

Annual Report

2017



Inoue Rubber (Thailand) Public Co.,Ltd.



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- 1) Social Responsibility data appears in the Sustainability Report 2017 at the backside of Annual Report
- 2) 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 or on the Company's website at www.ircthailand.com

About IRC

Inoue Rubber (Thailand) Public Co., Ltd. “IRC” is a joint-venture company, established on December 15th, 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 48 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 Tyres and Tubes in AEC”.





VISION & MISSION

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



Financial Highlights

Inoue Rubber (Thailand) Public Company Limited and its subsidiaries

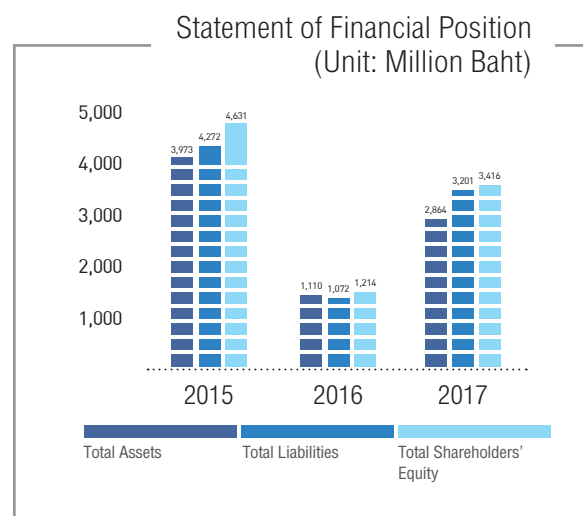
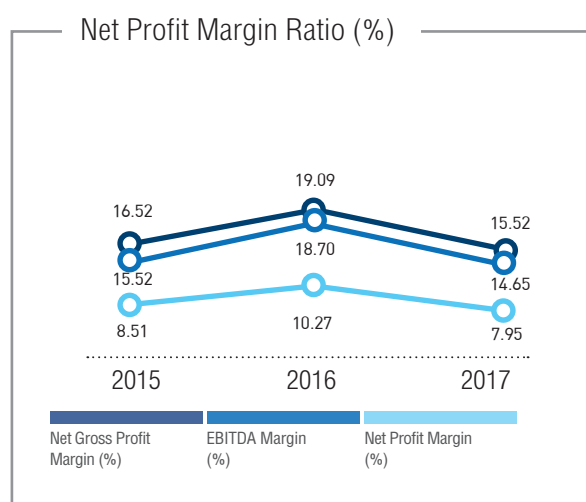
As at 30 September, 2017

Unit: Thousand Baht

	2015	2016	2017
Statements of Comprehensive Income			
Total Revenues	5,186,251	5,002,396	5,331,472
Costs of Sales and Services	4,330,719	4,028,243	4,465,927
EBIT	527,790	626,492	511,208
Net Profits	441,521	513,630	423,790
Total Assets	3,973,448	4,272,367	4,631,757
Total Liabilities	1,109,669	1,071,559	1,214,885
Total Shareholders' Equity	2,863,779	3,200,808	3,416,872

Financial Ratio

Net Profit Margin (%)	8.51	10.27	7.95
Return on Equity (%)	15.42	16.05	12.39
Return on Assets (%)	11.11	12.02	9.14
D/E Ratio	0.39	0.34	0.36
Basic Earnings per Share (Baht)	2.21	2.57	2.12
Book Value per Share (Baht)	14.32	16.00	17.08



Message from 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 2017, 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 2017 has been supported by the global economic recovery as well as the continuing expansion of global trades, resulting in the increasing consumer confidence. This also reflects the rising purchasing power in the country. The increase of commodity prices can also ensure maximizing incomes for Thai agriculturists. 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 1.9 million units, which looks relatively stable compared to FY 2016. Additionally, motorcycles production was around 2 million units, increased from the previous year around 12.21% mainly from the production for domestic supply.

