237,702</u>	<u>31,597,158</u>	<u>36,795,953</u>	<u>30,329,584</u>
<b>Net deferred taxes (liabilities)</b>				
Opening balance	(1,825,347)	(1,246,786)	-	-
Recognised to profit or loss	606,416	(566,777)	-	-
Recognised to other comprehensive income	269,895	(11,784)	-	-
Closing balance	<u>(949,036)</u>	<u>(1,825,347)</u>	<u>-</u>	<u>-</u>

The deferred taxation relates to the temporary differences between the book values and the tax bases of significant assets and liabilities of the Group were summarised below:

	<b>Consolidated financial statements</b>			
	<b>As at 1 October 2017 Baht</b>	<b>Recognised to profit or loss Baht</b>	<b>Recognised to other comprehensive income Baht</b>	<b>As at 30 September 2018 Baht</b>
<b>Deferred income tax assets</b>				
Intangible assets	1,068	(1,068)	-	-
Receivables and other assets	4,107,884	1,529,543	-	5,637,427
Provisions and accruals	33,939,878	4,620,306	2,643,188	41,203,372
	<u>38,048,830</u>	<u>6,148,781</u>	<u>2,643,188</u>	<u>46,840,799</u>
<b>Deferred income tax liabilities</b>				
Available-for-sale investments	-	-	32,779	32,779
Equipment under finance leases	(323,645)	219,412	-	(104,233)
Plant and equipment	(7,953,374)	472,695	-	(7,480,679)
	<u>(8,277,019)</u>	<u>692,107</u>	<u>32,779</u>	<u>(7,552,133)</u>
<b>Deferred income tax, net</b>	<u>29,771,811</u>	<u>6,840,888</u>	<u>2,675,967</u>	<u>39,288,666</u>

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**16 Deferred income taxes (Cont'd)**

The deferred taxation relates to the temporary differences between the book values and the tax bases of significant assets and liabilities of the Group were summarised below: (Cont'd)

	<b>Consolidated financial statements</b>			
	<b>As at 1 October 2016 Baht</b>	<b>Recognised to profit or loss Baht</b>	<b>Recognised to other comprehensive income Baht</b>	<b>As at 30 September 2017 Baht</b>
<b>Deferred income tax assets</b>				
Intangible assets	25,968	(24,900)	-	1,068
Receivables and other assets	4,555,800	(447,916)	-	4,107,884
Provisions and accruals	28,070,150	5,270,373	599,355	33,939,878
Equipment under finance leases	582,280	(582,280)	-	-
	<u>33,234,198</u>	<u>4,215,277</u>	<u>599,355</u>	<u>38,048,830</u>
<b>Deferred income tax liabilities</b>				
Equipment under finance leases	(462,614)	138,969	-	(323,645)
Plant and equipment	(8,471,863)	518,489	-	(7,953,374)
	<u>(8,934,477)</u>	<u>657,458</u>	<u>-</u>	<u>(8,277,019)</u>
<b>Deferred income tax, net</b>	<u>24,299,721</u>	<u>4,872,735</u>	<u>599,355</u>	<u>29,771,811</u>
	<b>Separate financial statements</b>			
	<b>As at 30 September 2017 Baht</b>	<b>Recognised to profit or loss Baht</b>	<b>Recognised to other comprehensive income Baht</b>	<b>As at 30 September 2018 Baht</b>
<b>Deferred tax assets</b>				
Intangible assets	1,067	(1,067)	-	-
Receivable and other assets	4,107,883	1,529,544	-	5,637,427
Provisions and accruals	32,476,045	2,599,997	1,828,638	36,904,680
	<u>36,584,995</u>	<u>4,128,474</u>	<u>1,828,638</u>	<u>42,542,107</u>
<b>Deferred tax liabilities</b>				
Available-for-sale investments	-	-	32,779	32,779
Equipment under finance leases	(323,645)	219,412	-	(104,233)
Plant and equipment	(5,931,766)	257,066	-	(5,674,700)
	<u>(6,255,411)</u>	<u>476,478</u>	<u>32,779</u>	<u>(5,746,154)</u>
<b>Deferred income tax, net</b>	<u>30,329,584</u>	<u>4,604,952</u>	<u>1,861,417</u>	<u>36,795,953</u>

**Inoue Rubber (Thailand) Public Company Limited**  
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**For the year ended 30 September 2018**

**16 Deferred income taxes (Cont'd)**

The deferred taxation relates to the temporary differences between the book values and the tax bases of significant assets and liabilities of the Group were summarised below: (Cont'd)

	Separate financial statements		
	As at 30 September 2016 Baht	Recognised to profit or loss Baht	Recognised to other comprehensive income Baht
			As at 30 September 2017 Baht
<b>Deferred tax assets</b>			
Intangible assets	25,967	(24,900)	-
Receivable and other assets	4,555,799	(447,916)	-
Provisions and accruals	27,212,512	4,762,606	500,927
Equipment under finance leases	582,281	(582,281)	-
	<u>32,376,559</u>	<u>3,707,509</u>	<u>500,927</u>
			<u>36,584,995</u>
<b>Deferred tax liabilities</b>			
Equipment under finance leases	(462,614)	138,969	-
Plant and equipment	(6,850,371)	918,605	-
	<u>(7,312,985)</u>	<u>1,057,574</u>	<u>-</u>
			<u>(6,255,411)</u>
<b>Deferred income tax, net</b>	<u>25,063,574</u>	<u>4,765,083</u>	<u>500,927</u>
			<u>30,329,584</u>

As at 30 September 2018, the Group only recognised those deferred tax assets that in the management's judgement were likely to be realised, due to the historical operating profits generated by the operations of the entities within the Group. This is disclosed in the note regarding the gross deferred and income taxes to enable users of the financial statements to understand the nature of the movements in this balance.

As at 30 September 2018, the Group has no tax loss carried forward.

Under the Thai Revenue Code, all entities are taxed as separate entities with no relief available for the Group.

**17 Trade and other payables**

	Consolidated financial statements		Separate financial statements	
	2018 Baht	2017 Baht	2018 Baht	2017 Baht
Trade payables - related companies (Note 24)	242,631,980	195,951,802	244,150,336	197,348,144
Trade payables - other companies	666,275,015	516,409,957	659,377,903	512,854,053
Amounts due to related parties (Note 24)	1,154,655	1,949,216	33,918,555	30,861,869
Accrued expenses	170,156,954	160,280,598	149,674,708	139,618,128
Down payments received from customers	3,057,790	9,240,845	3,057,790	9,240,845
Other payables	136,677,649	114,340,113	136,143,989	114,340,113
<b>Trade and other payables</b>	<u>1,219,954,043</u>	<u>998,172,531</u>	<u>1,226,323,281</u>	<u>1,004,263,152</u>

**Inoue Rubber (Thailand) Public Company Limited**  
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**17 Trade and other payables (Cont'd)**

Outstanding accrued expenses as at 30 September 2018 and 2017 were as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2018 Baht</b>	<b>2017 Baht</b>	<b>2018 Baht</b>	<b>2017 Baht</b>
Accrued bonuses	140,568,608	123,542,772	125,723,230	110,114,030
Accrued employee income taxes	9,869,741	8,774,359	8,061,015	6,998,169
Accrued employee welfare	6,568,601	6,806,784	6,568,601	6,806,784
Other accruals	13,150,004	21,156,683	9,321,862	15,699,145
Accrued expenses	<u>170,156,954</u>	<u>160,280,598</u>	<u>149,674,708</u>	<u>139,618,128</u>

**18 Employee benefit obligations**

The plans are final salary retirement plans. The level of benefits provided depends on members' length of service and their salaries in the final years leading up to retirement.

The movements in the obligations over the year were as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2018 Baht</b>	<b>2017 Baht</b>	<b>2018 Baht</b>	<b>2017 Baht</b>
Beginning balances	179,805,700	158,454,178	162,090,408	143,016,106
Current service cost	15,492,552	14,675,147	14,025,627	13,285,618
Interest cost	6,318,103	5,615,141	5,698,068	5,074,809
Past service cost	2,546,134	-	2,657,660	-
Remeasurements on employee benefit obligations				
(Gain)/loss from change in demographic assumptions	(20,535,446)	3,545,210	(17,829,308)	3,197,851
Loss from change in financial assumptions	34,731,011	-	30,015,728	-
Experience gain	(2,694,805)	-	(3,043,232)	-
	11,500,760	3,545,210	9,143,188	3,197,851
<u>Less</u> Benefits paid during the year	<u>(8,487,177)</u>	<u>(2,483,976)</u>	<u>(8,487,177)</u>	<u>(2,483,976)</u>
At 30 September	<u>207,176,072</u>	<u>179,805,700</u>	<u>185,127,774</u>	<u>162,090,408</u>

The amounts recognised in the statements of financial position were determined as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2018 Baht</b>	<b>2017 Baht</b>	<b>2018 Baht</b>	<b>2017 Baht</b>
Present value of obligations	193,129,178	176,260,490	173,326,926	158,892,557
Past service cost	2,546,134	-	2,657,660	-
Remeasurements	11,500,760	3,545,210	9,143,188	3,197,851
Total	<u>207,176,072</u>	<u>179,805,700</u>	<u>185,127,774</u>	<u>162,090,408</u>

**Inoue Rubber (Thailand) Public Company Limited**  
**Notes to the Consolidated and Separate Financial Statements**  
**For the year ended 30 September 2018**

**18 Employee benefit obligations (Cont'd)**

The amounts recognised in profit or loss were as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2018 Baht</b>	<b>2017 Baht</b>	<b>2018 Baht</b>	<b>2017 Baht</b>
Current service cost	15,492,552	14,675,147	14,025,627	13,285,618
Interest cost	6,318,103	5,615,141	5,698,068	5,074,809
Past service cost	2,546,134	-	2,657,660	-
<b>Total</b>	<b>24,356,789</b>	<b>20,290,288</b>	<b>22,381,355</b>	<b>18,360,427</b>

The amounts recognised in other comprehensive income were as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2018 Baht</b>	<b>2017 Baht</b>	<b>2018 Baht</b>	<b>2017 Baht</b>
Remeasurements (Gain)/loss from change in demographic assumptions	(20,535,446)	3,545,210	(17,829,308)	3,197,851
Loss from change in financial assumptions	34,731,011	-	30,015,728	-
Experience gain	(2,694,805)	-	(3,043,232)	-
<b>Total</b>	<b>11,500,760</b>	<b>3,545,210</b>	<b>9,143,188</b>	<b>3,197,851</b>

Expense of Baht 19,163,141 (2017: Baht 16,070,848) was included in the costs of sales and services, Baht 5,193,648 (2017: Baht 4,219,440) was included in administrative expenses for the consolidated statement of comprehensive income.

Expense of Baht 17,222,032 (2017: Baht 14,140,987) was included in the costs of sales and services, Baht 5,159,323 (2017: Baht 4,219,440) was included in administrative expenses for the separate statement of comprehensive income.

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**18 Employee benefit obligations (Cont'd)**

The Group accounts for these liabilities on an estimated basis using the following principal actuarial assumptions:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Discount rate	3.0	3.5	3.0	3.5
Future salary increase rates	5.0 - 7.0	4.0 - 7.0	5.0 - 7.0	4.0 - 7.0
Gold Inflation rate	3.0	3.0	3.0	3.0
Gold price	20,000 Baht	20,000 Baht	20,000 Baht	20,000 Baht
Retirement age	58 years old	58 years old	58 years old	58 years old

The sensitivity analysis for each significant assumption disclosed in 2018 were as follows:

<b>Consolidated financial statement</b>			
<b>Change in assumptions</b>	<b>Impact on employee benefit obligations</b>		
	<b>Change in the obligations (%)</b>	<b>Change in the obligations (Baht)</b>	
Discount rate	Increased by 0.5%	Decreased by 6%	Decreased by Baht 11,885,130
	Decreased by 0.5%	Increased by 6%	Increased by Baht 12,962,076
Future salary increase rate	Increased by 1%	Increased by 11%	Increased by Baht 23,229,512
	Decreased by 1%	Decreased by 9%	Decreased by Baht 18,991,641
<b>Separate financial statement</b>			
<b>Change in assumptions</b>	<b>Impact on employee benefit obligations</b>		
	<b>Change in the obligations (%)</b>	<b>Change in the obligations (Baht)</b>	
Discount rate	Increased by 0.5%	Decreased by 6%	Decreased by Baht 10,434,976
	Decreased by 0.5%	Increased by 6%	Increased by Baht 11,374,806
Future salary increase rate	Increased by 1%	Increased by 11%	Increased by Baht 20,092,021
	Decreased by 1%	Decreased by 9%	Decreased by Baht 16,324,639

The above sensitivity analysis were based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method) at the end of the reporting period of calculating the retirement benefit obligation recognised within the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

The weighted average duration of the retirement benefit obligation was 12 years.

Expected maturity analysis of undiscounted retirement benefits:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Less than a year	14,219,922	-	13,048,362	-
Between 1 - 5 years	19,267,424	15,266,507	18,947,553	15,266,507
Over 5 years	272,354,685	231,729,312	239,601,592	205,757,109
	<b>305,842,031</b>	<b>246,995,819</b>	<b>271,597,507</b>	<b>221,023,616</b>

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**19 Share capital and premium on share capital**

	Consolidated and Separate financial statements			
	Number of shares shares	Ordinary shares Baht	Share premium Baht	Total Baht
As at 1 October 2016	200,000,000	200,000,000	298,000,000	498,000,000
Issue of shares	-	-	-	-
As at 30 September 2017	200,000,000	200,000,000	298,000,000	498,000,000
Issue of shares	-	-	-	-
As at 30 September 2018	200,000,000	200,000,000	298,000,000	498,000,000

As at 30 September 2018, the total number of registered ordinary shares was 200 million shares (2017: 200 million shares) with a par value of Baht 1 per share (2017: Baht 1 per share). All issued shares are fully paid.

**20 Legal reserve**

Under the Public Companies Act, B.E. 2535, the Company is required to set aside as a legal reserve at least 5% of profit derived from the business of the Company after accumulated deficit brought forward (if any) until the reserve reaches 10% of the registered share capital. This reserve is non-distributable.

In consolidated financial statements, legal reserve of subsidiaries included in unappropriated retained earnings.

**21 Expenses by nature**

The following expenditure items, classified by nature, have been charged in arriving at the operating profit:

	Consolidated financial statements		Separate financial statements	
	2018 Baht	2017 Baht	2018 Baht	2017 Baht
Raw materials and consumables used	2,747,529,494	2,588,037,065	2,733,379,737	2,578,233,380
Changes in inventories of finished goods and work in progress	62,838,176	11,348,266	60,686,748	11,512,720
Depreciation charges (Notes 13 and 14)	295,388,705	310,487,769	282,508,918	297,591,487
Staff costs	857,592,089	786,901,557	775,040,417	712,879,591
Advertising and promotion expenses	23,302,010	19,928,077	23,302,010	19,928,077
Amortisation charges (Note 15)	5,565,248	5,620,197	4,380,637	4,188,608
Rental expenses	7,184,675	2,399,261	4,108,831	4,041,811
Purchases of finished goods	657,994,460	515,795,733	650,526,440	515,795,733
Utility expenses	159,339,062	152,645,746	151,171,603	144,876,401
Transportation expenses	77,373,467	70,299,427	77,373,467	69,916,400
Repair and maintenance expenses	114,457,886	104,470,358	109,334,080	102,224,119
Professional fees	49,058,945	50,459,312	48,982,423	50,355,383
Insurance premiums	17,041,184	17,232,857	16,586,067	16,654,531



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**22 Income tax expenses**

Income tax expenses for the years ended 30 September 2018 and 2017 were summarised below:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2018 Baht</b>	<b>2017 Baht</b>	<b>2018 Baht</b>	<b>2017 Baht</b>
Current income tax	80,675,555	91,148,472	80,178,687	90,454,739
Deferred income tax (Note 16)	(6,840,888)	(4,872,735)	(4,604,952)	(4,765,083)
Income tax expenses	<u>73,834,667</u>	<u>86,275,737</u>	<u>75,573,735</u>	<u>85,689,656</u>

Reconciliation of income tax expenses and the results of accounting profit using the basic tax rate of the year was presented as below:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2018 Baht</b>	<b>2017 Baht</b>	<b>2018 Baht</b>	<b>2017 Baht</b>
Profit before income tax expenses	432,450,890	510,065,660	427,032,418	526,186,354
Tax calculated at statutory tax rates of 20%	86,490,178	102,013,132	85,406,484	105,237,271
Impact:				
Income not subjected to tax or expenses that are deductible at a greater amount	(7,018,833)	(11,088,265)	(6,791,322)	(10,974,549)
Expenses not deductible for tax purpose	1,872,345	5,373,010	405,279	6,851,672
Utilisation of previously unrecognised tax losses	(724,985)	-	-	-
Profit from promoted activities which exempt from payment of corporate income tax	(6,217,005)	(10,022,140)	(4,867,633)	(15,424,738)
Adjustment in respect of prior year	(567,033)	-	1,420,927	-
Income tax expenses	<u>73,834,667</u>	<u>86,275,737</u>	<u>75,573,735</u>	<u>85,689,656</u>

The tax relating to component of other comprehensive income was as follows:

	<b>Consolidated financial statements</b>					
	<b>2018</b>			<b>2017</b>		
	<b>Before tax Baht</b>	<b>Tax Baht</b>	<b>After tax Baht</b>	<b>Before tax Baht</b>	<b>Tax Baht</b>	<b>After tax Baht</b>
Fair value change in available-for-sale investments	(844,697)	32,779	(811,918)	680,802	-	680,802
Remeasurements of employee benefit obligations	(11,500,760)	2,643,187	(8,857,573)	(3,545,210)	599,355	(2,945,855)
	<u>(12,345,457)</u>	<u>2,675,966</u>	<u>(9,669,491)</u>	<u>(2,864,408)</u>	<u>599,355</u>	<u>(2,265,053)</u>

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**22 Income tax expenses (Cont'd)**

The tax relating to component of other comprehensive income was as follows:

	Separate financial statements					
	2018			2017		
	Before tax Baht	Tax Baht	After tax Baht	Before tax Baht	Tax Baht	After tax Baht
Fair value change in available-for-sale investments	(844,697)	32,779	(811,918)	680,802	-	680,802
Remeasurements of employee benefit obligations	(9,143,188)	1,828,638	(7,314,550)	(3,197,851)	500,927	(2,696,924)
	<u>(9,987,885)</u>	<u>1,861,417</u>	<u>(8,126,468)</u>	<u>(2,517,049)</u>	<u>500,927</u>	<u>(2,016,122)</u>

**23 Basic earnings per share**

Basic earnings per share are calculated by dividing the net profit attributable to the owner of the parent company by the weighted average number of ordinary shares in issue during the year (Note 19).

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Net profit attributable to the owners of the parent company (Baht)	358,615,685	423,790,015	351,458,683	440,496,698
Weighted average number of ordinary shares outstanding (shares)	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
Basic earnings per share (Baht per share)	<u>1.79</u>	<u>2.12</u>	<u>1.76</u>	<u>2.20</u>

There were no dilutive potential ordinary shares in issue during the years presented.

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**24 Related party transactions**

Individuals and entities that directly, or indirectly control or are controlled by or are under common control with the Company, including investment entities, associates, joint venture and individuals or entities having significant influence over the Company, key management personnel, including directors and officers of the Company and close members of the family of these individuals and entities associated with these individuals also constitute related parties.

The Company's major shareholders are the Leeissaranukuls group in proportion of 38.08% and Inoue Rubber Company Limited, which is incorporated and domiciled in Japan, in proportion of 34.30%. The remaining 27.62% of the shares are widely held.

In considering each possible related-party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

During the year, the Group and the Company entered into a number of transactions with its subsidiaries and related parties. The terms and basis of such transactions were negotiated between the parties in the ordinary course of business and according to normal trade conditions.