According to the aforementioned factors, IRC achieved

5,331.47 million baht of its total revenue, increased by 6.58% compared to the same period last year. Admittedly, we could not escape the rising cost of sales around 10.87%, which mainly resulted from the increasing prices of raw materials during the second and third quarters of 2017 especially in natural rubber, synthetic rubber, and chemicals supplies, which were hugely influenced by the rise in crude oil prices and the uncertainty of the global demand and supply. This unexpected factor forced IRC's total raw material cost to shift to 238.74 million baht, resulting in a decrease in the net profit around 89.84 million baht or 17.49% comparing to last year. However, the basic earnings per share was at 2.12 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. We have also 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. On the other hand, we aims to remodel our 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 our market share and generated new market expansion. 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. This year, 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”. IRC introduced ethics, morality, positive attitude building and vocational training program to female prisoners. Over the past 4 years, around 672 participants have joined the project and passed the standard level training. This year, we held certificate presentation ceremony to honor 62 outstanding participants who completed the program at final level. The other project is ‘Klongpang Cooperative’, 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 on road safety, particularly for motorcycle riders, during the festive seasons.

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 “Our Company Our Home”, “Corporate Culture” and “Competency Development and Career Path”. 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. Apart from effective water management, IRC also raises its awareness on the reduction of dust, smell, and heat in the workplace. A solar panel has been installed to promote efficient and sustainable use of energy, focusing on using alternative energy and helping reduce greenhouse gas emissions to safer levels.

In 2017, IRC’s attempt in achieving sustainability has become concretely successful as the Company has been accredited with ‘ESG 100’ certificate for the outstanding performance in environmental, social and governance aspects. It is expected that ‘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 three consecutive years. In addition, IRC has also listed on the ‘Thailand Sustainability Investment (THSI)’ and honored with the ‘SET Sustainability Awards 2017’. 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. As the Chairman, 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. Pornthip
Sethiwan



Mr. Masayuki Inoue



Mr. Vichit Vuthisombut



Assoc.Prof. Jaruporn
Viyanant



Mr. Kittichai Raktakanit



Mr. Surong Bulakul



Mr. Kazuo Sato

Executive Committee



Mr. Hiroshi Harada*



Mrs. Pimjai Leeissaranukul*



Mr. Eiichi Yano*



Ms. Witchuda Kupongsak*



Mr. Shigeyuki Hosokawa*



Mr. Katsunori Ito*



Mr. Chaowalit
Meethongkum



Mr. Narongchai
Rattanaekkawin



Mr. Suchart
Kootiratrakarn



Mr. Hirozo Mizuno



Mr. Hiroyuki Hibi

Remark: * Executives in accordance with the notification of the SEC

Details of Directors & Executives



Mrs. Pimjai Leeissaranukul

Position Chairman/ Executive Director/
Authorized Director/ Vice President of
the Executive Committee
Age 56 years
Appointment Year 1993
Shareholding Proportion 2.44%

Highest Education

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

Training

Director Training in 2017	ACMA Business Forum 2017 Business Revolution and Innovation Network Batch 1 (BRAIN 1)
Other Director Training	DCP Director Certification Program Class 37/2003 RCP Role of the Chairman Program Class 31/2013 RMP Risk Management Committee Program Class 1/2013 NDC Course (JSPS), Class 2013 Capital Market Academy Leadership Program Class 10

Past Working Experience

2013 - Present	Chairman of Inoue Rubber (Thailand) PLC. Honorary Chairman of Inoac Tokai (Thailand) Company Ltd.
2016 - Present	Director and Secretary of Institute of Agro-based Industries, The Federation of Thai Industries Vice President of Thailand Forest Certification Council (TFCC), The Federation of Thai Industries Advisor of Rubber and Rubber wood Cluster, The Federation of Thai Industries Director of Capital Market Academy Alumni Class of 2013
2014 - Present	Director of Student, National Defense College Class of 2013 Director and Deputy Secretary, The Federation of Thai Industries
2012 - Present	Director of Risk Management Club Thai Listed Companies Association
2010 - Present	Global Advisory Board Members of Babson College, MA, USA
2006 - Present	Director of Daido Sittipol Co., Ltd.
2003 - Present	Director of S.K. Rubber 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.
2014 - 2016	Member of the Board of Thai Women Engineers, The Engineering Institute of Thailand



Mr. Hiroshi Harada

Position President / Executive Director
/ Authorized Director/ Chairman of
Executive Committee/ Vice-Chairman
of Risk Management Committee
Age 59 years
Appointment Year 2017
Shareholding Proportion -None-

Highest Education

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

Training

-

Past Working Experience

2016 - 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.
2014 - 2016	General Manager of Inoac (Vietnam) Co., Ltd.,
2013 - 2017	Executive officer of Oversea Purchasing Department, Inoac Corporation Co., Ltd., (Japan)
2011 - 2013	Manager of Purchasing Department, Shanghai Inoac Corporation Co., Ltd., (China)
2008 - 2011	General Manager, Rogers-INOAC Corporation Co., Ltd., (Japan)



Mr. Soichi Inoue

Position Director
Age 88 years
Appointment Year 1993
Shareholding Proportion -None-

Highest Education

Bachelor's degree in Economics, Kobe University, Japan

Training

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Past 5-year Working Experience

2010 - Present Director of Inoue Rubber (Thailand) PLC.
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
1968 - Present President of Inoac Technical Center Co., Ltd.



Mr. Thanong Leeissaranukul

Position Director / Authorized Director
Age 57 years
Appointment Year 1993
Shareholding Proportion 1.70%

Highest Education

Bachelor's degree in Business Administration Nanzan University, Japan

Training

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Past Working Experience

2017 - Present President of M Vision Co., Ltd.
2007 - Present President of Kanok-Sopa Foundation
2003 - Present Director of S.K. Rubber 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.
Director of Inoue Rubber (Thailand) PCL.
1983 - Present Director of Thai Stanley Electric PCL.



Position Director
Age 54 years
Appointment Year 1993
Shareholding Proportion 1.87%

Mr. Apichart Leeissaranukul

Highest Education

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

Training

Thai Institute of Directors Association (IOD):
DCP Director Certification Program Class 8/20011

Past Working Experience

2016 - Present Independent Director, Nominating and
Remuneration Committee
LEO Global Logistics PCL.
2013 - Present Chairman of Thai Stanley Electric PCL.
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 S.K. Rubber 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.
1993 - Present Director of Pacific Industry (Thailand) Co., Ltd.
Vice President of Thai Stanley Foundation
1992 - Present Director of Sopa-Kanok International Co., Ltd.
1991 - Present Director of Inoue Rubber (Thailand) PCL.
1992 - 2013 Vice President of Thai Stanley Electric PCL.



Position Director
Age 50 years
Appointment Year 1993
Shareholding Proportion 2.20%

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

2006 - Present Director of IRC (Asia) Research Co., Ltd.
2003 - Present Director of S.K. Rubber 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.
1991 - Present Director of Inoue Rubber (Thailand) PCL.
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 52 years
Appointment Year 1996
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 65/20077

Past Working Experience

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



Position Chairman of Risk Management Committee/ Independent Director
Age 62 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)
Leadership Development Program (LDP 2)
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

Past Working Experience

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)
Advisor of PTT PCL.
2015 - Present Chairman of Risk Management Committee/
Independent Director, Inoue Rubber (Thailand)
PCL.
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.)
Committee of The Federation of Thai Industries
2013 - Present Chairman of Global Power Synergy Public
Company Limited
2014 - 2017 Director of Federation of Thai Capital Market
Organizations
2013 - 2017 Chairman of Thai Listed Companies Association
(TLCA), The Stock Exchange of Thailand
2014 - 2015 Chief Operation Officer Infrastructure of PTT
PCL.
2012 - 2014 Acting Chief Financial Officer of PTT PCL.
2009 - 2012 President of Thai Oil PCL.