	<b>Terms and basis</b>
Sales of goods	Market price or cost plus margin according to type of products
Service income	Cost plus margin
Rental income	Contract price which is in line with market
Purchases of raw materials and metal molds	Prices which approximate to the price charged to a third party
Research and development expenses	Prices as agreed in the contract which is near to the market price
Technical assistance fee expenses	Prices as agreed in the contract based on percentage of sales
Advertising expenses	Prices which approximate to the price charged nearly to the market price
Utility expenses	Price as agreed to the price charged by a third party
Rental expenses	Price as agreed in the contract which is near to the market price
Employee service sharing expenses	Prices which approximate to the price charged to a third party

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**24 Related party transactions (Cont'd)**

The significant related party transactions for the years ended 30 September 2017 and 2016 were summarised as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2018 Baht</b>	<b>2017 Baht</b>	<b>2018 Baht</b>	<b>2017 Baht</b>
<b>Sales of goods</b>				
Subsidiaries	-	-	7,057,146	1,543,572
Related parties	1,869,078,064	1,876,161,968	1,869,078,064	1,874,618,396
	<u>1,869,078,064</u>	<u>1,876,161,968</u>	<u>1,876,135,210</u>	<u>1,876,161,968</u>
<b>Services income</b>				
Related parties	<u>11,104,302</u>	<u>8,935,126</u>	<u>11,104,302</u>	<u>8,935,126</u>
<b>Rental income (Note 13)</b>				
Subsidiaries	-	-	2,926,244	2,879,100
Related parties	1,416,000	1,416,000	1,416,000	1,416,000
	<u>1,416,000</u>	<u>1,416,000</u>	<u>4,342,244</u>	<u>4,295,100</u>
<b>Dividend income</b>				
Subsidiaries (Note 11)	-	-	6,999,713	23,998,658
Related party (Note 12)	-	45,914,000	-	45,914,000
	<u>-</u>	<u>45,914,000</u>	<u>6,999,713</u>	<u>69,912,658</u>
<b>Purchases of raw materials</b>				
Related parties	<u>741,603,660</u>	<u>579,899,412</u>	<u>741,603,660</u>	<u>579,899,412</u>
<b>Purchases of metal molds</b>				
Subsidiary	<u>-</u>	<u>-</u>	<u>46,908,850</u>	<u>36,020,839</u>
<b>Research and development expenses</b>				
Subsidiary	-	-	160,194,049	97,119,969
Related parties	4,489,840	1,961,421	-	-
	<u>4,489,840</u>	<u>1,961,421</u>	<u>160,194,049</u>	<u>97,119,969</u>
<b>Technical assistance fee expenses</b>				
Related parties	<u>65,876,444</u>	<u>70,867,215</u>	<u>65,876,444</u>	<u>70,867,215</u>
<b>Advertising expenses</b>				
Related parties	<u>4,873,073</u>	<u>4,250,000</u>	<u>4,873,073</u>	<u>4,250,000</u>
<b>Utility expenses</b>				
Related parties	<u>371,173</u>	<u>326,658</u>	<u>371,173</u>	<u>326,658</u>
<b>Employee service sharing expenses</b>				
Subsidiary	<u>-</u>	<u>-</u>	<u>1,783,341</u>	<u>-</u>

The Company entered into rental agreements of land, building, and machinery and equipment with two subsidiaries and three related companies at total annual rental income of approximately Baht 4.6 million. The terms of the leases are between 1 - 3 years. These lease are renewable by giving the lessor a notice within 60 days prior to expiry of the agreement.

The Company charged certain utility expenses to certain related companies at which approximate to the price charged to a third party.

**Inoue Rubber (Thailand) Public Company Limited**  
**Notes to the Consolidated and Separate Financial Statements**  
**For the year ended 30 September 2018**

**24 Related party transactions (Cont'd)**

The Company entered into a service agreement with a subsidiary to obtain the research and development services for the production. Under this agreement, the Company has obliged to pay service fee to the subsidiary at the rate stipulated in the agreement. The agreement has been in effect since May 2014 until cancelled by either party.

The Company and a subsidiary entered into marketing and sales cooperation and product quality assurance and quality control service agreements with a local related company. Under these agreements the Company and the subsidiary have obliged to pay service fees to such company at the rate as stipulated in the agreements. The agreements have been in effect since May 2009 until cancelled by either party.

The outstanding balances as at 30 September 2018 and 2017 between the Company and those related companies were summarised as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2018 Baht</b>	<b>2017 Baht</b>	<b>2018 Baht</b>	<b>2017 Baht</b>
<b>Trade receivables</b>				
Subsidiaries	-	-	2,383,506	977,188
Related companies	444,160,068	421,285,227	444,058,611	421,285,228
<b>Total trade receivables</b>	<b>444,160,068</b>	<b>421,285,227</b>	<b>446,442,117</b>	<b>422,262,416</b>
<b>Amounts due from related parties</b>				
Subsidiaries	-	-	1,887,531	1,662,142
Related companies	1,334,103	1,299,000	1,334,103	1,299,000
<b>Total amounts due from related parties</b>	<b>1,334,103</b>	<b>1,299,000</b>	<b>3,221,634</b>	<b>2,961,142</b>
<b>Trade payables</b>				
Subsidiaries	-	-	1,558,562	1,422,829
Related companies	242,631,980	195,951,802	242,591,774	195,925,315
<b>Total trade payables</b>	<b>242,631,980</b>	<b>195,951,802</b>	<b>244,150,336</b>	<b>197,348,144</b>
<b>Amounts due to related parties</b>				
Subsidiaries	-	-	33,469,700	29,618,453
Related companies	1,154,655	1,949,216	448,855	1,243,416
<b>Total amounts due to related parties</b>	<b>1,154,655</b>	<b>1,949,216</b>	<b>33,918,555</b>	<b>30,861,869</b>

**Directors' and key management's remunerations**

The Company and its subsidiaries had the compensation paid or payable to their key directors and management for the years ended 30 September 2018 and 2017 as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2018 Baht</b>	<b>2017 Baht</b>	<b>2018 Baht</b>	<b>2017 Baht</b>
Salaries and short-term employee benefits	48,221,116	43,964,486	48,221,116	43,964,486
Post-employee benefits	723,053	611,794	723,053	611,794
Other long-term employee benefits	610,274	551,955	610,274	551,955
	<b>49,554,443</b>	<b>45,128,235</b>	<b>49,554,443</b>	<b>45,128,235</b>

**25 Letters of guarantee**

As at 30 September 2018, the Company had outstanding letters of guarantee issued by financial institutions of approximately Baht 20.62 million (2017: Baht 20.96 million) to the Provincial Electricity Authority for electricity consumption on behalf of the Company and Baht 0.32 million (2017: Baht 0.34 million) for the due fulfillment by the Company of the terms and conditions in respect of grant of Certification Mark Licence by the licensor.

The guarantees are issued in the ordinary course of business. No liabilities are expected to arise from the above guarantees.

**Inoue Rubber (Thailand) Public Company Limited**  
**Notes to the Consolidated and Separate Financial Statements**  
**For the year ended 30 September 2018**

**26 Promotional privileges**

The Company and its subsidiaries have been granted promotional privileges under the Investment Promotion Act B.E. 2520 as approved by the Board of Investment. Under certain significant conditions, significant privileges are as follows:

Details	Inoue Rubber (Thailand) Public Company Limited	Kin No Hoshi Engineering Company Limited		IRC (Asia) Research Limited
1. Certificate No. Dated	2277(1)/2554 27 April 2010	1682(2)/2550 12 July 2007	1302(1)/2555 13 February 2012	1211(4)/2548 16 March 2005
2. Promotional privileges for	Manufacturing of tire products	Manufacturing of molds and repairing of its own manufactured molds	Manufacturing of molds and repairing of its own manufactured molds	Research and development of products
3. The significant privileges are				
3.1 Exemption of corporate income tax for net income from promotional operations and exemption of income tax on dividends paid from the profit of the operations throughout the period in which the corporate income tax is exempted.	8 years	8 years	8 years	8 years
3.2 Allowance for carry-forward of annual loss from operations incurred during the exemption of corporate income tax on net income to offset with net income for a period of 5 years, after exemption period in 3.1.	Granted	Granted	Granted	Granted
3.3 Exemption/Reduction of import duty on machinery as approved by the Board.	Granted	Granted	Granted	Granted
3.4 Exemption of import duty on raw materials and significant supplies used in export production from the first import date.	Granted	Granted	None	None
4. Date of first earning operating income	1 October 2012	31 May 2010	31 October 2012	31 October 2010

**Inoue Rubber (Thailand) Public Company Limited**  
**Notes to the Consolidated and Separate Financial Statements**  
**For the year ended 30 September 2018**

**26 Promotional privileges (Cont'd)**

Sales of the Group are both export and local sales which could be separated between promoted and non-promoted operations as follows:

<b>Consolidated financial statements</b>						
	<b>BOI</b>		<b>non-BOI</b>		<b>Total</b>	
	<b>2018 Baht</b>	<b>2017 Baht</b>	<b>2018 Baht</b>	<b>2017 Baht</b>	<b>2018 Baht</b>	<b>2017 Baht</b>
Sales						
Export	91,217,281	92,860,622	1,387,563,827	1,298,791,502	1,478,781,108	1,391,652,124
Local	71,682,687	87,832,595	4,011,944,590	3,753,080,467	4,083,627,277	3,840,913,062
	<u>162,899,968</u>	<u>180,693,217</u>	<u>5,399,508,417</u>	<u>5,051,871,969</u>	<u>5,562,408,385</u>	<u>5,232,565,186</u>
<b>Separate financial statements</b>						
	<b>BOI</b>		<b>non - BOI</b>		<b>Total</b>	
	<b>2018 Baht</b>	<b>2017 Baht</b>	<b>2018 Baht</b>	<b>2017 Baht</b>	<b>2018 Baht</b>	<b>2017 Baht</b>
Sales						
Export	91,217,281	92,860,622	1,387,563,827	1,298,791,503	1,478,781,108	1,391,652,125
Local	69,291,272	87,832,595	4,011,279,987	3,752,376,174	4,080,571,259	3,840,208,769
	<u>160,508,553</u>	<u>180,693,217</u>	<u>5,398,843,814</u>	<u>5,051,167,677</u>	<u>5,559,352,367</u>	<u>5,231,860,894</u>

**27 Dividends paid**

At the Annual General Meeting of shareholders of the Company held on 29 January 2018, the shareholders passed a resolution approving dividend payment from its operating results for 2017 at Baht 0.8476 per share (Baht 0.2023 per share from BOI-promoted operations and Baht 0.6453 per share from non-BOI promoted operations), amounting to a total dividend of Baht 169.52 million. The dividends were distributed on 28 February 2018.

At the Annual General Meeting of shareholders of the Company held on 30 January 2017, the shareholders passed a resolution approving dividend payment from its operating results for 2016 at Baht 1.0273 per share (Baht 0.2330 per share from BOI-promoted operations and Baht 0.7943 per share from non-BOI promoted operations), amounting to a total dividend of Baht 205.46 million. The dividends were distributed on 28 February 2017.



**Inoue Rubber (Thailand) Public Company Limited**  
**Notes to the Consolidated and Separate Financial Statements**  
**For the year ended 30 September 2018**

**28 Financial instruments**

The Group entered into foreign exchange forward contracts in order to manage exposure to fluctuations in foreign currency exchange rates for specific transactions.

Foreign exchange forward contracts outstanding at 30 September 2018 and 2017 were summarised as follows:

Foreign currency	Consolidated financial statements			
	2018		2017	
	Sold amount Million	Bought amount Million	Sold amount Million	Bought amount Million
US Dollars	0.66	1.21	2.42	0.70
Japanese Yen	10.56	144.47	103.19	203.57
Euro	0.04	-	-	-

Foreign currency	Separate financial statements			
	2018		2017	
	Sold amount Million	Bought amount Million	Sold amount Million	Bought amount Million
US Dollars	0.66	1.21	2.42	0.70
Japanese Yen	10.56	144.47	103.19	203.57
Euro	0.04	-	-	-

**Net fair values**

The net fair values of the open forward foreign exchange contracts as at 30 September 2018 and 2017 were as follows:

	Consolidated financial statements		Separate financial statements	
	2018 Baht	2017 Baht	2018 Baht	2017 Baht
Favourable forward foreign exchange contracts	327,858	343,878	327,858	343,878
Unfavourable forward foreign exchange contracts	(2,179,688)	(1,919,015)	(2,179,688)	(1,919,015)
Net	<u>(1,851,830)</u>	<u>(1,575,137)</u>	<u>(1,851,830)</u>	<u>(1,575,137)</u>

The fair values of foreign exchange forward contracts have been calculated using market price rates quoted by the Group's banks as if such forward contracts were to be terminated the contracts at the financial position date.

These fair values are within level 2 of the fair value hierarchy (Note 3.3).

At 30 September 2018 and 2017, the Group had outstanding foreign currency assets and liabilities as follows:

	Consolidated financial statements		Separate financial statements	
	2018 Million	2017 Million	2018 Million	2017 Million
<b>Assets</b>				
US Dollars	2.67	2.35	2.67	2.35
Japanese Yen	69.18	103.14	69.18	103.14
Euro	0.04	-	0.04	-
<b>Liabilities</b>				
US Dollars	3.70	1.10	3.70	1.10
Japanese Yen	205.40	204.29	205.40	204.29

**Inoue Rubber (Thailand) Public Company Limited**  
**Notes to the Consolidated and Separate Financial Statements**  
**For the year ended 30 September 2018**

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**32 Events after the reporting period**

On 22 November 2018, the Board of Directors' Meeting of the Company No.8/2018 passed a resolution approving the proposed dividend payment from its operating results for 2018 at Baht 0.8965 per share (Baht 0.1217 per share from BOI-promoted operations and Baht 0.7748 per share from non-BOI promoted operations), amounting to a total dividend of Baht 179.31 million. The dividend payment will later be proposed for approval in the Annual General Meeting of the Company's shareholders.



Inoue Rubber (Thailand) Public Co., Ltd.

A large, abstract graphic consisting of several overlapping, wavy bands of green. The bands transition from a light green at the top to a dark green at the bottom, creating a sense of depth and movement. This graphic occupies the lower half of the page.

# **SUSTAINABILITY REPORT 2018**

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# About this report



## Reporting Procedure

This 2018 Sustainability Report is counted as the 4th issue of Inoue Rubber (Thailand) Public Company Limited “IRC”, which is published annually. The contents of this report are consistent with Sustainability Reporting Guidelines defined by Global Reporting Initiatives or “GRI”. The contents include the assessment of IRC materiality issues, stakeholders, management process, as well as operational performance in economic, social, and environment aspects to IRC’ stakeholders during October 1st, 2017 – September 30th, 2018, which focus on sustainability development.

In this year, IRC still adopts the ‘Sustainable Development Goals’ or ‘SDGs’ as our compass in driving our stakeholder engagement and being a linkage of sustainable development at the international level.



## Scope of Report

This sustainability report presents our operational results from Motorcycle Tires and Tubes and Industrial Elastomer Parts businesses, which are located in Rangsit and Wangnoi sites respectively. The report includes financial and non-financial report.

Apart from some data that are presented in the Annual Report 2018, this report is published as a channel for stakeholder to understand how IRC drive our business towards sustainability goals.

For more information, please download the full version of this report via  
[www.ircthailand.com/en/investor/sustainability](http://www.ircthailand.com/en/investor/sustainability)

Or contact

<http://www.ircthailand.com/th/investor/relations/comment>

# IRC Pride

## Sustainability & Economic

one of 100 listed companies (ESG 100) from overall 683 listed companies, which is outstanding in environment, society and governance for three consecutive years



Thailand Sustainability Investment 2018 (THSI) by the Stock exchange of Thailand: The Company is one of the 79 selected listed companies, which operate business sustainably with consideration to Environment, Social and Governance.



Awards of Quality 2017 from Mitsubishi Motors (Thailand) Co., Ltd.

Certificate of Achievement from Isuzu Engine Manufacturing (Thailand) Co., Ltd. as the supplier who have average all fiscal year score points both quality and delivery





## Social & Occupational Health, Safety and Working Environment

Wangnoi Site received Gold Certificate Second Year: Thailand Safe@Work (Reduce Work Accident to zero) 2018 from the Ministry of Labor.



Outstanding Establishment on Skill Development Promotion in accordance with Skill Development Promotion Act B.E. 2545 (2002) from the Department of Skill Development, Ministry of Labor.



## Environmental

Rangsit Site received Thailand Energy Awards 2018 for Energy Conservation, Designated Factory from the Ministry of Energy.




Rangsit Site has been certified as the Green Industry Level 3 (Green System) by systematic environmental engagement, monitoring evaluation, and reviewed for continuous improvement from the Ministry of Industry.

# Message from the Chairman




A handwritten signature in black ink, appearing to read 'Pimjai'.

(Mrs. Pimjai Leeissaranukul)  
Chairman



## **Be the Leading Company in Innovation Development and the Smart Factory of Quality Elastomer Products, Motorcycle Tyres and Tubes in AEC**



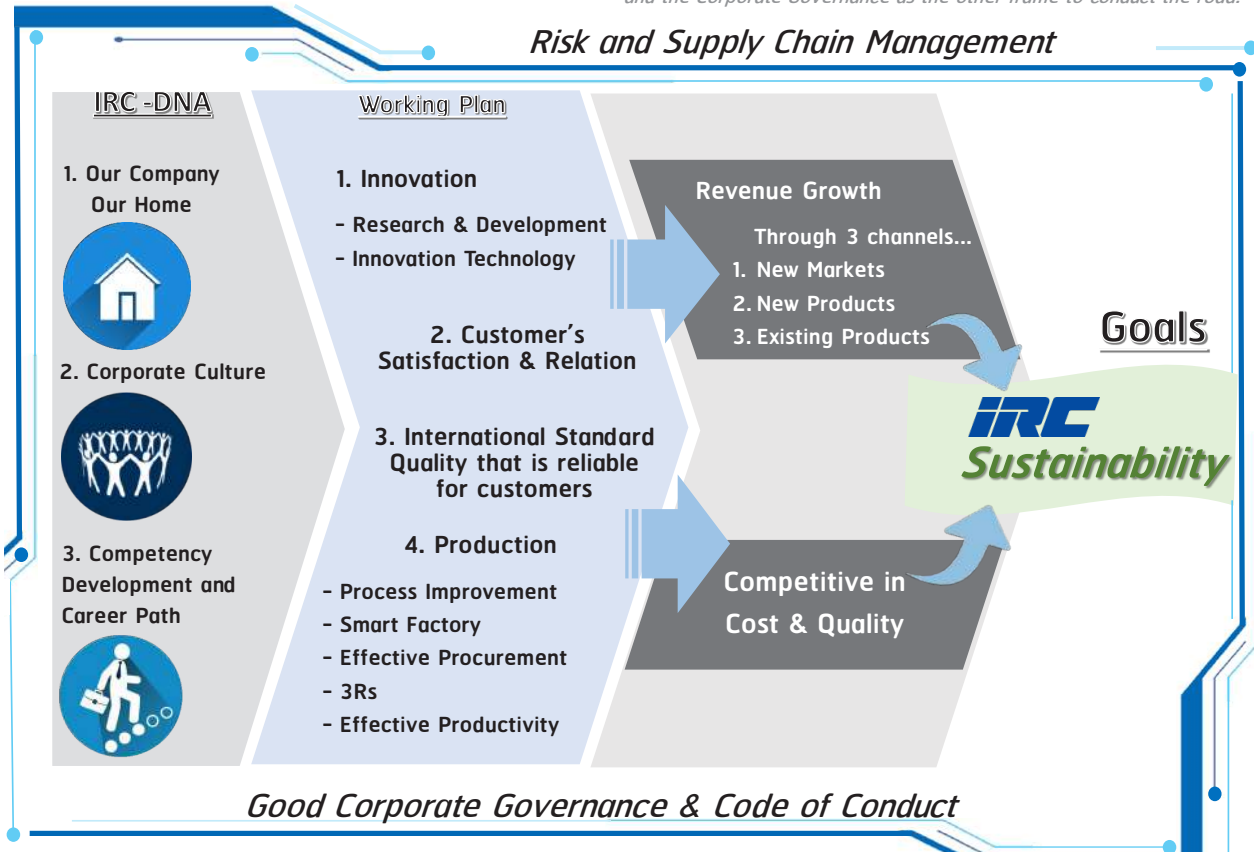
IRC aims to be sustainability organization that aware of Economic, Social, and Environment to response all the stakeholders under the company vision of “Be the Leading Company in Innovation Development and the Smart Factory of Quality Elastomer Products, Motorcycle Tyres and Tubes in AEC”. For the sustainability roadmap of IRC, there are systematic risk and supply chain management, as well as good Corporate Governance and Code of Conduct. This brings about the effective and concrete operation and innovation development in every aspect.

In 2018, IRC achieved Thailand Sustainability Investment 2018 (THSI) award which is considered as a development for the capital market, stable economic growth, and responsibility in Social and Environment, under the Corporate Governance framework.



## STRATEGY MAP

*On the way to IRC Sustainability, there are Risk and Supply Chain Management as a top frame, and the Corporate Governance as the other frame to conduct the road.*



Strategy map for IRC sustainability begins from the concrete base of everybody in IRC called IRC DNA, which consists of 1. Our Company Our Home 2. Corporate Culture and 3. Competency Development and Career Path. The risk management and supply chain management are conducted by Risk Management Committee. On the other hand, good Corporate Governance and Code of Conduct are conducted by Good Corporate Governance and Social Responsibility Committee and Audit Committee.

The roadmap for sustainability goal requires 4 key plans as follows;

**1**

Innovation; included the Research and Development, and Innovation Technology

**2**

Customer's Satisfaction & Relation

**3**

International Standard Quality that is reliable for customers

**4**

Production: included Process Improvement, Smart Factory, Effective Procurement, 3Rs, Effective Productivity

In each department consists of plan, target, and indicator, which are monitored and evaluated daily, monthly and quarterly by the Executive Committee and the Board of Directors. These 4 key plans bring about the competitiveness in cost, quality and product reliability, as well as revenue growth from 3 main channels which are 1. Existing Products, 2. New Products and 3. New Markets that are all lead to IRC' sustainability goal.

# About IRC

## Way towards sustainability

Sufficiency Economy is a philosophy from H.M. King Bhumibol Adulyadej provided to Thai people since 1974. Then on 4th December 1997, the philosophy was clearly mentioned again to be a solution solving for financial crisis in 1997, and for Thai people to live stably and sustainably against globalization and various changes.

For over 49 years, Inoue Rubber (Thailand) Public Company Limited (IRC) has continuously engaged in the manufacture of motorcycle tires and tubes as well as elastomer products for automotive and other industries. Along the path, IRC has faced with numerous challenges including industrial and technological developments, dynamic changing of consumer demand and lifestyle, political instability, economic fluctuations, and even climate changes.

Consequently, IRC has followed H.M. King Bhumibol Adulyadej's philosophy as guidance towards achievement of sustainable growth in economic, social, and environmental aspects. IRC began with using outstanding expertise and strength in research and development with the production process improvement to address various social problems or needs. Nevertheless, the Company aims to make Creating Shared Value or CSV between the Company and the stakeholders, as well as being good corporate citizenship. The Board of Directors and the Management have implemented the Company's vision and mission as **"Be the Leading Company in Innovation Development and Smart Factory of Quality Elastomer Products, Motorcycle Tyres and Tubes in AEC"**.



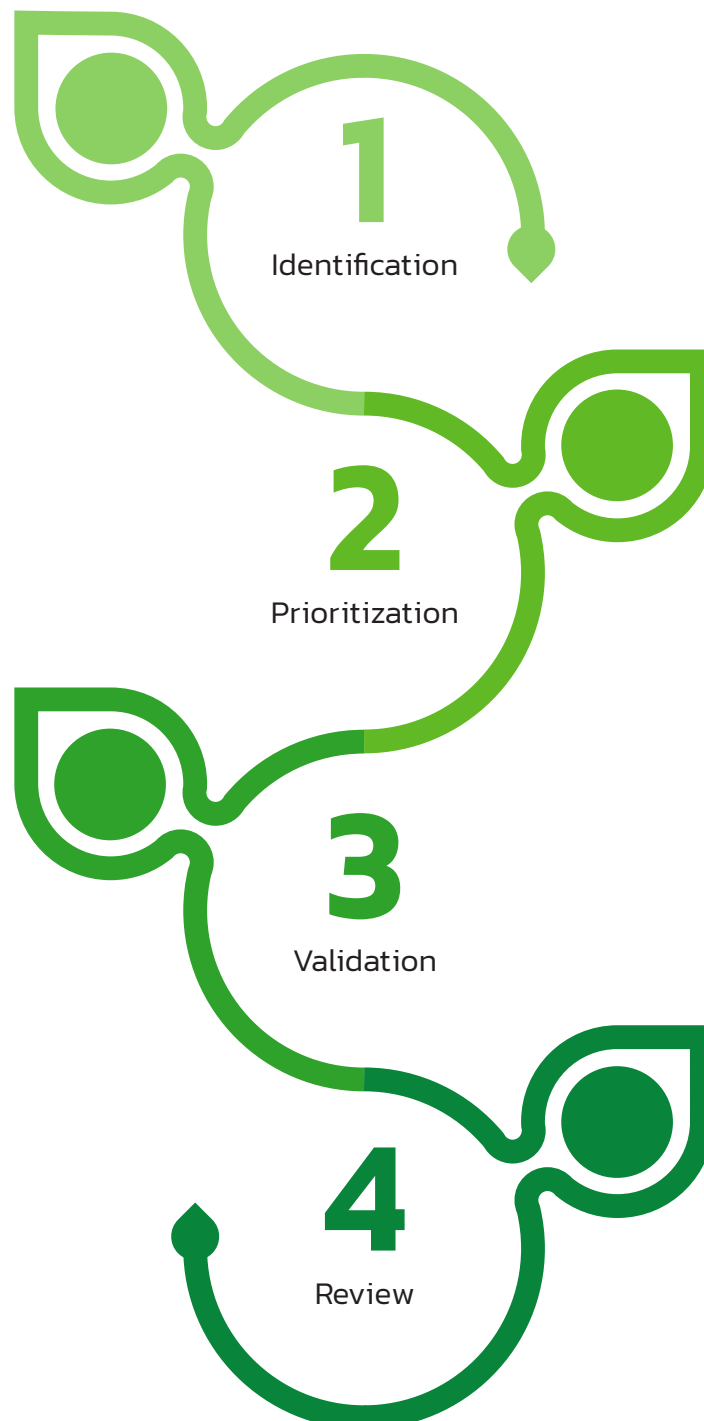




# Assessment of the Materiality Issues and the stakeholders

## Assessment of the Materiality Issues

After set the scope of this report, the Executive Committee, the Corporate Governance and Social Responsibility Committee, and the Board of Directors has considered and assessed the materiality issues that may have an impact on IRC's stakeholders and IRC's business operation by following the GRI framework.



## Step 1 : Identification

The Company considers the materiality issues that may affect IRC's mission together with the stakeholders' expectation both internal and external based on the economic, social, and environmental aspects. The Company identified the materiality issues covering 3 aspects following GRI framework first time in 2015 Sustainability Report. In this year, IRC has assessed and reviewed the identification as follows;



### Economic

1. Corporate Governance
2. Anti-Corruption
3. Risk Management
4. Customer Relationship Management
5. Supply Chain Management
6. Business and Social Innovation
7. Cost Competitiveness
8. Quality Reliability



### Social

9. Employee
10. Occupational Health, Safety and Well-being
11. Corporate Social Responsibility



### Environment

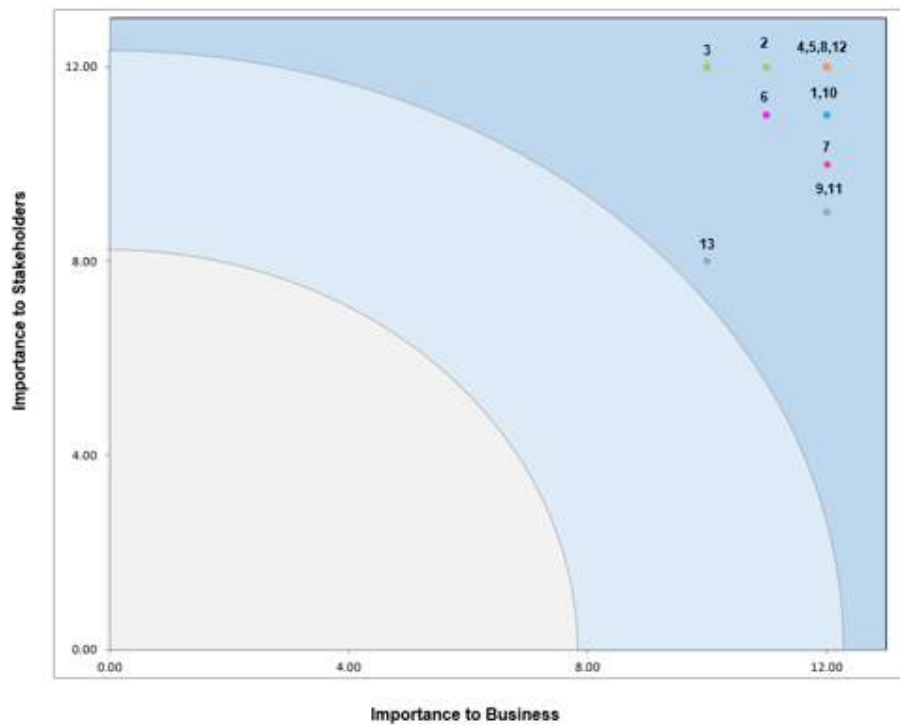
12. Environmental Management
13. Climate Change

## Step 2 : Prioritization

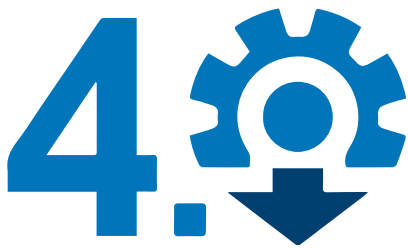
IRC considered the priority of each issue by separating into important and very important impact on IRC's business operation and stakeholders as presented in the Materiality Matrix.



### Materiality Matrix



#### Step 3 : Validation



In 2018, the Good Corporate Governance and Social Responsibility Committee reviewed the materiality issues by considering Thailand's Roadmap, the development to Thailand Industry 4.0, the economic direction both domestic and international levels, and the United Nation's Sustainable Development Goals or SDGs, then presented to the Executive Committee for consideration as a practitioner. Lastly, the materiality issues were proposed to the Board of Directors to consider whether they comply with the overall enterprise direction and appropriateness. This is to ensure that the materiality issues are selected, reviewed, and assessed comprehensively and up-to-date.

#### Step 4: Review

This report has been prepared for 4 consecutive years and has been improved and reviewed following the framework of GRI Standards. Thus, the content in this report is completed and able to response to both internal and external stakeholders' requirements and expectation.



## Stakeholders' Engagement

The Company listens to every voice of the related stakeholders about each step of business operation, and realizes the importance of running the business with CSR-along-process. We deliberately aim to drive the strategies together with continuously improve the stakeholders' engagement to efficiently and extensively respond to their requirement and expectation. This leads to the improvement of sustainability management process.

From the assessment of the materiality issues that affected IRC Business Sustainability as shown in the topic of the Materiality Issues Assessment, the materiality issues that are related with the 7 stakeholder groups are shown as follows:

Stakeholders	Related Materiality Issue	IRC Management Approach	Feedback
1. Shareholders	1. Corporate Governance 2. Anti-Corruption 3. Risk Management	The Board of Directors, as a representative of every shareholder groups, performs 1. Determined the policy and the handbook of good corporate governance and business morality as a guideline to follow 2. Continuously promote the development in corporate governance 3. Support to the preparation of Sustainability Report 4. Set up corporate governance and social responsibility committee, and risk management committee 5. Risk Management preparation plan	1. All stakeholders can together understand and realize the goal and direction of the IRC's operation in long-term 2. ESG 100: 2018 Certificate 3. Thailand Sustainability Investment (THSI) 2018 4. Analyst Meeting Activity: the Chairman presented the Company's performance to the analysts
2. Competitors	1. Business and Social Innovation Development 2. Cost Competitiveness	1. A liberated, transparent and fair competition, which creates invention and innovation. 2. Do not accuse or discredit the competitor's reputation, monopolized, and dump the market. 3. Pay attention to social context surrounding the business environment and do not exploit benefits from natural or social situation to gain unfair advantage	Brings about an efficient, cost reduction and environment-safely process including new products creation that leads business advancement and overall industrial development

Stakeholders	Related Materiality Issue	IRC Management Approach	Feedback
3. Suppliers	Supply Chain Management	<ol style="list-style-type: none"> <li>1. The policy of transparent suppliers choosing by set up the criteria, which complies with the legal and operational base on the humanitarian</li> <li>2. The principles of behaving towards supplier with fairness</li> <li>3. Support the sustainable business operation</li> <li>4. Improve the supply chain level</li> </ol>	<ol style="list-style-type: none"> <li>1. The chosen suppliers are able to deliver quality products and services to the Company</li> <li>2. The competitiveness of the Small and Medium-sized Enterprises (SMEs) are enhanced, and they could become economic driving henceforward</li> <li>3. Social Enterprise Project: (Klongpang Cooperative, Trang Province)</li> </ol>
4. Employee	<ol style="list-style-type: none"> <li>1. Employee</li> <li>2. Occupational Health, Safety &amp; Well-being</li> </ol>	<ol style="list-style-type: none"> <li>1. Determine the goal to enhance the employees in every level by providing them a special training following their ability and knowledge that are necessary to their working task</li> <li>2. Set up the training activities, seminars and field trips educating by both inside and outside</li> </ol>	<ol style="list-style-type: none"> <li>1. Employees Engagement to the Company Activity <ul style="list-style-type: none"> <li>- Thank you party</li> <li>- Happy Workplace Project</li> <li>- Sending employees to travel back home safely during festivals</li> <li>- Vocational training program for senior employees</li> <li>- Annual Merit Activities in the Company</li> <li>- QCC/Innovation Day Activities</li> <li>- Safety Day</li> </ul> </li> <li>2. Employees Engagement to the Employee Activity: <ul style="list-style-type: none"> <li>- IRC Love the World</li> <li>- Internal Sport Day</li> </ul> </li> </ol>

Stakeholders	Related Materiality Issue	IRC Management Approach	Feedback
5. Society, Community and Environment	<ol style="list-style-type: none"> <li>1. Business and social innovation</li> <li>2. Environmental Management</li> <li>3. Climate Change</li> </ol>	<p>The Company determines</p> <ol style="list-style-type: none"> <li>1. The philosophy and the organization's culture <ul style="list-style-type: none"> <li>- Efficient energy use</li> <li>- Recycling</li> <li>- Environment and biodiversity saving</li> <li>- Friendly product and production process development</li> </ul> </li> <li>2. Knowledge transfer <ul style="list-style-type: none"> <li>- Create good environment in IRC, surrounding community, society and country with the Sustainable Development Goals (SDGs)</li> </ul> </li> </ol>	<ol style="list-style-type: none"> <li>1. Be a part to support and push forward this development goal so Thailand can move towards the global sustainability through the Company's activities and actions</li> <li>2. Project related with Community, Society, Environmental responsibilities <ul style="list-style-type: none"> <li>- HAI ARCHEEP – HAI CHEEVIT Project</li> <li>- Production Line Improvement Project</li> <li>- Solar Cell Installation</li> <li>- Safety Driving Campaign during Festival Project</li> <li>- Safety Driving Wearing Helmet Project</li> <li>- Projects that support Thai culture such as Making Merits on Special Religious Days, Pouring Water and Asking for Blessing from Elders (On Songkran Day)</li> </ul> </li> <li>3. Products that reduce the GHGs emission</li> </ol>
6. Customers	<ol style="list-style-type: none"> <li>1. Customer Relationship Management</li> <li>2. Quality Reliability</li> </ol>	<p>Realized and stood for the Quality Spirit</p> <ol style="list-style-type: none"> <li>1. QUALITY FIRST, DELIVERY ON TIME, CUSTOMER SATISFACTION</li> <li>2. Always keep our rules and Standards</li> <li>3. Promote the built-in quality in each section</li> <li>4. The executives fully support to QA decision</li> </ol>	<ol style="list-style-type: none"> <li>1. The awards, certificates and trophies that IRC received from both our customers and external institutes</li> <li>2. DID RIDE for LIFE (D.I.D) Activity and other activities with the customers such as AP HONDA Racing Championship and PTT Thailand Grandprix (MotoGP 2018)</li> </ol>
7. Government Agency	<ol style="list-style-type: none"> <li>1. Certification</li> <li>2. Comply with concerned Law and Regulation</li> <li>3. Control environment inside the Company at required standard</li> </ol>	<ol style="list-style-type: none"> <li>1. The Company asks permission and certification from related parties before starting the operation</li> <li>2. The Company follows concerned law and regulation</li> <li>3. Be responsible for society, as well as control, maintain, preserve and promote environment</li> </ol>	<p>The Company and its subsidiaries do not have legal dispute or lawsuit where the directors, executives, or related person are being involved.</p>

# Management Approach

## Corporate Governance

### Good Corporate Governance

Good corporate governance is the important basis for the business operation, and for the transparent, accountable and efficient management. Moreover, the business runs better if complying code of conduct in the operation. This includes respect to rights of shareholders and stakeholders' responsibilities. These are the important factors to raise value and the highest return on investment for shareholders as a long term.

IRC aims to the best of corporate governance to respond to the company's vision and mission as "Be the Leading Company in Innovation Development and the Smart Factory of Quality Elastomer Products, Motorcycle Tires and Tubes in AEC"

### Management Approach

The company specify the strategies and the management approach for the corporate governance as in the following process

#### IRC Vision

1. **Corporate Governance Code: CG Code 2017 8 major Principles of the Stock Exchange of Thailand**
2. **OECD Principles of Corporate Governance**

#### The 5 principles namely;

- I. Rights of Shareholders
- II. Equitable Treatment of Shareholders
- III. Roles of Stakeholders
- IV. Disclosure and Transparency
- V. Board Responsibilities

1. To be command in use for the operational guideline of the directors, management, and all employees level, within the company and subsidiaries.
2. Communicated through all employee by they need to signed acknowledgement and practice follow by the Corporate Governance and Code of Conduct Handbook.
3. Promoted corporate governance trainings among its directors, executives and relevant staffs.
4. Have the complaint channel and the transparency verifying process. Moreover, will keep the complaint record as the secret for respect the rights of the complainer.
5. Have the self-assessment, both as the whole committee and as an individual, and to review and conclude all opinions about the directors' performance during the year. These opinions shall collect to solve and enhance the future performance. The assessment criteria are consistent with each committees' charters and the guideline defined by the SET; for example, the forms of the Board Skill Matrix and the Board self-assessment.

Specify our policy and strategy in business operation, caring and development employees, who are the valuable assets of the Company, risk management and internal control process, as well as the financial and non-financial report. This CG Code is also embedded in our business practice to IRC's stakeholders and other activities held by us.





#### In 2018 got the evaluating CG Score as 4 stars for 4 consecutive years

In 2018, IRC has reviewed our Handbook of Good Corporate Governance to align with the Handling confidential, market-sensitive information: Principle of good practice and Corporate Governance Code: CG Code 2017, and the Investment and Management in Subsidiaries Policy. This is to enhance IRC's corporate governance principle and policy and to be the good practice for directors, executives, and employees to hold on.

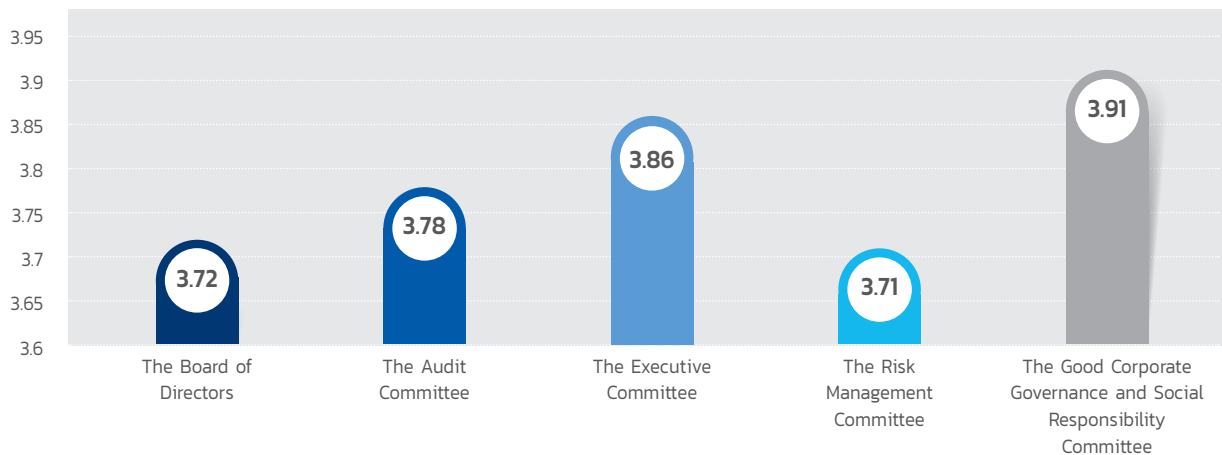
In addition, IRC also promoted corporate governance trainings among its directors, executives and relevant staffs such as Board That Make a Difference (BMD), Value Creation and Enhancement for Listed Companies with the New COSO 2017 Enterprise Risk Management (ERM), Strategic CFO in Capital Markets, and Director Accreditation Program (DAP). Meanwhile, the management and the secretary of Corporate Governance and Corporate Social Responsibility Committee were also encouraged to be trained in Anti-Corruption: The Practical Guide, the Information Disclosure Practice (CG Code) follows the Apply or Explain Principles, and Thailand's 9th National Conference on Collective Action against Corruption: Disruption Corruption. This is for knowledge and understanding regarding the roles and proper management practice based on Good Corporate Governance principles and Anti-Corruption, including transferring the knowledge learned among other colleagues within the organization.

### Performance

In 2018 the Board Self-Assessment and other sub committees covered topic as follows:

Board Skill Matrix	Self-Assessment as a whole	Self-Assessment as an individual
<ol style="list-style-type: none"> <li>1. Business Management</li> <li>2. Industry</li> <li>3. Profession Knowledge</li> <li>4. International Business</li> <li>5. Strategic Management</li> <li>6. Laws and Regulations</li> <li>7. Accounting</li> <li>8. Finance</li> <li>9. Information Technology</li> <li>10. Economy</li> <li>11. Other Specific Knowledge</li> </ol>	<ol style="list-style-type: none"> <li>1. Committee Structure and Qualifications</li> <li>2. Roles, Duties and Responsibilities of the Committee</li> <li>3. The Committee Meeting</li> <li>4. The Committee Duties</li> <li>5. Relations with the Management</li> <li>6. Self-Development of the Directors and the Executives</li> </ol>	<ol style="list-style-type: none"> <li>1. Committee Structure and Qualifications</li> <li>2. The Committee Meeting</li> <li>3. Roles, Duties and Responsibilities of the Committee</li> </ol>

## THE BOARD OF DIRECTORS AND THE SUB-COMMITTEES' SELF-ASSESSMENT RESULTS FOR THE YEAR 2018



Notice: From a total of 4 points, the conditions are as follows;

- 0 = Strongly disagree or never conducted
- 1 = Disagree or seldom conducted
- 2 = Fair or moderately conducted
- 3 = Agree or well conducted
- 4 = Strongly agree or excellently conducted

## Code of conduct

IRC has values, principles, standards, and norms of behavior which are followed by Code of Conduct. Moreover, the company manages on morality by using the protocol control and also balances the power, for disclosure and transparency management

Furthermore, the company has the complaint policy as shown in the corporate governance handbook reviewed version on August 10th, 2018.