Position Chairman of Audit Committee / Independent Director
Age 76 years
Appointment Year 2004
Shareholding Proportion -None-

Mr. Vichit Vuthisombut

Highest Education

Bachelor's degree in Economics, Thammasat University

Training

Thai Institute of Directors Association (IOD):
DAP Director Accreditation Program Class 27/2004
DCP Director Certification Program Class 51/2004

Past Working Experience

2017 - Present Chairman of Audit Committee, Inoue Rubber (Thailand) PCL.
2009 - Present Independent Director and Audit Committee of Siam Steel Service Center PCL.
2006 - Present Independent Director of Thai-German Products PCL.
2004 - Present Independent Director and Audit Committee of Inoue Rubber (Thailand) PCL.
2002 - Present Advisor of A J Plast PCL.
2002 - 2016 Advisor of Jongsathit Co., Ltd.
2000 - 2016 Committee of Investor Club Association (IC)



Position Audit Committee / Chairman of Corporate Governance and Social Responsibility Committee / Independent Director
Age 73 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

Thai Institute of Directors Association (IOD):
DCPU 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
ELP Ethical Leadership 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.
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.
2016 - October 2017 Independent Director, Chairman of Audit Committee, and Nomination and Remuneration Committee of KSL Green Innovation PCL.
2012 - 2014 Independent Director, Chairman of Audit Committee 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)



Position Audit Committee/ Independent Director
Age 57 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

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 Wireless System Integrator Co.,Ltd.
Director of Law Enforcement Technology Solutions Co.,Ltd.
2015 - Present Director & Audit Committee (Independent Director) of Sansiri PCL.
Director, Executive Director of Mainstay Property Solutions Co., Ltd.
2010 - Present Executive Vice President of Loxley PCL.
2001 - Present Chair of Executive Board of L-Elevator Co.,Ltd.
2012 - 2017 Managing Director of L Green Solution 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 59 years
Appointment Year 2013
Shareholding Proportion -None-

Mr. Kazuo Sato

Highest Education

Bachelor of Engineering, Nagoya Institute of Technology, Japan

Training

Training from 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.



Position Managing Director/ Member of Executive Committee
 Age 54 years
 Appointment Year 2016
 Shareholding Proportion -None-

Mr. Eiichi Yano

Highest Education

Bachelor's degree in Chemical Engineering, Kansai University

Training

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Past Working Experience

2016 - Present Managing Director and Executive Committee Member of Inoue Rubber (Thailand) PCL.
 Director of IRC (Asia) Research Co.,Ltd.
 2012 - 2015 General Manager of Quality Assurance Section, Production Division of Inoue Rubber (Thailand) PCL.
 2009 - 2012 Quality Assurance Manager of Quality Assurance Section, Production Division of Inoue Rubber (Thailand) PCL.



Position Executive Director of Administrative and Control Unit/ Member of Executive Committee
 Age 53 years
 Appointment Year 2013
 Shareholding Proportion 0.024%

Ms. Witchuda Kupongsak

Highest Education

Master of Business Administration, Thammasat University

Training

Thai Institute of Directors Association (IOD):
 DAP Director Accrediation 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.
 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 49 years
Appointment Year 2014
Shareholding Proportion -None-

Mr. Shigeyuki Hosokawa

Highest Education

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

Training

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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 55 years
Appointment Year 2014
Shareholding Proportion -None-

Mr. Katsunori Ito

Highest Education

Bachelor of Engineering, Department of Applied Chemistry,
Shizuoka University

Training

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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, Rubber and Elastomer Division, Inoac Corporation Co., Ltd.
2009 - 2011	Managing Director, Inoac Vietnam Co., Ltd.



Position Deputy Executive Director of IED Business Unit / Member of Executive Committee/ Member of Risk Management Committee
 Age 59 years
 Appointment Year 2014
 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 47 years
 Appointment Year 2014
 Shareholding Proportion 0.005%

Mr. Narongchai Rattanaekkwain

Highest Education

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

Training

Thai Institute of Directors Association (IOD):
 HRP How to Develop a Risk Management Plan Class8/2015
 FSD Financial Statements for Directors Class18/2012
 RMP Risk Management Committee Program Class5/2014
 CEDI - Babson Entrepreneurial Leadership Program Babson College
 Thai Railway Engineer Program, NSTDA
 ISO9001:2000 Internal Auditing, Robere& Associates
 ISO/TS16949:2002 Internal Auditing, Robere& Associates
 ISO14001 Internal Auditing, Robere& Associates