For more information, please download at; <http://www.ircthailand.com/th/investor/corporate/charters>

## Sustainability Management

### Economic, Social, and Environment Practice

The Corporate Governance and Social Responsibility Committee 'the Committee' appointed the 'Working Team' consisting of executives and employees from various departments that normally have interaction with IRC's stakeholders by following their roles and responsibilities so that they can drive IRC's sustainability in terms of Economic, Social, and Environment

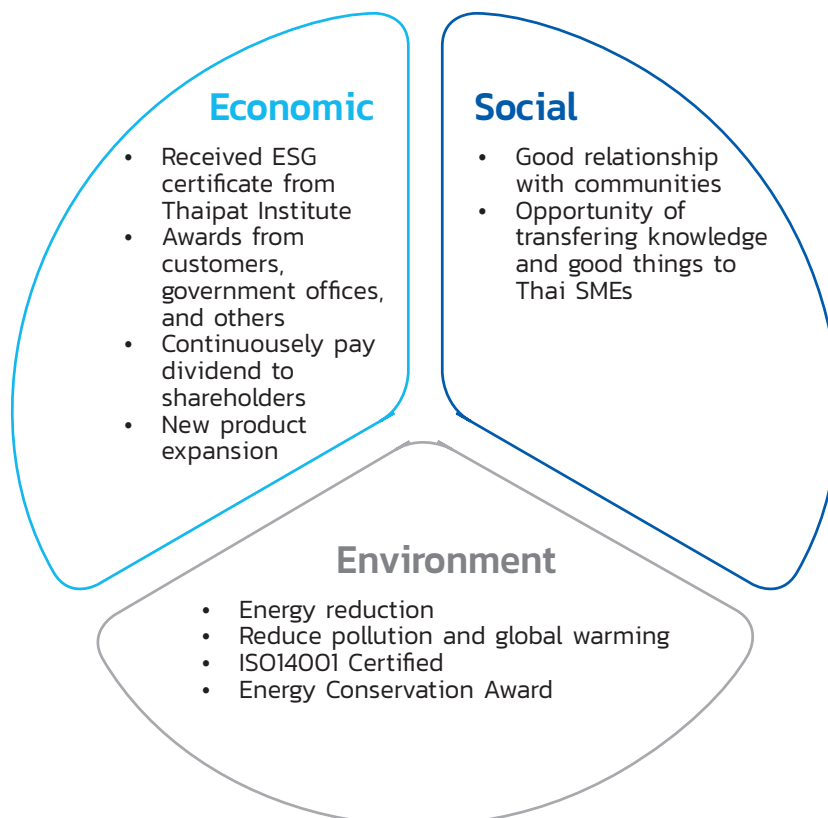
Moreover, the issues which related with **Environment, Social, and Governance 'ESG'** as policy and procedure assigned by the Committee. The Working Team shall listen and receive comments and recommendations from stakeholders then report to the Committee on a quarterly basis, or immediately. In urgent case, the Committee will be able to define the proper and prompt strategy and procedure to manage each group of stakeholders. If there are any significant issues that shall affect the Company's business strategy or forecast, the Committee shall report to the Board to consider and define the procedure to manage later on.

### Corporate Social Responsibility Activity Enhancing Corporate Sustainability

The Board, the Executive Committee and the Corporate Governance and Social Responsibility Committee together define the strategy to drive IRC's CSR activities namely;



### The Results of Pushing Forward and Implementing the Sustainability Policy



## Anti-Corruption

### Business Importance

#### Anti-Corruption

The Company realized the important of the transparency operation and follow by the good corporate governance. The operational base on performing, fair, social and stakeholders responsibilities. Moreover, the Company prevents the chance of the corruption causes.

As a corporate citizenship, IRC specify the operational principle, which is not supported to the business of the group or person who is corruption in pursuit of benefits. Furthermore, the company has been entrusted in the operational without any corruption.

The Board of directors have defined the Anti-Corruption policy as well as the responsibilities of directors, executives, and employees at all levels. This begins with creating awareness and values in 'Self-Respect' under the belief if a person perceives and respects his/ her values, it shall be the fundamental of integrity and self-control to avoid himself or herself from doing any wrong actions as well as any wrong thought.

#### Management Approach of Monitoring and Evaluating the Implementation of Anti-Corruption Policy

To encourage employees at all levels to act in accordance with procedures set in the Anti-Corruption policy, IRC has provided the communication channels such as training to existing employees, presented as orientation curriculum for new employees which there are quizzes before and after trainings to test the understanding. Additionally, IRC has provided the communication materials of the Business Morality, Code of Conduct and Anti-Corruption Policy for publication to employees during lunch.



## No Gift Policy

For no gift policy, it is a part of anti-corruption policy which was announced by the Company to set as the practice standard to all employees.

#### Whistle-Blowing Procedure

IRC has provided the channels for whistle-blowing namely;

- Filing complaints by verbal to the Company's Chairman
- Comment boxes as placed in the Company In case that the whistle-blower

does not want to disclose himself/ herself, the Company has opened the electronic channels namely;

- Email: [listen@ircthailand.com](mailto:listen@ircthailand.com)
- Website: [www.ircthailand.com/th/investor/corporate/whistleblowing](http://www.ircthailand.com/th/investor/corporate/whistleblowing)

IRC has a policy to keep all the information confidentially in order to protect the whistle-blowers from any fear of authority power or any action of the violation. After the case end, the Company will report the investigation result to the whistle-blowers as appropriated.

#### The Evaluation of Corruption Risk

The Board assigned the Risk Management Committee to assess corruption risks and impacts that might occur to the Company so that the risk has usually been examined and monitored. Moreover, the policy, procedures/ practices and the authority table are set as a part of risk management process in order to create internal check and balance mechanism. As a result, the Company has communicated this risk management for all related persons to realize and implement in the same practice for all enterprise.

#### Performance

In 2018 IRC does not has any complaint.





## Risk Management

### Business Importance

The company realize how important of the risk management, under the uncertainties. Risk management is the significant component of every process in business operation. Moreover, it related to every level and get the highest target as sustainable business operation

### Management Approach

The Board of Directors has recognized that the risk management is the significant process for business operation and sustainable growth, as well as has complied with the good Corporate Governance for listed company 2017 (CG Code 2017). Thus the Risk Management Committee has been assigned to systematically perform the Company's risk management to comply with the rules, regulations and international standards such as the Committee of Sponsoring Organizations of the Treadway Commission (COSO ERM), ISO 14001: 2015 and ISO 9001: 2015. With a clear emphasis on the management of four major risks including strategy risk, operational risk, financial risk, and compliance risk, the Risk Management Committee has determined to earnestly pursue the "Risk Appetite" framework that pave the way to strategic plan and business planning following the short-term and long-term organizational objectives and goals.

To drive the organization to a greater achievement of objectives and goals, the Risk Management Committee has determined the risk management working team's pivotal roles by stimulate risk owners to realize and understand causes and effects of their responsible risks, while having a strong sense of responsibility towards their everyday tasks. In addition, the Risk Management Committee has held an innovation and risk management contest within the organization, as part of the strategy to encourage all employees to have an inbuilt awareness of risks as well as take part in the development of risk management. This substantial commitment has been expected to foster systematic reporting of risks in an efficient and appropriate manner.

Furthermore, the Risk Management Committee has thoroughly reviewed its Key Risk Indicators (KRIs) covering the main business lines of motorcycle tires & tubes, and industrial elastomer parts to highly facilitate the assessment of key risks. Also, the Committee has strategically developed its Business Continuity Plan (BCP) to cope efficiently with changing economic situations and be prepared to tackle business crises to ensure no impact caused to the overall business process and the Company's stakeholders. Moreover, the Committee has monitored and summarized the performances of the risk management working team then reported to the Board of Directors on a quarterly basis.

## Performance

The company has the project for risk management and emergency, which cause the benefits of business included specify the benefits as the number (For example decrease budget, decrease risk, increase the revenue growth, the positive effect to IRC, or the related issues). Risk management project has 4 issues, which IRC is interested in as the following



## Strategy Risk

The company determined the strategy for support to the Research and Development of the product, for response the customer requirements. Also created the innovation to be the Smart Factory as the changes of technology, and move forward proudly to be Thailand 4.0. Moreover, the company recognize in the environmental sustainability and Zero Waste Policy, by using the 3Rs: Reduce, Reuse, and Recycle, adapted into the business process.



## Operational Risk

The Company has brought lean concept and automation system to co-develop with intelligent technologies, to enhance the efficiency and to reduce cost and losses in production management. The Company has also been encouraged to promote the Company's innovation deemed as part of the Company's corporate culture conforming to the Company's organizational vision and mission and the Thailand 4.0 model progressed by the government. These well-developed strategies will lead the Company's organization to greater competitiveness and success, while creating potential values for the Company's products and services in a sustainable manner. Moreover, to maintain the quality standard of the Company's productions, the Company has also determined to focus on controlling, developing, and maintaining machinery and equipment to ensure effective production process at all times, while preventing possible production problems that may affect customer satisfaction. Significantly, the Company has managed and improved the Company's production process to exceed the required standards and regulations continuously, and to ensure the least impact caused to the surrounding communities, in which the Company's executives have perfectly prepared to handle and manage such risks. The Company are striving to maintain good relationship and understanding with all people living in the communal areas adjacent to the Company.





## Financial Risk

Various financial fluctuations resulted in the major financial risk of the Company, which is the volatile exchange rate. The Company had transactions in both Japanese Yen (JPY), US Dollar (USD), that all have high fluctuation. Therefore, the Company observed the movement of exchange rate and raw material price closely. Moreover, the Company defined a Forward Contract policy and making options to close down this transactional risk, as well as reported to the Management and the Risk Management Committee every quarter. Additionally, the Company had defined a financial management strategy to manage the high financial liquidity by paying a dividend in a rating higher than the interest rate that the Company received from the short-term investment. Moreover, the Company plan to invest in other channels; for example, an investment in new innovation and new product's research and development, and for the development to become the Smart Factory. Furthermore, the report of the age of account receivable was made to the Management regularly, in order to follow up if a risk transaction was found, as well as reported in the financial statement every quarters. However, the most of the Company account receivables did not reach maturity, which is not affect the Company's liquidity and financial status.

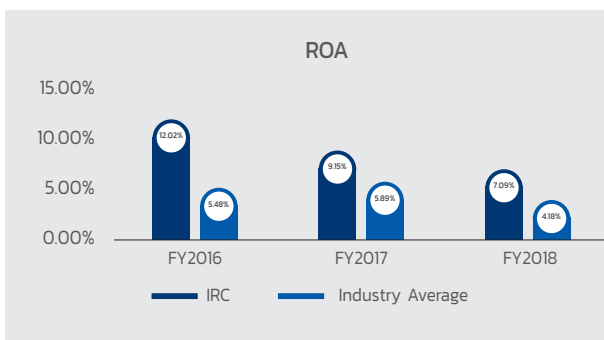


## Compliance Risk

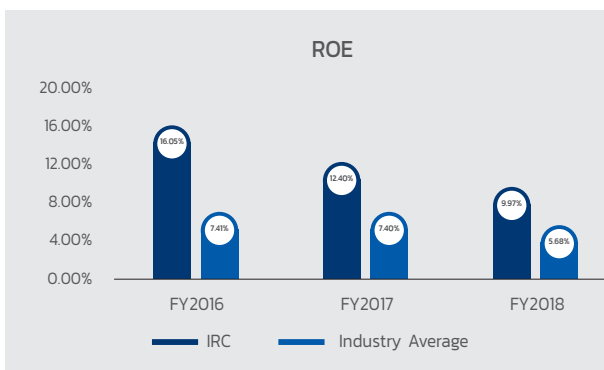
The company recognize to comply with the legal, rules, and regulations, which related to production, operation, Occupational Health and Safety, Environment, employee, disclosure, corruption, and the international standard as necessary to the business operation. **From the company performance, IRC never violated any law or regulation.**

# Economic Performance

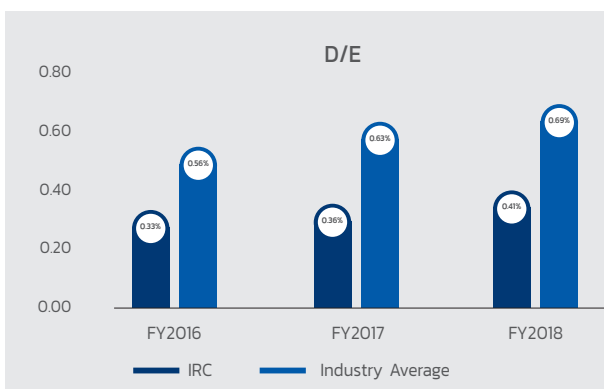
IRC continues to manufacture and develop its products to ensure sustainable economic growth and employment opportunities among local communities by focusing on raw material selection and testing procedures, enhancement of production process and techniques and innovative products creation and development. This has allowed IRC to generate total revenue at 5,614.13 million and net profit at 358.62 million Baht, with Earnings per Share of 1.79 Baht. Moreover, Return on Assets (ROA) and Return On Equity (ROE) are higher than automotive group in SET continuously. Meanwhile, Debt to Equity ratio (D/E) is lower than automotive group in SET. From the overall performance, the Company continuously pays dividend to the shareholders and allocates fair and appropriate compensations among its directors, executives and employees, as well as provides profit sharing among the stakeholders through various projects.



Year	IRC	Average
2016	12.02	5.48
2017	9.15	5.89
2018	7.09	4.18



Year	IRC	Average
2016	16.05	7.41
2017	12.40	7.40
2018	9.97	5.68



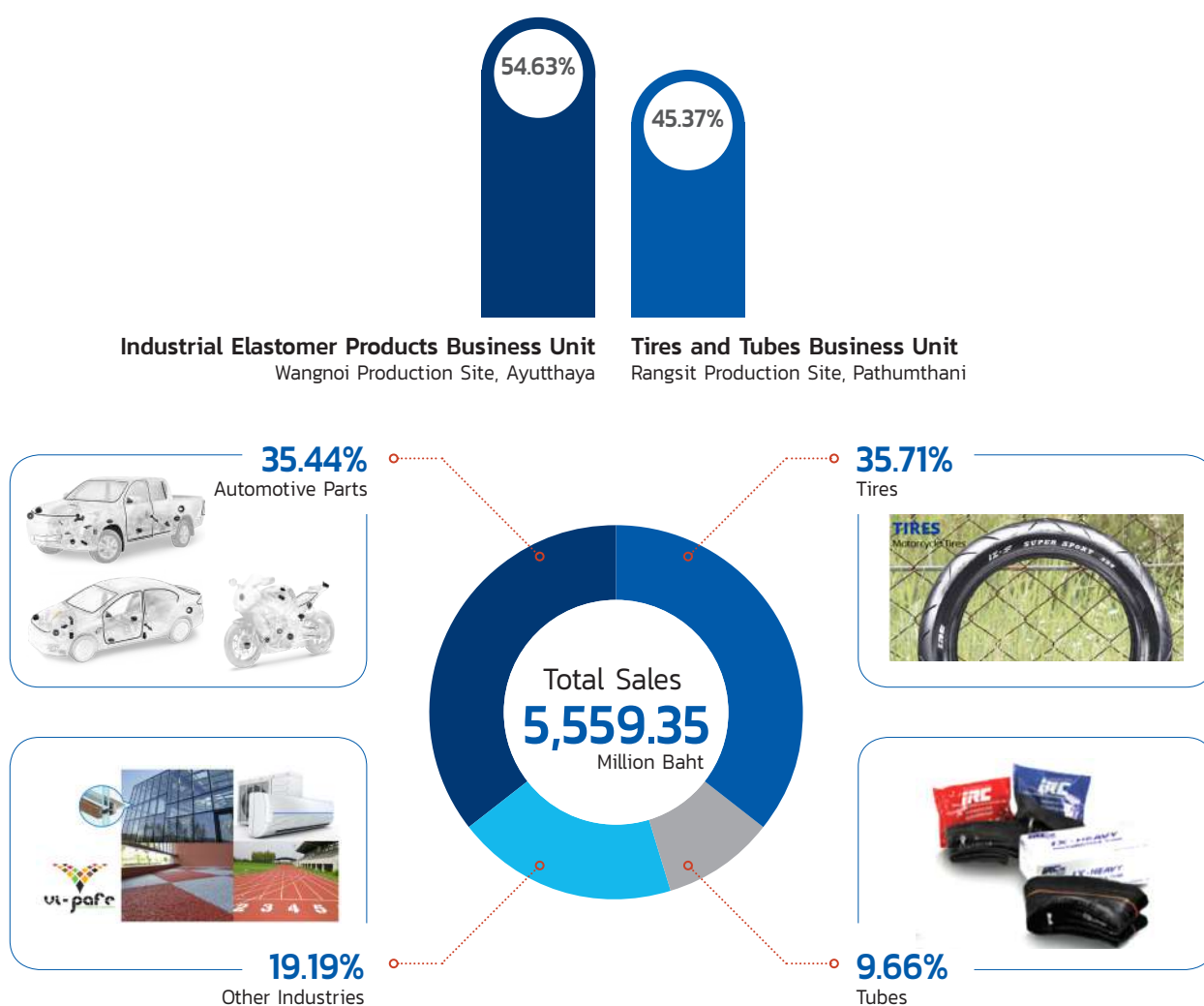
Year	IRC	Average
2016	0.33	0.56
2017	0.36	0.63
2018	0.41	0.69

Remark : Average of Automotive Industry in SET, calculated in IRC's Fiscal Year.

## Financial Reporting

Throughout the past years, IRC managed to maintain its financial reporting standard by preparing its financial statements in accurate, transparent, reliable and verifiable manner and all of which have been independently audited and opinionated by certified auditors. In 2018, the Company has prepared Management Descriptions and Analysis (MD&A) and disclosed its quarterly and annual financial statements to the Stock Exchange of Thailand in order to publically notify and clarify its performance results among the shareholders and interested persons. At the same time, IRC has managed to uphold proper financial practice in analyzing the benefits and value for money that can be gained by the Company from making investments in machinery, production and numerous projects, including avoiding investing in businesses that are beyond its field expertise and trying to maintain sufficient capital flow for running normal operations in order to sustain the Company's credibility as well as the highest benefits of its shareholders

## Products of IRC



### Company Abbreviation

Established	15 December, 1969
Listed in SET	25 September, 1994
Registered Capital	200 Million Baht (Paid up)
Number of Shares	200 Million Ordinary Shares

### IRC

### Total Shareholders

1,693 shareholders  
(as of 8th Feb, 2018)

### Total Employees

1,679 persons

### Total Revenues

• 5,562 Million Baht (FY2018)

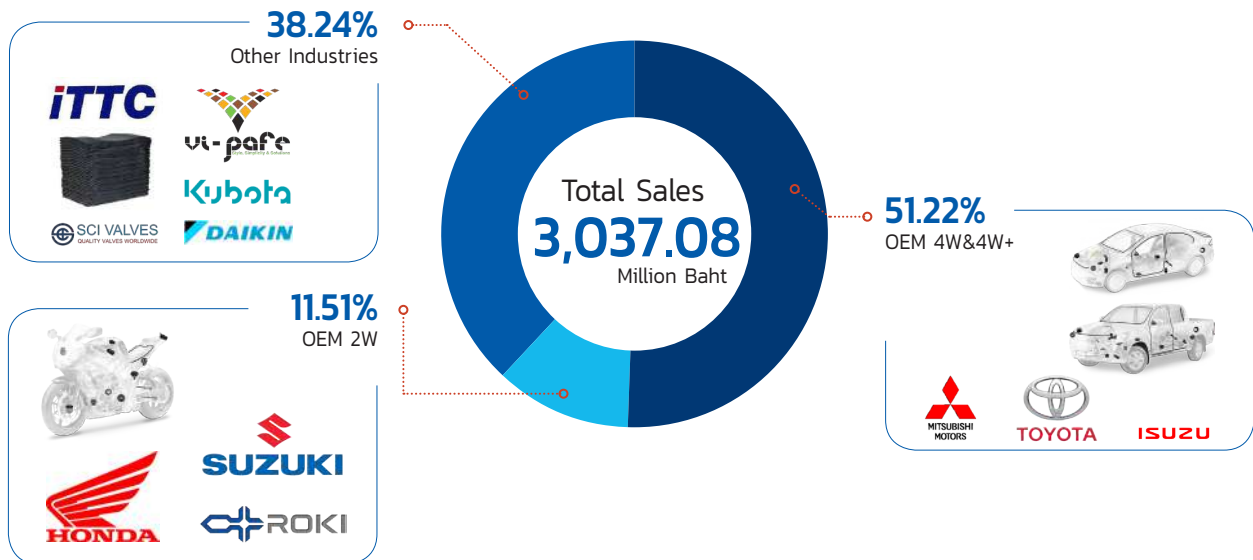
### Total Net Profits

• 5,331 Million Baht (FY2017)

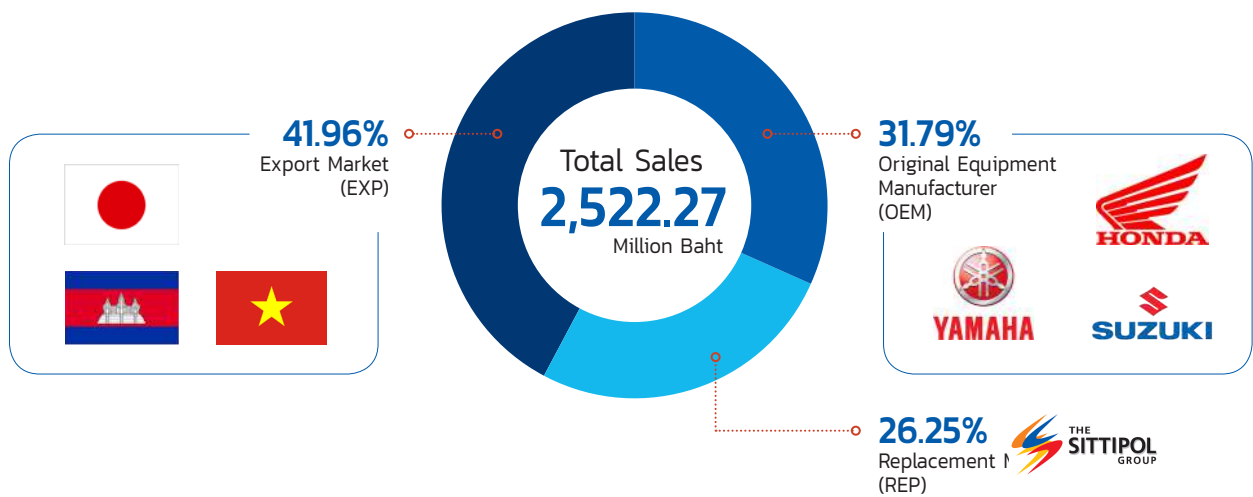
• 358 Million Baht (FY2018)

• 424 Million Baht (FY2017)

Distribution channel and Market share of Industrial Elastomer Parts Products  
Industrial Elastomer Products distribution channel FY2018



Distribution channel and Market share of Motorcycle Tires and Tubes Products



# Sustainability in Supply Chain

## Sustainability in Supply Chain

### Supply Chain Management

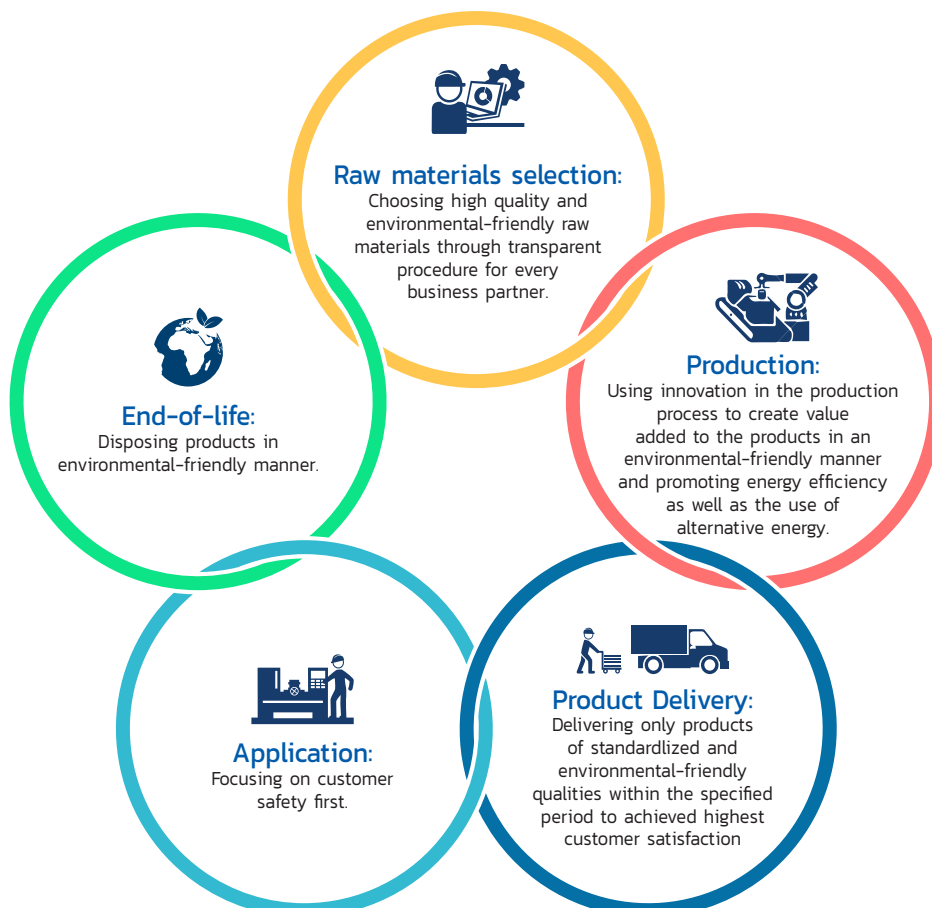
For competitive advantages, The Company has to perform in the cost management with mainly strategy in customer satisfaction by hasty response to frequently changes of customer requirements based on low productivity cost and the highest benefits by produced appropriately quantity. As the result of, the effectiveness of Supply Chain Management is necessary for the company.

### Management Approach

IRC brought Supply Chain Management continuously in the related consistency. Management system aims to response in customer satisfactions with efficiency and effectiveness, by manage the inside and outside unit could be deliver goods or work pieces continuously to the next unit. Until at the end of the production line as quality goods, and then delivery to the customers as their requirements

### Strategy and Policy

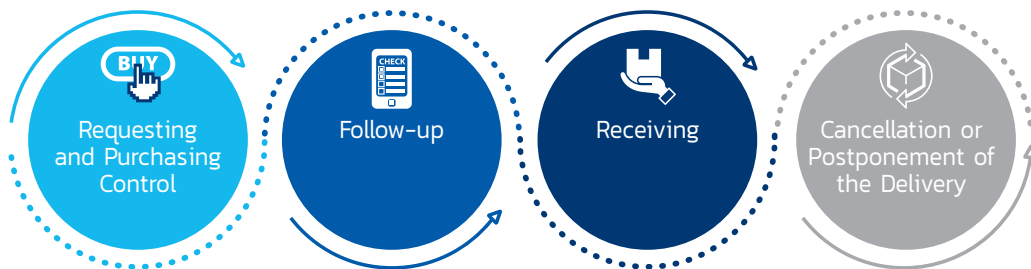
Green Value Chain is the IRC strategy, in order to establish a sustainable organization by incorporating social and environmental aspects in driving the business to promote transparency and fairness, including minimizing monetary losses, energy consumption and carbon emission as well as preventing corruptions and social inequality. Moreover, the Company has a Supplier/ Creditor policy to use as a guideline follows the Good Corporate Governance principle, the communication to supplier for their acknowledge about the Anti-Corruption policy, as well as declined every gifts offered.



## Operating Process

The sustainable supply chain management of the Company emphasize on all risk aspects of the supply chain, in order to control the financial risk, operational risk, together with the strategy risk. This is to prepare for any situation that might affect the supply chain. IRC defines a condition to control such risks for a globalization standard quality product, enhancing the production efficacy and reduced cost, given a satisfaction income for shareholders. Nevertheless, IRC does not only focus on the internal process improvement, but also the development in the first, middle, and end lines of the supply chain. IRC has made a supplier survey for those who will become the Company's supplier covering social and environmental aspects, as well as evaluated the supplier every month and vendor at their production/ inventory area annually. The results from the survey will grant the Company the risk factors which will be used to develop the supply chain further on.

### Four steps of Purchasing Control:



## Performance

In 2018, IRC has managed its operation according to the Supplier/ Creditor policy and performed follows the Good Corporate Governance policy all along, thoroughly to establish a project which benefits to the Community/ Nation in order to improve the Thailand Supply Chain 4.0 efficiency.

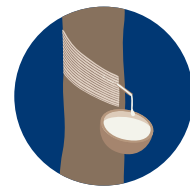
From the evaluation of 51 suppliers,  
the result found that;

In **"Very Good" 92.81%**  
**"Good" 7.19%**

by evaluating from



In 2018, more than half of Natural Rubber which feed in the IRC production came from Klongpang Cooperative, Trang Province. The company has been evaluated from the process of receiving latex and all the production steps until the grading process. If any points out of the standard, IRC will give an advice for improve and develop the production process for more efficiency. The great supporting from the Cooperation Promotion Department and Department of Agriculture Extension, Ministry of Agriculture and Cooperatives, for the cooperative could be produce the quality product. Moreover, build the strength of the farmers among the natural rubber price is sluggish. As the result of, for the farmers understand and recognize in the important of quality more than before. IRC has an open house day for the farmer, who is the representative from the cooperative visited in the production line and quality control in IRC motorcycle tire-tube products. IRC presented to them as how important of the quality in each pieces before the customer will receive products.



In year 2018

**50%**

of the natural rubber which  
feed in the IRC production  
came from Klongpang  
Cooperative, Trang Province

The project has run on for 3 years since 2016, the clearly result of the cooperation and development is the cooperative certified the ISO 9001: 2015 standard in 2016. In 2018, the Company has invited experts to visit Klongpang Cooperative to control and develop the latex to be able to receive the certify for three years consecutively. It can guarantee, the performance of the production in Rib Smoked Sheets international standard, which response to the market demand. Moreover, they could export to others countries without the pressure from middleman or the uncertified standard issue.



This project will be a prototype project of Thai farmer's efficiency improvement in moving forward to global competition by raising quality potentiality to international standard. The project aims to support rubber farmer's living and to help improve the community economy to sustainably grow for Thai economy stability henceforward.

*Pimjai Leeissaranukul*

*Chairman of Inoue Rubber (Thailand) Public Company Limited*



**Supply Chain Development and Efficiency Improvement Project** towards to 4.0 innovation. This project aims to develop Drying Rubber subcontractors and Iron Maker Parts suppliers about 15 companies, in order to apply the knowledge and new ideas to improve the working performance such as increase sale volume, reduce cost, reduce the production waste, and improve the new working process. Moreover, the reduction of cost and transportation cost, included the competitive improvement of SMEs will be the mainly part to drive the Thailand economy as the Government Strategy.

IRC has created this project continuously as the 3<sup>rd</sup> year together with the teacher from department of Engineering, King Mongkut University of Technology North Bangkok.





## Business and Social Innovation

### Business Importance

Aside from strong production proficiency, research and development is considered as one of the strongest point of IRC. We not only target the growth of production for good quality product for the market, but also driving for new creative products and innovations in response to the needs of the customers, along with developing the production process into Smart Factory for confident, trust, and satisfactory of the customer both international and domestic. IRC persists to the work instruction, business conduct, and employee conduct. IRC aware of the importance of production process and formulation development, altogether with the conservation and protection of copyrights, patent, research information, marketing information, and customer information. The Company has fostered and built awareness of this matter to employees at all level for the sustainable growth and positive impact creation in a long run.

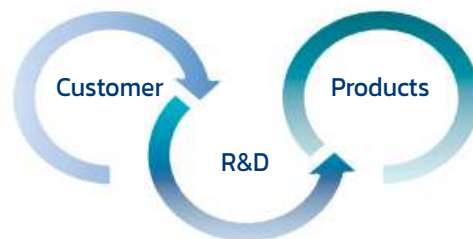
### Management Approach

IRC Asia Research Company Limited (IAR), under the supporting of Thailand Board of Investment (BOI), along with Thai and Japanese experts have brought modern machines, tools, and software to enhance the research.

Additionally, the readiness in cooperation with the customers in product development is considered as another major factors in correspondence to the needs of the customers, leading to the development of product and innovation that could answer the demand genuinely. Moreover, there are a cooperation with government sector which resulted in a research that match the government's demand. So, IAR is considered as one of the driving force in the aspect of product and service development that enhance the Company's competitiveness sustainably.



*Inspection  
Bodies  
Accreditation*



### Performance

In order to support the Company's 3Rs: Reduce, Reuse, and Recycle policy, the Research and Development Unit has studied the Eco-Carbon black, which is the product from recycle process of the old car's tire that go through the special process. The output of the process become new filler, which has the semi reinforcing property. Eco Carbon Black can replace the original Carbon Black.

From the research, the result was found that the product property was the same as the Carbon Black additive. Moreover, it could reduce old car's tire waste, as well as support recycle sustainability.

## Innovation Management

### Business Importance

Presently, innovation is important to business in the aspect of enhancing the competitiveness and build-up sustainability. The Company has foreseen the importance of the innovation development within the Company and has revised the Company's vision. The importance of innovation to organization development is the adjustment of the organization's characteristic or the organization's behavior, which has never changed before. This is a correspondence to the stimulation of globalization's context where knowledge and innovation play crucial part in value increasing, development, and quality production and service, in order to response to the needs and satisfactions of customer, survivability, and competitive ability of the organization in the global market.

## Management Approach

IRC has created many projects to promote innovation within the Company for every employee to participate in the improvement and development of the production process for competitiveness; for example, Quality Control Circle (QCC), Kaizen, and Innovation Day annually

Tools/ Projects	Details	Employee Group
Quality Control Circle: QCC	Project for work-related improvement, encouraging the employee to demonstrate their performance and improve their proficiency and learnt through each other, leading to a self-esteem of the employee at low level to the top. This creating teamwork and good organization culture, which will benefit the organization when responding to the needs of the customers, cost reduction, and further enhancing the efficiency of working performance.	Whole organization
Kaizen	The improvement of working process for cost reduction, increase efficiency, simple improvement of working environment of each individual.	Whole organization
(Innovation Day	Innovation Project contest, including Process Innovation and Product Innovation, to encourage the employee to invent new innovation continuously.	Whole organization
Automation	The innovation development for enhancing process efficacy and the Company's proficiency of competitiveness which continuously developing.	Engineering Department

## Performance

The innovation results from 2016 – 2018

Projects name	Total Projects			Productivity Up (Baht)		
	2016	2017	2018	2016	2017	2018
Quality Control Circle: QCC)	167	163	160	15,075,427	20,801,427	7,624,617
Kaizen	834	826	516	10,340,825	6,824,092	17,764,485
Innovation Day*	-	-	4	-	-	5,400,480
Automation	39	43	26	N/A**	80,834,560	53,631,520

Remark: \*Innovation Day first held in 2018

\*\*In 2016, the productivity up for Automation System Development was not calculated in baht.

# Innovation in Production Technology

## Business Importance

The improvement in various part for the growth of the business, under the focusing in innovation creativity both in products and processes, mainly improve the production process to has more automation system in various parts, then focusing on the “Lean Automation” system to control the product’s quality for confident, trust, cost control, and sustainably competitive, also for the best satisfaction of the customers both international and domestic. Moreover, IRC has held an innovation contest within the Company in the area of product innovation and process innovation which awards the winner a field trip aboard as an encouragement to the employee and create new perspectives to the winner.

For “Internet of Thing” (IoT), the Company has integrated this system to analyze efficacy and cost reduction. The Company has tested by implementing the system in major machine, although it was still in the installing and adjusting to suit the production process. From an initial evaluation, the result shown the Loss Time from production process which used to resolve the problem in the process and enhance Overall Equipment Effectiveness (OEE). After collect enough data and the development and improvement become satisfied, shall the Company continue to extent this project further and install the IoT in other machines.

## Management Approach

The expansion of an Automation System to become “Lean Automation System” and “Smart Factory” program to increase efficiency and reduce production costs. This has been supported by The Board of Investment of Thailand (BOI) and government agencies such as the Federation of Thai Industries, to achieve sustainable development. Besides, the Activity Day and First Innovation Day were held in early of 2018 at Wangnoi site, where the innovation contest was divided into 2 groups: Product Innovation, which is the development of new products, and Process innovation; the development of innovation and machinery in the manufacturing process. The Company, in cooperation with the National Science and Technology Agency (NSTDA), has sent the winner team on an International Educational Observation at China.



## Performance

In 2018, IRC has developed products and installations for automated systems in production lines, such as automatic scales for chemicals and oil, automated assembly of pins. Including with the installation of Big Data and Smart Factory software to analyze the overall efficiency of the machine to increase productivity and product quality and reduce waste in the production process.



**131 Models**

Industrial Elastomer Parts



**30 Models**

Motorcycle Tires and Tubes



**26 Projects**

Productivity Improvement Project

# Customer Relationship Management

## Business Importance

IRC valued its Customer Relationship Management as it plays a vital role in driving the organization towards achieving sustainable growth. Therefore, IRC emphasized its customer importance and the quality of products and services delivered to the customers, ensuring that they meet the required standard, promptly delivered, and create satisfactory to customer, in response to the Company's Quality policy.

**"Quality First,  
Delivery On-Time,  
Customer Satisfaction"**



## Management Approach

IRC strictly follow its compliance with the regulations and guidelines specified in the "Handbook of Good Corporate Governance" concerning the delivery of quality products on time to meet or exceed customer expectations based on fair conditions. The Company has provided accurate, adequate and updated product and service information to customers to so that they have sufficient information for decision making without making overstatements whether by means of advertisement or any other channels of communication that may mislead the customers about the quality, quantity or any terms and conditions concerning that product or service. Furthermore, the Company strictly maintains its customer confidentiality by avoiding unlawful use of customer information for personal interests or the interests of others. Most importantly, the Company quickly addresses its customer needs and establishes efficient system and channels for customers to raise complaints concerning product and service quality and even conducts customer satisfaction survey of which the results can be useful for analysis to further review and develop current quality system.

The best satisfactory of the customers in 4 dimensions of products and services are one of the seven policies under the vision and mission that the Board of Directors and the Management determined together which will lead to the Company's goal, are consisted of;

- **Price/ Cost** at the best competitive level for customers
- **Quality** at the best competitive quality rating by customers
- **Delivery** at the best competitive delivery rating by customers
- **Services to Solutions** at the best services to solutions for customers at all times

**Driven to an engagement with stakeholders** - Next year, IRC still received a trust from the customer and chosen to be the manufacturer of rubber parts for new car models increasingly. Besides, there is a cooperation with customer for product designs both in Japan and Thailand, to strengthen the Company's designing ability. Moreover, IRC has developed the use of natural rubber in some of its products as an alternative resource aside from using synthetic rubber, and to support the government policy where they gave a helping hand to rubber farm's farmers.

**Engagement with customers in various activities** - This is for social benefit; e.g., joined the customer activity where they made a donation to Prabahtnamphu temple, Saraburi, and participated in charity event of the customer by donated items to school in the countryside.

**Addressing the important and concerned matters** – IRC has studied and prepared for the production of rubber parts for Electrical Vehicle (EV) in the future and developed new product innovation in response to the growth of other industries.

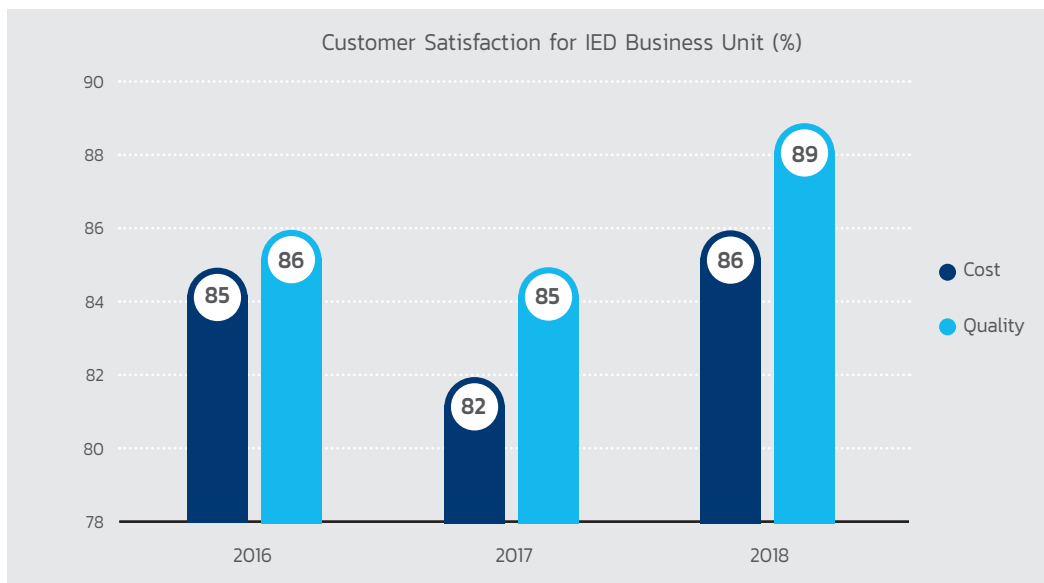
## Performance

### Customer Satisfaction Survey

IRC regularly conducts annual customer satisfaction survey covering three main aspects including product quality, product delivery and services. The questionnaire comprises of five main topics including:

1. Customer satisfaction in product quality level and product quality improvement
2. Customer satisfaction in product application
3. Customer satisfaction in product design and product ranking in comparison with other competitors
4. Customer satisfaction in product delivery, on-time service, accuracy in terms of product quantity and delivery document, packaging standard and coordination with relevant staffs
5. Customer satisfaction in service and communication, completeness and accuracy purchase orders, coordination and after-sales service

In 2018, customer satisfaction survey revealed excellent results (100% score)



### Customer Opinions

Customer opinions and suggestions are considered to be highly useful information as it can help the Company improve its product and service quality as well as performance.