Past 5-year 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 48 years
Appointment Year 2013
Shareholding Proportion 0.003%

Mr. Suchart Kootiratkarom

Highest Education

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

Training

Thai Institute of Directors Association (IOD):

HRP How to Develop a Risk Management Plan Class8/2015

FSD Financial Statements for Directors Class18/2012

RMP Risk Management Committee Program Class5/2014

CEDI - Babson Entrepreneurial Leadership Program Babson College

Past 5-year Working Experience

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

2013 - Present Executive Committee of Inoue Rubber (Thailand) PLC



Position Member of Executive Committee
Age 62 years
Appointment Year 2012
Shareholding Proportion -None-

Mr. Hirozo Mizuno

Highest Education

Bachelor of Industrial Engineering, Shibaura Institute of Technology

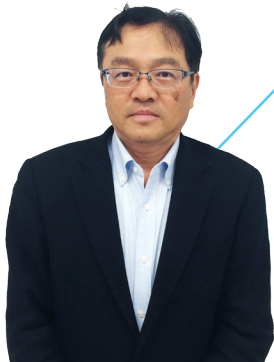
Training

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Past 5-year Working Experience

2016 - Present Senior Executive Advisor of PT Gajah Tunggal Tbk

2012 - Present Member of Executive Committee, Inoue Rubber (Thailand) PLC
 Executive Officer of Inoue Rubber Co., Ltd. (Japan)



Position Member of Executive Committee
Age 54 years
Appointment Year 2016
Shareholding Proportion -None-

Mr. Hiroyuki Hibi

Highest Education

Bachelor Degree of Economics, Ritsumeikan University

Training

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Past 5-year Working Experience

- 2016 - Present Member of Executive Committee of Inoue Rubber (Thailand) PCL.
 Managing Director of PT. Inoac Polytechno Indonesia
 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 & Executives

Name	Position	Amount of Shares		Trading during the FY 2017	Proportion (%)
		30 SEP 2016	30 SEP 2017		
Mrs. Pimjai Leeissaranukul ² 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 ¹ spouse and minor children	Director	-	-	-	-
Mr. Masayuki Inoue ¹ spouse and minor children	Director	-	-	-	-
Mr. Thanong Leeissaranukul ² spouse and minor children	Director	3,408,000	3,408,000	-	1.70
Mr. Apichart Leeissaranukul ² spouse and minor children	Director	3,711,400	3,735,200	23,800	1.86
Mrs. Pornthip Sethiwan ² spouse and minor children	Director	4,147,375 189,100	4,197,375 195,600	50,000 6,500	2.10 0.10
Mr. Kazuo Sato spouse and minor children	Director	-	-	-	-
Mr. Vichit Vuthisombat 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. Eiichi Yano 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	Senior Manager of Accounting and Finance Department	-	-	-	-

Remark: ¹Major shareholders: Inoue Rubber Co., Ltd (Japan)
²Major shareholders: Leeissaranukul Family

Milestones in the Past 3 Years

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**
- 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 (ESG) aspects – **November**
- 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**



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**



2015



- Received the Corporate Governance Report in “Very Good” rating surveyed by Thai Institute Of Directors which had been developed from “Good” rating last year – **November**
- Received the Honorable Trophy of “Greening Supply Chains in Thai Auto and Automotive Parts Industries” project which is the cooperation among German International Cooperation (GIZ), Thai Automotive Institute (TAI), and The Federation of Thai Industries (FTI) in development and support of Thai’s automotive parts manufactures in developing the production process sustainably and eco-friendly as well as the effectiveness of energy consumption – **October**
- Received the Honorable Certification in participation of Workplace Safety Project Honors HRH Princess Maha Chakri Sirindhorn from Department of Labor Protection and Welfare, Phatumthani Province – **September**
- Declared the intent to join the Private Sector Collective Action Coalition Against Corruption (CAC) – **August**
- Received the certification of standard prevention and solution of drugs and additive substances usage in the workplace from Department of Labor Protection and Welfare, Ayutthaya and Phatumthani Provinces – **June**
- Signed the Memorandum of Understanding (MoU) on Value-Adding of Natural Rubber by Using in the Railway System with the National Science and Technology Development Agency (NSTDA) and the Thailand Institute of Scientific and Technology Research (TISTR) – **June**
- Developed the supply chain at the beginning level by initiating the development and value-adding on natural rubber to Cooperative Klongpang’s rubber farmers, in Trang Province; IRC had shared knowledge about storing Natural latex process with the appropriate moistness and intensity till transforming to rubber sheets in order to avoid exploiting benefits from agents and IRC also attained the qualified raw materials as needed. – **June**
- Established the Corporate Governance and Social Responsibilities (CGSR) Committee by the Board and aborted the Corporate Social Responsibility (CSR) Committee since the scope of work has expanded and enhanced the duty of Good Corporate Governance in accordance with the international standards – **May**