The Company provides several channels for the customers to conveniently express their comments and opinions as follows:



**Rangsit Site:** Inoue Rubber (Thailand) Public Co., Ltd.  
258 Soi Ragsit – Nakornnayok 49, Prachathipat, Thanyaburi,  
Pathhumthhani 12130  
Telephone: (66) 2 9960890

**Wangnoi Site:** Inoue Rubber (Thailand) Public Co., Ltd.  
157 moo 5, Phaholyothin Rd. Lamsai, Wangnoi, Ayutthaya 13170  
Telephone: (66) 35 214932-3



<http://www.ircthailand.com/th/contact/rangsit>

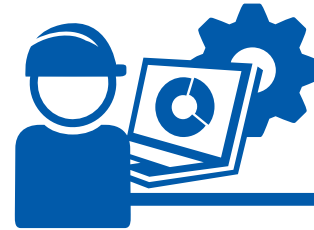
# Quality Reliability

## Business Importance

IRC recognize and strict in Quality Spirit Policy as the following



**1** Quality First, Delivery On-Time, Customer Satisfaction



**2** Always keep our rules and our standards



**3** Promoting the built-in quality in each section



**4** President/MD fully support to QA-decision; (QA-decision is same as President/MD order)

Quality reliability is one of the strategy IRC hold strictly to give confidence to customers. IRC business is the mass production business, which is competitive with the limit time. Our customers are Business to Business (B2B) organization, which need the confidence in the standard, operation, and product quality control. Thus, IRC recognize the importance and fully support the Quality Assurance unit.

## Management Approach

Company has targeting to the zero claim and monitoring the product claim summary report monthly. Moreover, the company certified the standard from many institutes such as ISO 9001: 2015, ISO 14001: 2015, and ISO/IEC 17025 for the customer's confident. This included the Restriction of Hazardous Substances 2 (RoH2) that will be effective in 2019; nevertheless, the Company has already passed this restriction standard.

Quality need to be the best level against with the product quality of the customer' standard, which is one of the Satisfaction to Customers in 4 Product-Dimensions (1. Price/Cost 2. Quality 3. Delivery 4. Services/Solutions) of Product and Service. Included it is the part of the board of committee and management team specify together to be 7 policies that will lead the Company to its achievement.



## Performance

IRC reached many quality rewards from Customers and Suppliers



INOAC "Safety Award" 2017



INOAC "Automation Award" 2017



ROKI Delivery 2017 Best Award



Quality Achievement 2017  
from Mitsubishi Motors (Thailand) Co., Ltd.



Toyota "Quality Performance"  
from Toyota Co-operation Club



Cost Award 2017 from Thai Stanley Electric PCL.



2017FY Supplier Evaluation Score  
from Isuzu Engine Manufacturing Co., (Thailand) Ltd.

# Social Performance

## Social Responsibility of Business

### Business Importance

The Company listens to every voice from the related stakeholder about each step of business operation and realized the importance of running the business with CSR-along-process. IRC deliberately aims to driven the strategies together with continuously improves the stakeholder engagement to efficiently and extensively respond the requirement and expectation of the stakeholder.

### Management Approach

In 2018, IRC determined the goal and operated the activities with 6 groups of stakeholder such as Good Corporate Governance, Fair Business, Anti-Corruption, Respect Human Right, and Customer Responsibility. Through Corporate Social Responsibility (CSR) activities in many aspects which are;

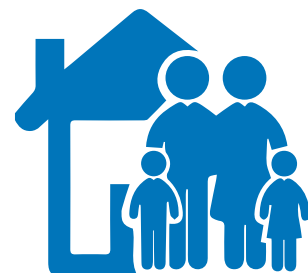
- CSR in Process** > CSR activities which recognize in impact for Social/Environment along the Company's production process
- CSR after Process** > CSR activities which is the project/activity for social/donation for the company and provide good impact to surrounding communities, society and country

## Performance

### Social/Community

IRC has confidence in sustainability of happiness, that comes from sharing and living together within the community by operates business together with develops society. Evidently, IRC does not only develop within the company, but develop outside the company, Society and Community for the balance in growth and sustainability.

In 2018, we operate in many projects following the sustainability target, to respond the customer requirements, raise value for shareholders, as well as develop society and community. We consider problem issues of society, expectation/requirement of stakeholders, world changes trend, political situation, and disaster through many projects as shown in the topic "Stakeholders Engagement".



The company donates and makes merit within festival and important days such as donate money and objects to government office, school, temple, and nearby community.



Children Day at Yoocharern Village,  
Soi Rungsit-Nakornnayok 51  
and Sriprachak  
Soi Rangsit-Nakornnayok 47



During Songkran festival, we gave presents, poured water and asked for blessing from elders in the community around the Company. We did it for fortunate life, showed gratitude and preserved on good Thai culture and tradition.





## Safety Driving Campaign during Festival Project



Promoted and organized the activities of safety driving during New Year and Songkran festival by set up the rest area and facilitated people with the Provincial Government of Phra Nakhon Si Ayutthaya as well as provided drinking water, cooling towel and snack to the passengers who passed through the Wangnoi highway.

พิธีเปิดศูนย์รถจักรยานยนต์ปลอดภัย วันที่ 10 เมษายน 2561



รถจักรยานยนต์ปลอดภัย เทศกาลสงกรานต์ วันที่ 11 เมษายน 2561



## Safety Driving – Helmet wearing

IRC campaigned its employee to comply with the traffic regulations by wearing helmet from their house to the Company and from the Company to their house. This activity aims to prevent damage and accident on the road as well as to motivate the employee to aware of the safety in driving.



IRC Support Motorcycle Tires, Defective Vest and Traffic Cone to the Police in various areas in Pathum Thani province, to be used in their duty for safety, violence protection, and road accident



IRC Safe Ride aims to give teenager a knowledge and understanding of law and safety driving, as well as to basic maintenance of the motorcycle in various schools from four regions in Thailand.

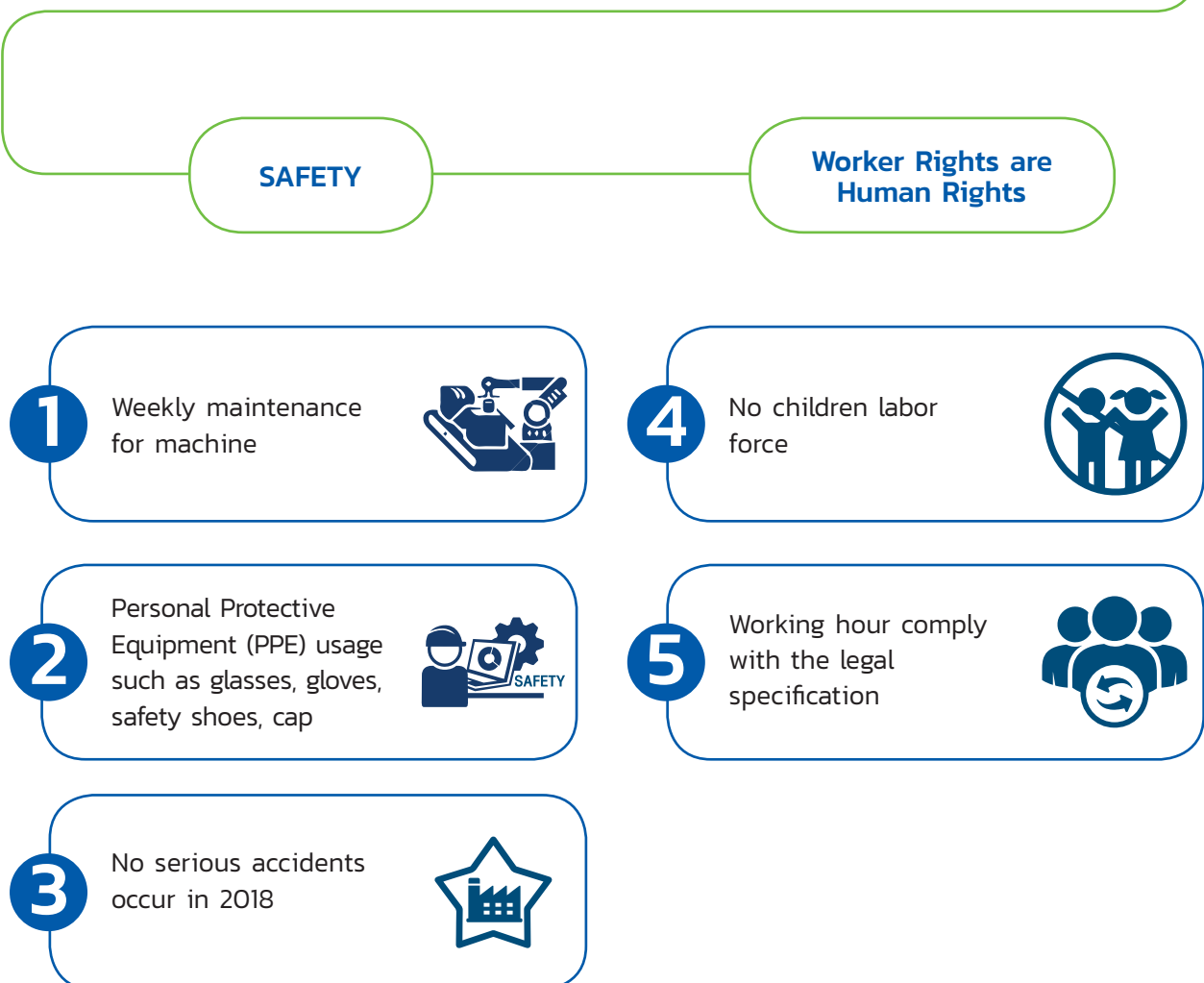


## Supplier/Customer

### Supplier Audit Project

IRC gave a chance for supplier or customer to join the safety management and labour force, by created the supplier audit sheet together between the Company and Klongpang Cooperative, Trang Province. This concerns about the safety standard in rubber production and the labor hire, which will comply with the labor force laws.

### The result of audit





The Company joined various activities with the customers in order to maintain good relationship, as well as to promote IRC's products to be more well-known through these activities; for example, 21st Honda Eco Mileage Challenge and Yamaha Moto Challenge.





# Responsibility for Employee

## Business Importance

Since employees are the main driving force towards achieving success of an organization, IRC therefore places the great importance on our employees to become **the Smart Factory**

## Management Approach

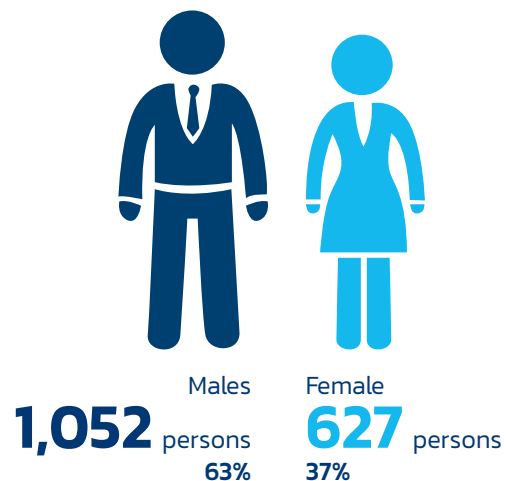
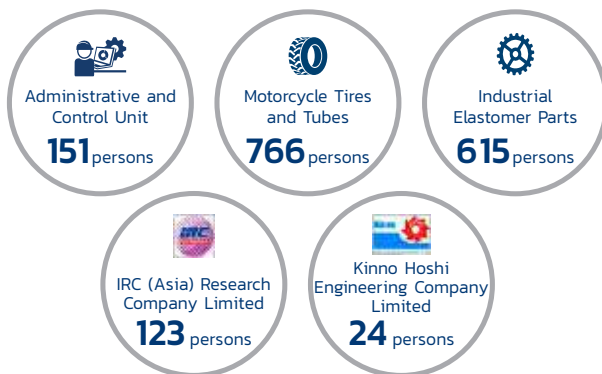
### Smile & Smart Employee

Employees are treated fairly and equally and with respect according to basic human rights required by laws and regulations during recruitment, performance evaluation or personnel development process. Moreover, training skill and knowledge are necessary in each position to improve suitably in performance and push forward creativity in career path. Thus, activities, training, seminar, and outside visiting from inside and outside experts are required.

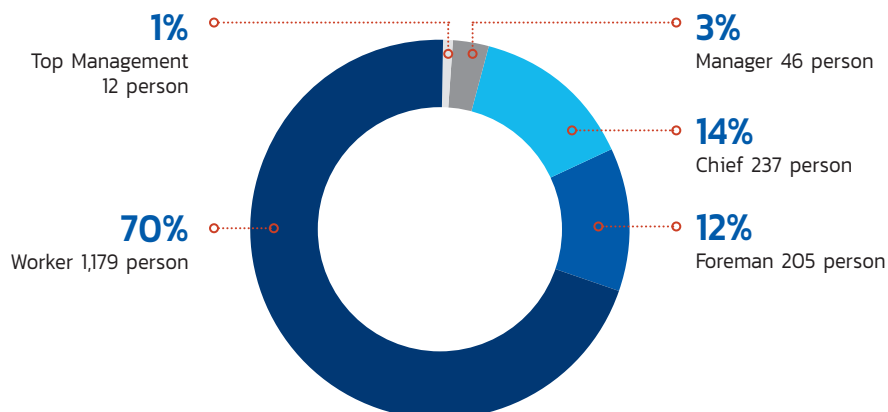
IRC has also defined operational policy and self-conduct and reaction to colleagues in its Code of Conduct and continuously provided in-house and off-house personnel trainings. The Company also recognizes the importance of maintaining proper occupational health and safety of life and property and proper working conditions for its employees by providing appropriate welfares such as hygienic and standardized cafeteria and medical service to ensure that all IRC employees are appropriately treated according to the specified policy and are working harmoniously together (Happy Workplace).

As of 30th September 2018  
the Company and its subsidiaries have a total of **1,679** employees

Number of IRC employees by business line is as follows:



Employee Proportion FY2018 (Person) By Business Unit



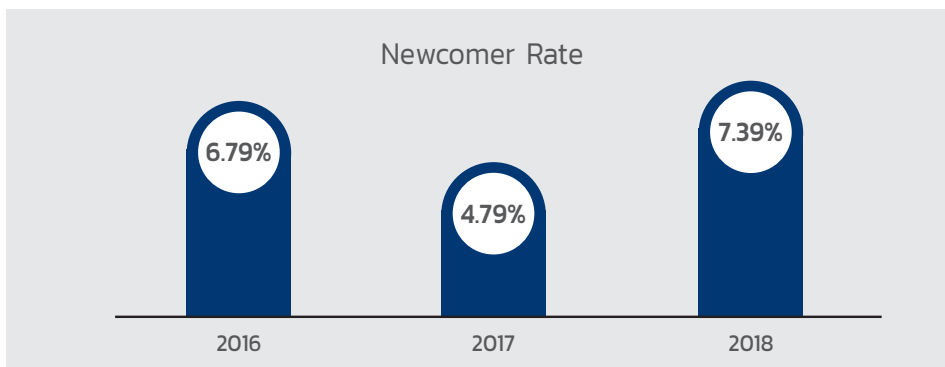
## Under 'Smile & Smart Employee', IRC employees are entitled to the following 4 main benefits:

### Joining IRC Team

At IRC, we ensure that every employee shall undergo through fair and transparent recruitment. The qualification procedures base on good governance principles and business ethics regardless of their nationality, religion, gender, age or even physical disability. Each employee shall be considered based on their qualifications, knowledge and capabilities together with their skills and work experience that are relevant to the position applied, including their potential to be further developed alongside with the organizational growth.

### Performance

From the policy under the vision and mission that stated "Be the Leading Company in Innovation Development and the Smart Factory...", the Company recruits new generation employee from the new generation to join in various unit such as Production unit and Support unit, in order to enhance the production to be more modern and to deliver the highest quality products to customers.



## IRC Employee Compensation and Benefits

### Management Approach

As means to motivate and reward our employees, IRC therefore develops fair compensation and benefits schemes for its employees at every level by surveying and comparing with the labor market and putting into account the impacts of dynamically changing living conditions. What's more, IRC employees shall be entitled to receive special compensations based on organizational performance both in short and long terms and shall be given generous opportunities and even encouraged to gain promotions and competency development based on current positions and responsibilities.

All employees shall treat and be treated with equality and fairness according to basic human right principles such as non-discrimination, no use of forced or child labor, non-participation in labor trafficking and supporting gender equality. By upholding these principles, the employees shall be appointed, transferred, rewarded and punished in the fairest and most transparent manner based on their knowledge, capabilities and suitability.

### Performance



#### Labor Rights

IRC therefore encourages our employees to form 'Labor Union', which is a group legally established to represent the overall employees in overseeing the employment conditions as well as employee benefits and welfares and at the same time collaborate with the Company in providing good and healthy working conditions through holding regular consultancy meetings between the executives and the Labor Union. The Company has also appointed Employees Committee to act as employee representative and of which its members consist of directors appointed by the Labor Union and election to consult with representatives who are senior management in ensuring that appropriate welfare and benefits are provided to IRC employees.



### Monetary Welfare

Apart from the benefits which all employees are directly entitled to, IRC also cares for the family members of its employees by providing monetary benefits for various occasions such as the death of father, mother, spouse or children of the employees, including maternity and marriage allowances.

In FY2018, IRC and its subsidiaries paid employee compensations in a form of salary, bonus, provident fund, social security and other employee welfares totaling 857.59 million baht. The details of IRC employee benefits are described as follows:

- Provident Fund Program under which the employees are allowed to make their own savings plan. The savings rate and money contributed by the employer shall start from %6-3 and continually increase according to the employment period specified by the Company.
- Medical allowance for employees, including spouse and children.
- Death, maternity and marriage allowances to aid employees and their families.
- Life insurance



### Healthcare Welfare

IRC recognizes the importance of having good physical and mental health and have therefore arranged the following health-related welfares including:

- Annual health check
- Health and Medical Center with specialized physicians to give medical service and advice to employees
- Gym and fitness center



- Healthcare Activity



- Sport Day activity



- Clean and hygienic cafeteria that serves foods at affordable price





### Other Employee Welfares

- Free uniforms and safety shoes which are provided to employees on a yearly basis
- Transportation service
- Recreational and Internet Centers
- Special privilege in buying IRC products
- Special activities such as Thank you party/ New Year party



## Development and Moving Forward Together

### Management Approach

IRC therefore focuses on personnel development while continuously moving its business forward. As part of its core missions, IRC aims not only at developing the knowledge and skills of its employees but also their attributes to ensure that every IRC employee possess the behavior and attitude that are in line with the established organizational culture. To achieve this, the Company therefore organizes employee orientation training so that new comers can gain direct learning experience from Productivity Training and Education Center covering major aspects of the organization such as employee safety which is part of the Company's top priorities. Hence, all new comers must learn safety practices through simulation and are required to recognize and understand basic operational functions of relevant machinery and equipment and at the same time avoid all potential occupational hazards. In addition, Human Resource Department shall conduct On-the-Job Training in order to assess operational readiness of newcomers in performing production work, including their performance efficiency and adaptability towards the organization.

### Performance

In respect to driving employee potentials, IRC organizes revision training program twice a year for its employees to refresh their knowledge and skills to ensure that IRC employees in every level always possess the standard knowledge and skills required. What's more, Individual Development Plan has also been established to analyze employee strengths and weaknesses and Functional Competency has been carried out by each employee and their managers to seek areas of improvement in order to accurately develop the employees and clearly observe changes in employee working behaviors after receiving the training. Meanwhile, analysis results will help to select appropriate training programs for each employee in the areas that needed further improvement. This can be done in a form of in-house training which focuses on fundamental work and promotion and off-house training which focuses on potential development of specific positions.

## In-House Training



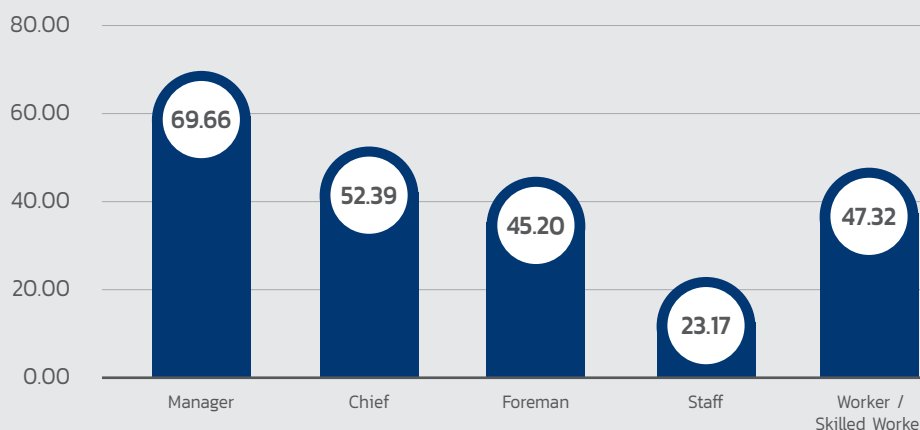
## Off-House Training



## Domestic Training Project

In 2018, approximately 99% of IRC employees received trainings with total average training hours/ persons/ years equaling to 37.93 hours.

Average Training Hours per Year of Employees  
(By Employee Level)



## Other activities for the employees

### Charity

Apart from creating happy working environments for our employees, IRC also passes on happiness to the overall society through the following activities:

- Charity and merit making on important occasions and religious holidays such as donating money and items to governmental agencies, schools, temples and surrounding communities, including merit making activities.



- Drugs Understanding Activity

IRC held activities for the employee to understand more about drugs and its consequences for doing or keeping it, in order to be the “White Industry”. Moreover, IRC has received certification in the Standard on Prevention and Solution to Drug Problems in an Establishment from the Pathum Thani Province.





## Occupational Health, Safety and Environment Performance

### Business Importance

With determination to carry out its business by upholding employee safety as part of its top priorities, IRC has therefore appointed Occupational Health, Safety and Environment Committee (HSE Committee) in compliance with Ministerial Regulation on the prescribing of standard for administration and management of occupational safety, health and environment B.E. 2549 (2006), including defining occupational health, safety and environment policy to be used as guideline of practice concerning employee welfare, safety and working environment. The Company also promotes maintenance of good health as well as provides safe workplace environment and prevents potential hazards that may occur by educating its employees on how to cooperate with safety units of the Company through safety trainings.

### Management Approach

#### IRC Occupational Health, Safety and Environment Policy

1. The Company considers occupational safety to be the responsibility of every employee and requires all employees to participate and cooperate in occupational health, safety and environmental performance of the Company. Employees are allowed to raise opinions on how to improve work conditions and procedures to ensure highest safety.
2. The Company shall support and promote safe work conditions and procedures, including the use of appropriate safety equipment and maintenance of good occupational health among employees.
3. All supervisors shall oversee and ensure occupational safety of their subordinates. All supervisors must be good role models and leaders and shall be responsible for providing trainings and guidance and motivating other employees to practice safe work procedures in line with the defined safety regulations.
4. The Company shall support and promote occupational health and safety related activities that will help to raise awareness among employees such as trainings, incentives, public relations, safety contest, etc.
5. Each employee must take into account the occupational health and safety of themselves, their colleagues as well as the Company's property as part of their topmost priority while on duty.
6. The Company shall monitor and evaluate occupational health, safety and environmental performance to ensure strict compliance and highest efficiency

### Safety Day Activity

Safety Day Activity is held to create awareness about safety. The activities are as follows;

- The executive gave a speech, and Safety Board and Slogan Award to employee.



- Employees from every department presented their Safety Board.



- Employees Participated in the Safety's Exhibition.



### Safety Simulation Room Training

To promote the safety and occupational health in workplace, as well as to control any factors that could affect nearby communities, many activities such as Safety Simulation Room Training is held. This training simulate the production process to the employee for better understanding of the danger, to be able to foreseen danger, and caution steps when operate such works. The training courses were categorized as Manager Group, Chief and Foreman Group, and Worker Group, to focus on Learner's Center teaching method.



#### Safety Simulation Room Training: Manager Group

For the acknowledge of risk or danger  
for consideration and improvement  
in management manner.

### Safety Simulation Room Training: Worker Group

For the awareness of danger from workplace, cause, effect, and self-protection, also what kind of danger to expect.



### Safety Simulation Room Training: Chief and Foreman Group

For the acknowledge of danger factors that could happen to employee and to control and prevent the danger.

### Fire Evacuation Training

IRC continuously prioritize the importance of preparation for emergency; e.g., sent the employee to take course in the Advance Fire Fighting training course at Fire Fighting and Evacuation Institute that was certified by the government. This is for the employee to be ready to response to such emergency situations.



IRC also held the Advance Fire Fighting Team Competition both at Rangsit and Wangnoi site as a revision and a stimulation for the employee to acknowledge the importance of the preparation for emergency and critical situation.



IRC has joined the “Business Role Model Development, Thailand Vision Zero – Towards Sustainable Safety Culture of Prevention” from the policy of the government and globalize organization about welfare or ISSA (International Social Security Association). The defensive strategy is “the will to make a zero accident and sickness from workplace”, since accident and sickness from work related are something that can be avoided. If there is a cope between employee to get rid of the true cause for accident, the prevention from accident and sickness from work related can be achieved.

“Vision Zero” is an alternative way that will be used to prevent accident and sickness from work related, with these three aspects;



## Performance

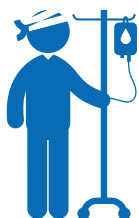


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Accident Rates  
No serious accidents occurred

0

Production Safety  
Times production process causing serious damage on an individual, property, environment and reputation

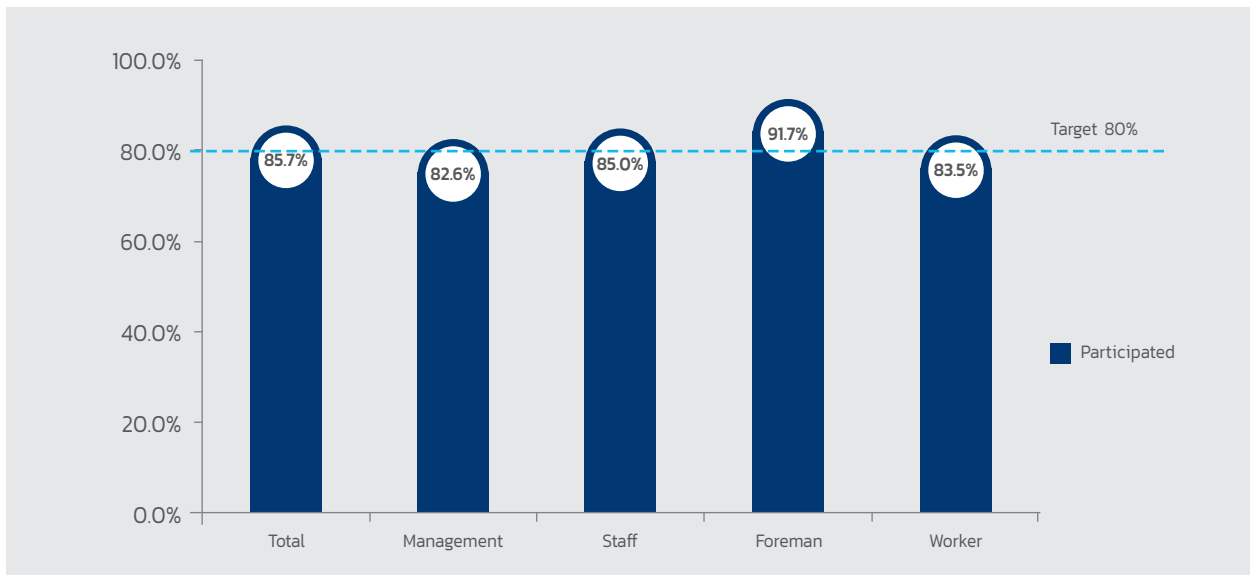


Personal Safety

Wangnoi **436,748**  
Rangsit **214,319**

of working hours of employees without any serious injuries as of December 3<sup>rd</sup>, 2018

As a result of regular preparation for the emergency and critical situation, the Company did not have extreme lost time accident or injured person. This included the outcome of the Safety Simulation Room training that gave knowledge to employee at any level through simulation. The target of the employee joining the simulation course is at least 80%, where the result are as follows;



# Environmental Performance

## Environmental Management

### Business Importance

To comply with legal and regulations, which related with the company operation, and to support Paris Agreement, which is an international agreement.

### Management Approach

As part of its commitment to establish good environment within the organization as well as for the surrounding communities, the overall society and the country, IRC therefore prioritizes on handling threats resulting from climate. There are two key paths of Sustainable Development context, which the Company can contribute to address the worsening problem of climate changes, 1) reducing atmospheric temperature and 2) minimizing the use of existing resources and energy.

IRC has defined “Energy Policy” to be upheld by all members within the organization in order to drive sustainable development in the aspects of environmental conservation and maintenance of balanced ecosystem.

- 1) Improve and develop Environmental Management system which consistent with laws and other requirements concerning with organization procedures.
- 2) Efficiently and Effectiveness utilize of Electrical Power, Water, and all others resources.
- 3) Develop management process to Zero Waste and pollution occurred from production process and other activities. This includes preventing of potential pollution.
- 4) Promote and develop staff to have a green spirit for creating a culture and environmental awareness by impacts from activities that affect the environment, save for better environment to the Company and community.
- 5) Communicate Environmental policy to public.

### Performance

Through strong commitment and strict compliance with sustainable development policy, IRC finally gained environmental management system accreditation from ISO 1400, an internationally accepted standard in terms of economic and social aspect. This bring about the advantages as follows:

Widening  
business  
opportunities  
and building  
customer  
confidence

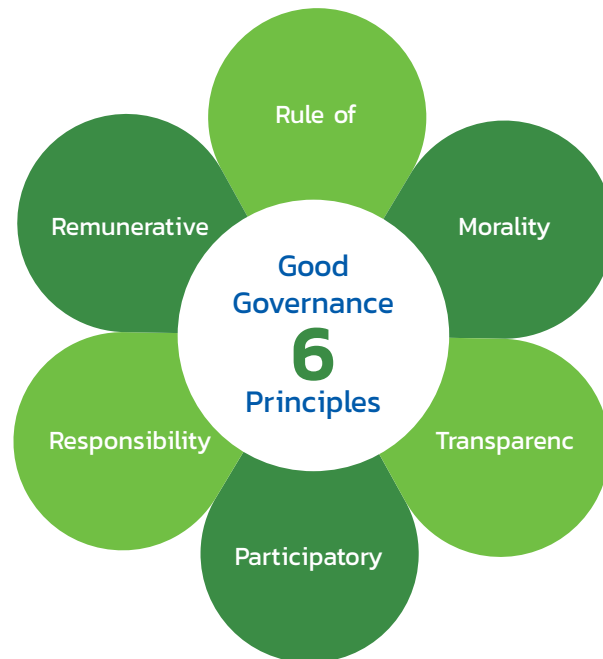
Reducing  
production costs  
through efficient  
use of energy and  
resources

Having  
standardized  
water treatment  
system that  
can provide 100%  
reusable water

Gaining  
acceptance  
from stakeholders  
namely  
communities,  
governmental  
agencies,  
customers and  
Shareholders

### Environmental Good Governance Project

The company adhere to the method of environmental management as Environmental Good Governance principle, which is an international standard. Moreover, we comply with the 6 important principles that is transparency, fairness, and people participation toward environmental management. This lead to the suitable judgment for both policy and good operation towards sustainable environmental.



### Green Industry

The Company awares of the environment importance that presently is heavily affected from the growth of industries. The Company has developed to Green Industry in accordance to the Ministry of Industry's project. This helps promote the continuous development, as well as shows the responsibility to social and environment both inside and outside the Company throughout the supply chain. Wangnoi site has been certified as the Green Industry Level 3: Green System, since October 15, 2012. Whereas Rangsit site has been certified since September 3, 2016, and has renewed the certification in August 3, 2018 from five level which are shown below.



**Green System Level 3:** Systematic Environmental Management, Monitoring Evaluation, and Reviewed for Continuous Improvement.

"The Company intend to develop the environmental system, to be a part of green industry level 4 and level 5 onwards."





## Water Management

### Business Importance

Drought crisis which broke out in the central region had raised great concerns among both agricultural and industrial sectors which require a large amount of water for plantation and production. Since the drought also affected IRC businesses located in Rangsit-Nakhon Nayok area as well as Wang Noi District, Phra Nakhon Sri Ayutthaya Province, the Company therefore assigned a working team to continuously monitor the water levels in major and nearby dams. Fortunately, the Company was not affected by any water issues.

### Management Approach

To expand the amount of reusable treated water, the Company therefore implemented water quality improvement program at Wangnoi site. During January 2017 – September 2018, the Company could save water by 140 cubic meters per month or 1,680 cubic meters per year, which is accounted to 1% of annual water consumption of Wangnoi site, allowing the Company to save up to 34,440 Baht of water bill per year.



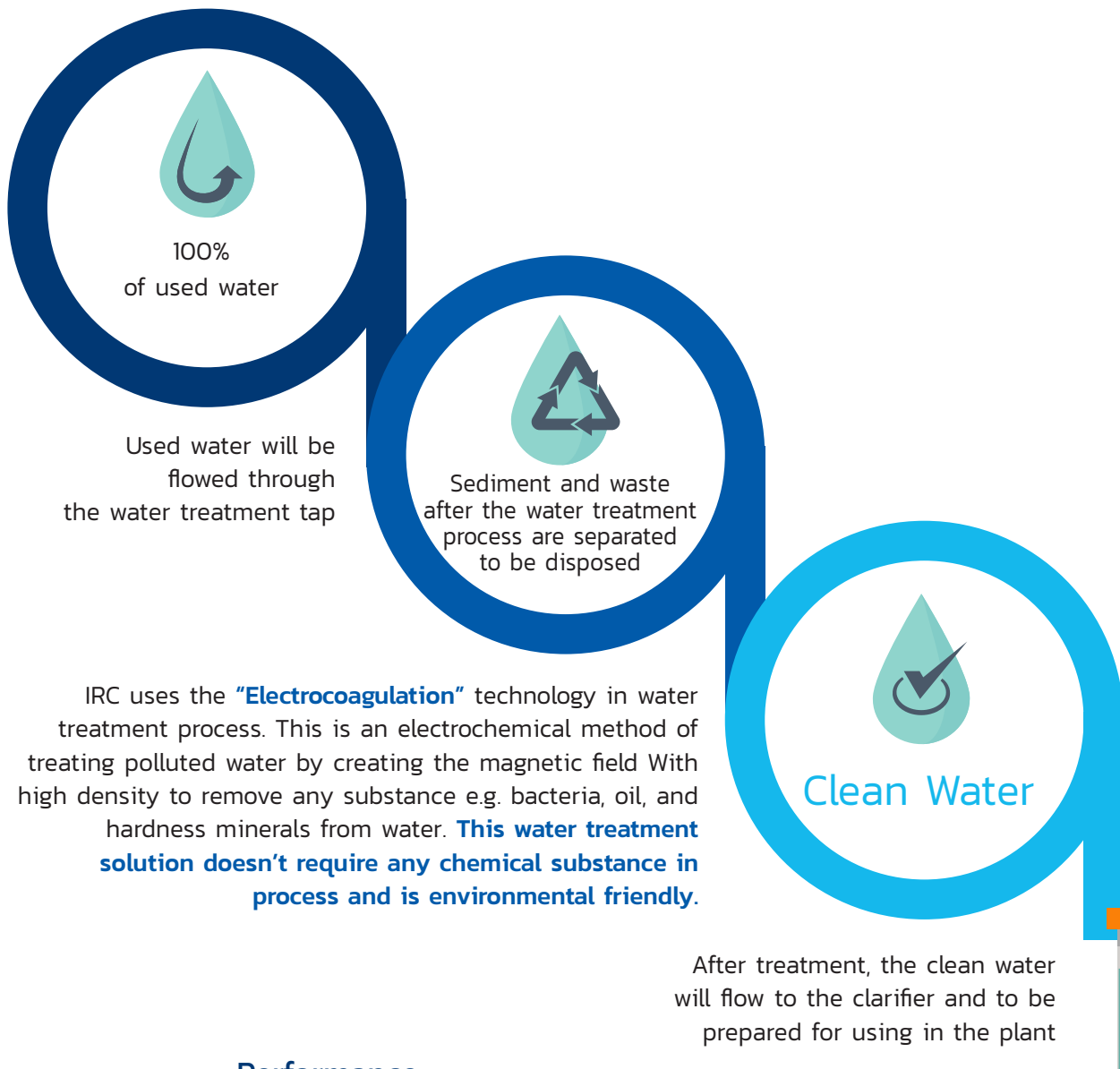


### Water Quality Improvement

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**34,440**  
Baht/Year



IRC uses the **“Electrocoagulation”** technology in water treatment process. This is an electrochemical method of treating polluted water by creating the magnetic field With high density to remove any substance e.g. bacteria, oil, and hardness minerals from water. **This water treatment solution doesn’t require any chemical substance in process and is environmental friendly.**

### Performance

In 2018, the organic carbon analysis was carried out by the assigned unit. The COD (Chemical Oxygen Demand) values of treated water at Rangsit and Wangnoi sites are equal to 25.33 and 41.80 mL/liters, respectively, decreased from last year. On the other hand, BOD (Biochemical Oxygen Demand) values of treated water at Rangsit and Wangnoi sites amounted to 5.00 and 4.10, respectively, which dropped from the previous year also for Wangnoi site. The Company could still maintain its wastewater quality standard at below 20 mg/l which is in line with wastewater quality standard specified by the Ministry of Industry. The Company uses treated water for watering plants and in the cooling system and also reserves it for emergency cases like fire incident.

# Production Wastes Management

## Business Importance

IRC determines to carry out product wastes management in the most efficient manner to achieve its goals of using resources efficiently and minimizing global warming issues.



## Management Approach

The Company has adopted the 3Rs Principles in its production wastes management process starting from production planning, equipment modification to work process improvement. Moreover, the Company has adjusted employee behaviors to ensure that the least amount of wastes was created, as well as to ensure that each type of wastes is properly managed following relevant laws and utilization capacity.

### "Zero Waste" (IRCT – ZERO WASTE POLICY)

IRC aware of the reduction of all waste inside the Company and established a Zero Waste policy using 3Rs principles or Reduce, Reuse, and Recycle for the Zero Waste goal, followed the good practice and self-consciousness of the employee, altogether with the controlling in the research and development of production process technology, maintenance increment, modern quality and machine management, to effectively reduce waste and benefit to the Company. This is under the intention that aligned with the Company's policy and activity as follows;

**R : Reduce** is to reduce usage and use only the necessity (Zero Waste). QCC (Quality Control circle) group activity and KAIZEN activity group are the activities for development in productivity, waste reduction, raw material usage reduction, energy consumption reduction, occupational accident reduction, energy management for efficiency, reinforcement of consciousness in every way of waste reduction emphasizing on culture of consciousness to the employee. It is to reduce from the thought of "Bottom-Up", together with the "Top-Down" by environmental policy and development of manufacturing system toward Smart Factory for manufacturing and operating efficiency.

**R : Reuse** is to consume resources at maximum worthiness by reuse and improvement of waste for use in manufacturing or packaging following management policy basis.

**R : Recycle** is to convert the article which is unable to be utilized in the primary form, or called in other name as waste, through different processes into new object, and use it again. We have Research and Development Department to manage this task.



## Performance

Food wastes collected from IRC cafeteria, which was used daily by over 1,700 employees, were sold as livestock feed. Whereas rubber scraps from production process were either distributed to be used as alternative energy source to help reduce the use of fossil fuel as much as possible, or were processed as recycled rubber. These are all part of the Company's 3Rs process.

For the wastes and excess materials disposal, the Company has campaigned 'segregation of waste before disposal' to be utilized and managed them suitably and systematically. Hazardous waste is delivered to reliable licensed plant for treatment/ disposal whereas recyclable wastes are sold to recycling plants; moreover, general wastes are disposed by the municipality



## Environmental Impacts Assessment

### Business Importance

Environmental sustainability is amongst the most challenging yet crucial factors to IRC business. At IRC, we recognize and strongly believe that a good business must be able to carry out its operations alongside with community development and gaining acceptance from surrounding communities.



### Management Approach

IRC therefore always conduct environmental impact assessment prior to any of its major projects in order to correctly define operational plans and measures and ensure that all stakeholder expectations are completely met. The Company also appointed a team to specifically follow up on and listen to the problems and concerns raised by the stakeholders from nearby communities. So far, no serious issues have been reported. The Company even allows nearby communities to visit its production site and observe the environmental standards and environmental management system implemented as a way to promote transparency and verifiability.



## Performance

The performance of the continuously preventive and solving solutions of the environment, affected to the company by social acceptance as nearby community satisfaction increasing from last year.

Villages	Years		
	2016	2017	2018
1. Yu Charoen	75	80	74
2. Sri Prachak	72	74	64

Remark: In 2018 there was a change in scoring condition of satisfaction survey

## Energy Conservation and Global Warming Reduction

### Energy Management

### Business Importance

To promote efficient and sustainable use of energy, IRC therefore developed a systematic plan in improving its production process and operations.