Revenue Structure and Product Features

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

Unit: Million baht

Business Unit/ Product	Fiscal year 2015	%	Fiscal year 2016	%	Fiscal year 2017	%
Industrial Elastomer Parts						
Domestic Sales	2,249.19	43.88	2,119.42	42.78	2,241.66	42.85
Export Sales	465.15	9.07	377.04	7.61	398.33	7.61
Total	2,714.34	52.95	2,496.46	50.39	2,639.99	50.46
Motorcycle Tires and Tubes						
Domestic Sales	1,540.80	30.06	1,484.11	29.95	1,598.55	30.55
Export Sales	871.14	16.99	974.00	19.66	993.32	18.99
Total	2,411.94	47.05	2,458.11	49.61	2,591.87	49.51
Grand Total	5,126.28	100.00	4,954.57	100.00	5,231.86	100.00

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 Pick-up



- » 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
- » WeatherStrip 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, marine and construction machineries, cooling machines rubber cushions for electrical appliances, construction materials, sealing rubber container, sealing rubber valve for the Metropolitan Waterworks Authority, and others depending on customers' needs.

Elastomer Parts in Railway System



Railway Rubber Pad

Elastomer Parts in Electronic and Cooling System



Elastomer Parts in Marine, Agriculture and Construction Machineries

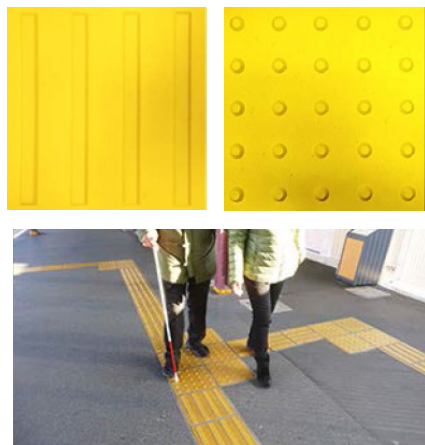


Elastomer Parts in Building and Construction

Vi-pafe® Soft Tiles (ECO Rubber Block)



Braille Block



Rubber Chip for Sport Track



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, and Yamaha. Recently, the Company has attained the reliance from Ducati (Italy) to be the supplier of elastomer products for Ducati (Thailand) by using IRC's products in the assembling process of Ducati motorcycles that are manufactured in Thailand. 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;

- 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.
- Eco-paving e.g. Department of science service, Chumphon Province Stadium, and Sports Authority of Thailand.
- 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, 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 as well as controlling of 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 500 models such as on-road tires, off-road tires, scooter tires, heavy-duty tires, snow tires, energy-saving tires, and tires for electric vehicle motorcycle etc.

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 in 2017

NR82 AND NR83 Tubeless



New tire size with 12 inch to support OEM

GP-201R AND GP-201F Tubeless



New tire size with 17 inch for motocross bike to support OEM

SC-3 Tubeless



New tire size 12 inch to support domestic replacement market for regular motorcycle

DR-4 Tube Type



New tire size 17 inch to support Replacement market for family motorcycle

NF30, NR35 Tube Type



New tire size 14 inch to directly support OEM in japan for Postal motorcycle

Market Situation and Competition

The Automotive Industry Situation

In fiscal year 2017 (October 1st 2016 – September 30th 2017), Thai automobile industry slightly contracted from the previous year around 0.64%. The production for domestic sales and export reached 1.95 million units. The main driver was the production for export, which was around 1.12 million units though contracted by 6.36% from last year. The main export markets include Oceania, Asia, EU, and North America. However, the production for domestic sales amounted to 0.83 million units or increased by 8.24% from last year.

In fiscal year 2017, the automobile production considering by types can be separated as below;

- 1 Ton Pickup with 52% of the Thailand's total production increased by 9.4% and consistently maintained the position as the "Product Champion". There were 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 40% of the Thailand's total production increased by 0.3% from last year. Passenger cars not over than 1,500 cc showed the most popular among this group.
- Pick-Up Passenger Vehicle or PPV with 9% of the Thailand's total production contracted by 25.55% from the previous year.
- Other commercial vehicles (van, bus and truck) with 2% of the Thailand's total production increased by 20.20% or 6,800 units from the previous year.

The Motorcycle production in the fiscal year 2017 showed total production of 2 million units, which was separated into family model 1.53 million units and sport model 0.48 million units. Overall production increased by 12.21% from the same period last year. Model 101-125 CC had the highest growth rate partly due to the improving economy and the increasing price of agricultural products. Big Bike market grew continuously as the economic has recovered and the popularity of the Big Bike has continued.

Competitive Situation

Industrial Elastomer Parts

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 to pinpoint in research and development starting from product design, production process and raw material selection process. Moreover, the Company also focus on marketing planning to serve various needs of customers in a short period of time. Thus, the Company can enhance the competitiveness and create customer confidence in quality and on-time delivery.

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 supplied motorcycle tires and tubes to 2 main groups of domestic customers;

- For the motorcycle OEMs, in 2017, the production for domestic sales was stable comparing to the previous year. However, the motorcycle manufacturers tried to develop new models to stimulate the domestic market, particularly in sport motorcycles and mini-sport motorcycles size 125-150 cc. which consistently gained popularity from consumers.
- 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's 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 NR82 and NR83 in size 12 inch for the new automatic motorcycle; GP21F front tires and 18-inch GP21R rear tires; and other 5 sizes of SC-3 12-inch.

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 launching of new designs 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 Tyres and Tubes
Website	www.ircthailand.com
Site (Head Office)	258 Soi. Rangsit – Nakornnayok 49, Prachatipat, Thanyaburi, Pathumthanee 12130 Tel. (66) 2996 0890 Fax (66) 2996 1439
Registered 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

Subsidiaries

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 raw materials and products of the Company mainly

Registered Capital : 30 million baht paid-up capital 10.05 million baht

Percentage of Investment 99.99%

Kinno Hoshi Engineering Co.,Ltd

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

Percentage of Investment : 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
Legal Consultant	Weerawong, Chinnavat & Partners Ltd. 22nd Floor, Mercury Tower 540 Ploenchit Road, Lumpini, Pathumwan, Bangkok, 10330 Tel : (66) 2 264 8000 Fax (66) 2 657 2222

Major Shareholders

List of the top 10 shareholders as at ex-dividend date (XD) on February 9, 2017

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	7,399,888	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. Pornthip Sethiwan**	4,336,475	2.07
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		IAR	KIN	IRV
Mrs. Pimjai	Leeissaranukul	/,X	/,X	-
Mr. Hiroshi	Harada	-	/,//,X	-
Mr. Thanong	Leeissaranukul	/	-	-
Mrs. Pornthip	Sethiwan	/	-	-
Mr. Eiichi	Yano	/,//,X	-	-
Ms. Witchuda	Kupongsak	-	/	/
Mr. Chaowalit	Meethongkum	-	/,//	-
Mr. Narongchai	Rattanaekkawin	/,//	/	-
Mr. Katsunori	Ito	//	/	-
Mr. Hiroyuki	Hibi	-	/	-