### Management Approach

Throughout the year 2018, the Company has initiated various projects to successfully and concretely minimize its energy consumption

## Performance



### LED Lamps Installation

This project continues from 2017 the Company has replaced of fluorescence and metal halide lamps with LED lamps. This is because LED lamp capacity is equal to the incandescent of a 40W lamp but requires electric energy of only 5W and it has longer useful life comparing to other types of lamp. In 2018, IRC Rangsit site changed LED about 200 units, which was able to save energy by as much as 7,200 kW per year and saved money by 28,080 Baht/ Year. Wangnoi site changed 900 LED lamp and saved energy 134,400 kW per year, saved money by 604,800 Baht/ Year, and reduced the emission of carbon dioxide by 75.59 tons' carbon dioxide/ years.

  
**604,800**  
Baht/Year



### Replace High Bay Lamp 250 Watt with LED high Bay Lamp 180 Watt Project

Wangnoi site changed high bay lamp that using metal halide or sodium bulb to LED high bay lamp, giving the same luminescence but saving more energy. The Company reduced electricity consumption by 52,920 kW/ years, saved money by 238,140 baht/ years, and reduced the emission of carbon dioxide by 29.77 tons' carbon dioxide/ years.

  
**238,140**  
Baht/Year



#### E-SAVER Energy saving controller Pump 15kW supply chiller line mixing

Wangnoi site has installed E-SAVER to readjust the electrical frequency in the motor of chiller supply under 50 Hz to reduce electricity consumption. The result founded that this project reduced electricity consumption by 20,748 kW/ years, saved money by 93,366 baht/ years, and reduced the emission of carbon dioxide by 11.67 tons' carbon dioxide/ years.

  
**93,366**  
Baht/Year



#### Change High Efficiency Motor Pump Machine

Wangnoi site changed motor pump from 37kW to 22 kW with high efficiency in the Tire Curing 2 process to reduce electricity consumption. The result founded that this project reduced electricity consumption by 126,000 kW/ years, saved money by 567,000 baht/ years, and reduced the emission of carbon dioxide by 70.87 tons' carbon dioxide/ years.

  
**567,000**  
Baht/Year



#### Replace Air Compressor

Wangnoi site changed air compressor in a mixing process to reduce electricity consumption. The result founded that this project reduced electricity consumption by 43,628 kW/ years, saved money by 196,326 baht/ years, and reduced the emission of carbon dioxide by 25.54 tons' carbon dioxide/ years

  
**196,326**  
Baht/Year



#### Replace Split Type Air Condition

Since air conditioner in Wangnoi has not been used for so long, its efficacy decreased while the energy consumption increased, which raised the cost of electricity. In order to reduce the electricity consumption at Wangnoi site, the Company replaced the air conditioners for 26 units. The economic results are the Company reduced electricity consumption by 539,960 kW/ years, saved money by 2,429,820 baht/ years, and reduced the emission of carbon dioxide by 303.7 tons' carbon dioxide/ years.

  
**2,429,820**  
Baht/Year



#### Replace High Pressure Air Compressor

After the evaluation of high pressure air compressor, it was found that the air compressor H2 and H6, had low efficiency. Thus, the Company replaced the old air compressor H2 and H6 with a new one. This saved energy consumption around 216,107.08 kW/ years and money about 799,596 baht/ years.

  
**799,596**  
Baht/Year



#### Replace High Pressure Air Compressor (H2)

Rangsit site has replaced High Pressure Air Compressor (H2) due to its low efficiency whereas the new Air Compressor consumed lower energy usage but given the same volume and pressure. This saved energy consumption around 1137,348 kW/ years and money about 508,191 baht/ years

  
**137,348**  
Baht/Year



#### Solar Cell Installation

This project continued from 2015 the Company has installed solar cell to promote Sustainable Energy and Alternative Energy where they are clear of pollution and to reduce the greenhouse gas emission. In 2018, the installed solar cell has saved the energy consumption it Rangsit site around 199,802 baht/ year (Data as of December 12th, 2018)

  
**199,802**  
Baht/Year



# Performance Data

GRI Standard	DATA	UNIT	FY 2016	FY 2017	FY 2018
<b>General Disclosures</b>					
GRI-102-8*	TOTAL WORKFORCE	Persons	1,782	1,713	1,679
	Workforce by Area				
	Rangsit	Persons	972	929	902
	Wangnoi	Persons	810	784	777
	Total workforce by area	Persons	1,782	1,713	1,679
	Workforce by Gender				
	- IRC	Persons	1,637	1,566	1,532
	- Male	Persons	984	941	927
	- Female	Persons	653	625	605
	- IAR	Persons	113	119	123
	- Male	Persons	99	101	103
	- Female	Persons	14	18	20
	- KIN	Persons	32	28	24
	- Male	Persons	29	25	22
	- Female	Persons	3	3	2
	Total workforce by gender	Persons	1,782	1,713	1,679
	Workforce by Level				
	> Top Management	Persons	13	13	12
	> Division Manager	Persons	9	9	9
	> Manager	Persons	31	34	37
	> Specialist	Persons	4	5	7
	> Chief	Persons	190	200	230
	> Foreman	Persons	158	161	164
	> Staff	Persons	49	42	41
	> Worker / Skilled Worker	Persons	1328	1249	1179
	Total workforce by level	Persons	1,782	1,713	1,679
	Workforce by business line				
	Admin & Control	Persons	160	149	151
	Motorcycle Tire and Tube Business	Persons	834	794	766
	IED Business	Persons	643	623	615
	IRC (Asia) Research Co., Ltd.	Persons	113	119	123
	Kinno Hoshi Engineering Co., Ltd.	Persons	32	28	24
	Total workforce by business line	Persons	1,782	1,713	1,679
GRI-102-43	Customer Satisfaction Surveys				
	Tire and Tube Products	%	100	100	100
	Industrial Elastomer Products	%	100	100	100
<b>Management Approach</b>					
GRI-103-2	NO. OF GRIEVANCE ABOUT HUMAN RIGHTS FILED, ADDRESSED, AND RESOLVED THROUGH FORMAL GRIEVANCE MECHANISMS	Cases	NONE	NONE	NONE
	NO. OF GRIEVANCE ABOUT LABOR PRACTICES FILED, ADDRESSED, AND RESOLVED THROUGH FORMAL GRIEVANCE MECHANISMS	Cases	NONE	NONE	NONE
	NO. OF GRIEVANCE ABOUT IMPACTS ON SOCIETY, FILED ADDRESSED, AND RESOLVED THROUGH FORMAL GRIEVANCE MECHANISMS	Cases	0	0	0
	NO. OF ENVIRONMENTAL GRIEVANCE FILED, ADDRESSED, AND RESOLVED THROUGH FORMAL GRIEVANCE MECHANISMS	Cases	1	0	0



GRI Standard	DATA	UNIT	FY 2016	FY 2017	FY 2018
<b>Specific Disclosures</b>					
<b>Economic</b>					
GRI-201-1	DIRECT ECONOMIC VALUE GENERATED				
	Sale revenues	Thousand Baht	4,954,768	5,232,565	5,562,408
	ECONOMIC VALUE DISTRIBUTED				
	COGS	Thousand Baht	4,028,243	4,465,927	4,788,679
	Employee Benefit Obligation	Thousand Baht	730,390	786,900	857,590
	Corporate Income Taxes	Thousand Baht	111,119	86,276	73,835
	Dividend Payment (*waiting for shareholders' approval on 2019 AGM)	Baht/Share	1.027	0.8476	0.8965
	Community Investments (Total contribution for CSR activities)	Baht	3,725,200	7,084,656	4,084,818
<b>Procurement Practices</b>					
GRI-204-1	Proportion of spending on local supplier in Thailand	%	73	73	70
<b>Anti-corruption</b>					
GRI-205-2	Percentage of employees that anti-corruption policies and procedures have been communicated to.	%	100	90	98
GRI-205-3	Confirmed incidents of corruption and actions taken.	Cases	0	0	0
<b>Environmental Performance</b>					
<b>Energy</b>					
GRI-302-1	ENERGY CONSUMPTION				
	Total energy consumption	GJ	322,872.20	347,250.60	350,897.62
	Total direct energy consumption (Electricity)	GJ	147,446.78	154,174.46	156,698.50
	Total indirect energy consumption (Bunker Oil + GAS LPG)	GJ	174,529.48	189,101.63	190,932.82
	ENERGY CONSUMPTION BY TYPE				
	Electricity	GJ	147,446.78	154,174.46	156,698.50
	Steam	GJ	0	0	0
	Fuel	GJ	150,857.15	185,868.67	188,208.34
GRI-302-3	TOTAL ENERGY INTENSITY	TOE/ Total Revenues	NONE	NONE	NONE
GRI-302-4	REDUCTION OF ENERGY CONSUMPTION				
	Electricity	TJ	3.03	2.76	2
	Steam	TJ	0	0	0
	Fuel	TJ	2.16	0.39	0
<b>Water</b>					
GRI-303-1	WATER CONSUMPTION BY SITE				
	Rangsit	M3	96,076	85,956	86,752
	Wangnoi	M3	126,187	115,711	105,322
	SOURCE OF WATER				
	- Tapped Water	M3	258,929	181,596	155,306
	- Ground Water	M3	44,659	20,071	36,768
	- Water from Other Sources	M3	0	0	0
	Water intensity	M3/ Total Revenues	NONE	NONE	NONE
GRI-303-3	WATER REUSED AND RECYCLED	M3	NONE	NONE	NONE
<b>Emissions</b>					
GRI-305-1	Direct GHGs Emissions (Scope1)	Tons	13,276	14,787	14,951
GRI-305-2	Energy Indirect GHGs Emissions (Scope2)	Tons	24,153	25,255	25,668
GRI-305-4	GHGs Emission Intensity	Tons/ Production Tons	0.076	0.06	0.05
GRI-305-7	Carbon dioxide (CO2)	Tons	11,201	40,733	22,852
	CO2 intensity	Tons/ Production Tons	NONE	NONE	NONE
	Total Suspended Particulate Matter (TSP)	Tons	0.29	0.29	0.18
	TSP Intensity	Tons/ Production Tons	NONE	NONE	NONE

GRI Standard	DATA	UNIT	FY 2016	FY 2017	FY 2018
	AIR QUALITY AVERAGE CONCENTRATION				
	SOx	Mg/M3	331.6	324.5	556.7
	NOx	Mg/M3	116.2	87.5	141.4
	AIR QUALITY AMOUNT				
	SOx	Kilotons	NONE	NONE	NONE
	NOx	Kilotons	NONE	NONE	NONE
Effluents and Waste					
GRI-306-1	WATER DISCHARGE BY SITE				
	Rangsit				
	- Water supply	M3	64,664	72,453	58,116
	- Deep well	M3	32,306	13,503	28,636
	- Total	M3	96,970	85,956	86,752
	Wangnoi				
	Deep well+water supply	M3	188,390	109,143	97,190
	Sanitary	M3	19,122	6,568	8,132
	Total	M3	207,512	115,711	105,322
GRI-306-2	WASTE DISPOSAL				
	Total hazardous waste				
	- Hazardous waste exported to Waste Management Operator	Tons	339	199	376
	- Return from selling waste	Baht	274,614	167,605	213,610
	Total non-hazardous waste				
	- Non-hazardous waste recycling	Tons	1,488	2,264	2,578
	- Return from selling waste	Baht	3,117,569	4,008,775	6,314,161
GRI-306-3	SIGNIFICANT SPILLS				
	Numbers of Spills	Cases	0	0	0
	Volume	Liter	0	0	0
Environmental Compliance					
GRI-307-1	SIGNIFICANT FINE for NON-COMPLIANCE IN ENVIRONMENTAL ASPECTS				
	Number of Fine	Case	0	0	0
	Amount of Fine	Baht	0	0	0
GRI-308-1	THE PERCENTAGE OF NEW SUPPLIERS SCREENED BY USING ENVIRNMANETAL CRITERIA				
	%		NONE	NONE	NONE
GRI-308-2	NO. OF SUPPLIERS SUBJECTED TO ENVIRONMENTAL ASSESSMENT				
	Supliers		NONE	NONE	NONE
Social Performance					
Employment					
GRI-401-1	NEW EMPLOYEE				
	New Employee	Persons	121	82	124
	New Employee hire rate	%	7%	5%	7%
	New Employee hire by Age Group				
	<30 years	Persons	103	66	70
	30-50 years	Persons	18	16	54
	>50 years	Persons	0	0	0
	Total new employee by age group	Persons	121	82	124
	TURNOVER				
	Total turnover	Persons	184	141	159
	Total turnover rate	%	0%	0%	0%
	Turnover by Age Group				
	<30 years	Persons	99	59	69
	30-50 years	Persons	74	75	66
	>50 years	Persons	11	7	24
	Total turnover by age group	Persons	184	141	159
	Turnover by Area				
	Rangsit	Persons	115	96	98
	Wangnoi	Persons	69	45	61
	Total turnover by area	Persons	184	141	159

GRI Standard	DATA	UNIT	FY 2016	FY 2017	FY 2018
GRI-401-3	PARENTAL LEAVE				
	Employee taken parental leave	Persons	75	57	49
	Employee returned to work after parental leave	Persons	75	57	49
<b>Occupational Health and Safety</b>					
GRI-403-1	Percentage of total workforce represented in formal joint management -worker health and safety members	%	100	100	100
GRI-403-2	FATALITIES from work-related				
	Total Employee	Persons	0	0	0
	Workers controlled by IRC (not included employee)	Persons	0	0	0
	INJURIES FREQUENCY RATE (IFR)				
	RS Total Employee	Persons/ Million man-hr.	3	4.55	2.31
	WN Total Employee	Persons/ Million man-hr.	0.83	0.00	3.35
	INJURIES FREQUENCY RATE (IFR) BY TYPE OF EMPLOYEE				
	Total Employee	Persons/ Million man-hr.	NONE	NONE	NONE
	Workers controlled by IRC (not included employee)	Persons/ Million man-hr.	NONE	NONE	NONE
	LOST-TIME INJURY FREQUENCY RATE (LTIFR)				
	RS Total Employee	Persons/ Million man-hr.	0.00	0.65	1.29
	WN Total Employee	Persons/ Million man-hr.	0.00	0.00	1.12
	LOST-TIME INJURY FREQUENCY RATE (LTIFR) BY TYPE OF EMPLOYEE				
	Total Employee	Persons/ Million man-hr.	NONE	NONE	NONE
	Workers controlled by IRC (not included employee)	Persons/ Million man-hr.	NONE	NONE	NONE
<b>Training and Education</b>					
GRI-404-1	TRAINING AND DEVELOPMENT				
	Average hours of training per year per employee by gender				
	Male				
	- RS	Avg. hrs/ person	38.74	41.94	55.49
	- WN	Avg. hrs/ person	38.74	41.94	28.14
	Female				
	- RS	Avg. hrs/ person	37.12	40.58	38.16
	- WN	Avg. hrs/ person	37.12	40.58	27.02
	Average hours of training by employee level				
	RS	Avg. hrs/ person	112.98	123.1	93.32
	- Manager	Avg. hrs/ person	42.64	61.36	89.50
	- Chief	Avg. hrs/ person	64.10	59.16	52.44
	- Foreman	Avg. hrs/ person	34.65	52.12	59.45
	- Staff	Avg. hrs/ person	11.85	31.56	27.50
	- Worker / Skilled Worker	Avg. hrs/ person	133.36	74.07	71.33
	WN	Avg. hrs/ person	286.60	278.27	300.22
	- Manager	Avg. hrs/ person	42.64	61.36	49.82
	- Chief	Avg. hrs/ person	64.10	59.16	45.62
	- Foreman	Avg. hrs/ person	34.65	52.12	30.96
	- Staff	Avg. hrs/ person	11.85	31.56	18.84
	- Worker / Skilled Worker	Avg. hrs/ person	133.36	74.07	23.32
	Total hours of training by employee level	Avg. hrs/ person	399.58	401.37	393.54
GRI-412-2	HUMAN RIGHTS				
	Total hours of employee training to human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	%	976	752	672

GRI Standard	DATA	UNIT	FY 2016	FY 2017	FY 2018
<b>Supplier Social Assessment</b>					
GRI-414-1	THE PERCENTAGE OF NEW SUPPLIERS SCREENED BY HUMAN RIGHTS CRITERIA	%	NONE	NONE	NONE
	THE PERCENTAGE OF NEW SUPPLIERS SCREENED BY LABOR PRACTICES CRITERIA	%	NONE	NONE	NONE
	THE PERCENTAGE OF NEW SUPPLIERS SCREENED BY IMPACTS ON SOCIETY	%	NONE	NONE	NONE
GRI-414-2	NO. OF SUPPLIERS SUBJECTED TO HUMAN RIGHTS	Suppliers	NONE	NONE	NONE
	NO. OF SUPPLIERS SUBJECTED TO LABOR PRACTICES	Suppliers	NONE	NONE	NONE
	NO. OF SUPPLIERS SUBJECTED TO IMPACTS ON SOCIETY	Suppliers	NONE	NONE	NONE
<b>Customer Health and Safety</b>					
GRI-416-2	NO. OF INCIDENTS OF NON-COMPLIANCE WITH REGULATIONS AND VOLUNTARY CODES CONCERNING CUSTOMER HEALTH AND SAFETY				
Tire and Tube Products	Cases	0	0	0	
Industrial Elastomer Products	Cases	0	0	0	0
<b>Marketing and Labeling</b>					
GRI-417-2	SIGNIFICANT FINES for NON-COMPLIANCE WITH REGULATIONS AND VOLUNTARY CODES CONCERNING PRODUCT AND SERVICE INFORMATION AND LABELING				
	Number of Fine	Case	0	0	0
	Amount of Fine	Baht	0	0	0
GRI-417-3	NO. OF INCIDENTS OF NON-COMPLIANCE WITH REGULATIONS AND VOLUNTARY CODES CONCERNING MARKETING COMMUNICATION				
	Tire and Tube Products	Cases	0	0	0
	Industrial Elastomer Products	Cases	0	0	0
<b>Customer Privacy</b>					
GRI-418-1	NO. OF INCIDENTS OF SUBSTANTIATED COMPLAINTS REGARDING BREACHES OF CUSTOMER PRIVACY				
	Tire and Tube Products	Cases	0	0	0
	Industrial Elastomer Products	Cases	0	0	0
<b>Socioeconomic Compliance</b>					
GRI-419-1	SIGNIFICANT FINE for NON-COMPLIANCE WITH LAWS AND REGULATIONS				
	Number of Fine	Case	0	0	0
	Amount of Fine	Baht	0	0	0
	SIGNIFICANT FINES for NON-COMPLIANCE WITH LAWS AND REGULATIONS CONCERNING THE PROVISION AND USE OF PRODUCTS AND SERVICES				
	Amount of Fine	Baht	0	0	0

NOTE:

1) Information with '0' means recorded information is zero.

2) Information with 'NONE' means there is no recorded information.

# GRI Content Index

GRI Standard Title	Disclosure Number	Reported section in SR 2018	Omission/Remarks	SDGs	Required for CORE
General Disclosures	GRI-102-8	7.2, 9	-	5, 8	Core
General Disclosures	GRI-102-9	6.1	-	-	Core
General Disclosures	GRI-102-12	1.1	-	-	Core
General Disclosures	GRI-102-13	This page	Does not being a member to any international organization	-	Core
General Disclosures	GRI-102-16	4.1	-	16	Core
General Disclosures	GRI-102-17	4.1	-	16	
General Disclosures	GRI-102-28	1.3	-	-	
General Disclosures	GRI-102-29	4.2	-	16	
General Disclosures	GRI-102-33	4.1	-	-	
General Disclosures	GRI-102-34	4.1	-	-	
General Disclosures	GRI-102-40	3.2	-	-	Core
General Disclosures	GRI-102-41	7.2	-	8	Core
General Disclosures	GRI-102-42	3.2	-	-	Core
General Disclosures	GRI-102-43	3.2, 9	-	-	Core
General Disclosures	GRI-102-44	3.2	-	-	Core
General Disclosures	GRI-102-46	1.2	-	-	Core
General Disclosures	GRI-102-47	3.1	-	-	Core
General Disclosures	GRI-102-48	This page	No report data changed	-	Core
General Disclosures	GRI-102-50	1.1	-	-	Core
General Disclosures	GRI-102-51	This page	Latest report is Sustainability Report (SD Report) for 2017, as of September 30, 2017	-	Core
General Disclosures	GRI-102-52	1.1	-	-	Core
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General Disclosures	GRI-102-55	This page	-	-	Core
General Disclosures	GRI-102-56	This page	IRC plan for data reviewed by External Assurance in the future	-	Core
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Management Approach	GRI-103-3	1, 4.2, 6.1, 6.2, 6.3, 6.4, 6.5, 7.1, 7.2, 8.1, 8.2	-	-	Core
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Human Rights Assessment	GRI-412-2	9	-	-	
Local Communities	GRI-413-1	7.1	-	-	
Local Communities	GRI-413-2	7.1	-	-	
Supplier Social Assessment	GRI-414-1	6.1, 9	-	8, 16	
Supplier Social Assessment	GRI-414-2	9	-	8, 16	
Public Policy	GRI-415-1	This page	None	-	
Customer Health and Safety	GRI-416-2	9	-	16	
Marketing and Labeling	GRI-417-2	9	-	16	
Marketing and Labeling	GRI-417-3	9	-	16	
Customer Privacy	GRI-418-1	9	-	16	
Socioeconomic Compliance	GRI-419-1	9	-	16	