As of 30 September 2017

Symbols indicate positions

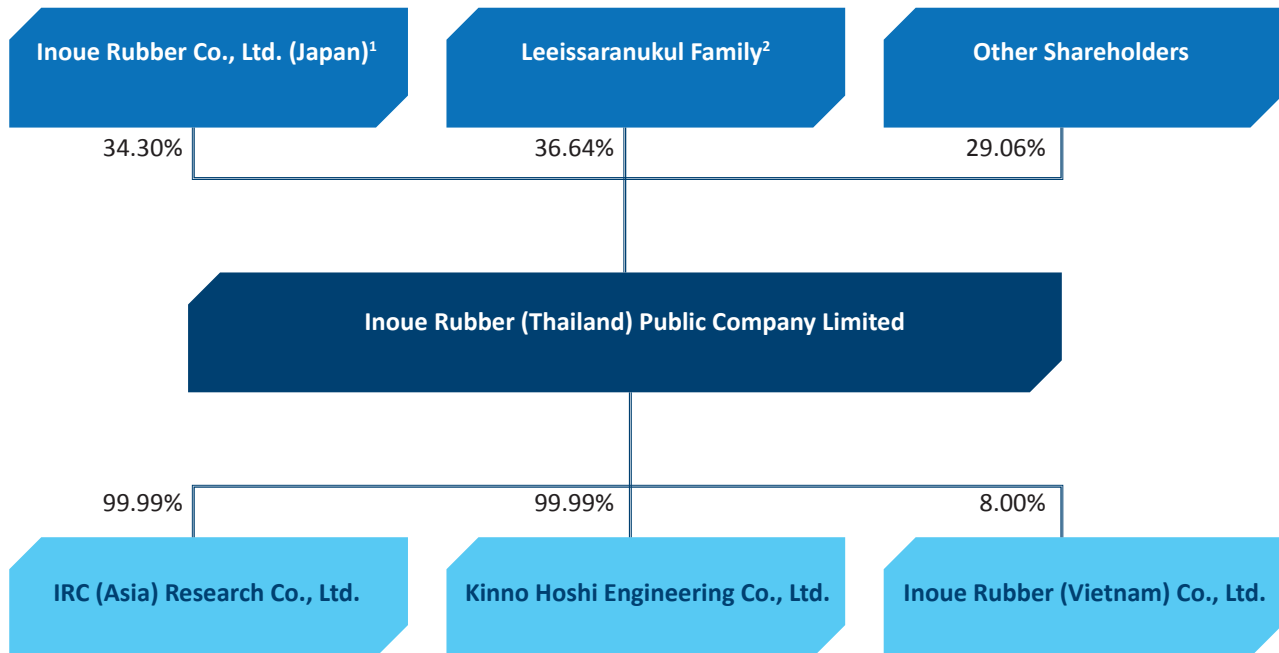
/ = Director // = Executive Director X = Authorized Signatory Director

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 February 9th, 2017



Remark:

¹Major shareholder group who participate in business operation by sending persons to be directors

²Leeissaranukul Family including Sopa-Kanok International Co., Ltd, Mrs. Porndee Leeissaranukul, Mr. Thanong Leeissaranukul, Mrs. Pimjai Leeissaranukul, Mr. Apichart Leeissaranukul and Mrs. Pornthip Sethiwan

Subsidiaries and Joint Venture Business

As for operation and management policy of subsidiaries and joint venture, the Company has appointed the management to be directors and executives in order to allow the Company to closely participate in administrating and setting up the policy. Subsidiaries have been operated under the same administration structure and manageable authority as the Company.

Dividend Policy of the Company

The Company has the dividend policy in 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 Corporate Governance and Social Responsibility Committee



(Associate Professor Jaruporn Viyanant)

The Chairman of Corporate Governance and Social Responsibility Committee

Dear All Shareholders,

The Board of Directors has appointed the 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 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 2017, 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 2018 during 20 October - 15 December, 2017, 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 2017's meeting. However, there was no agenda proposed in advance.
- Reviewed the Good Corporate Governance and Business Morality Handbook to be compliant with the amendment of the Securities and Exchange Act B.E. 2559, Handling Confidential- Market-Sensitive Information and Corporate Governance Code for Listed Companies, 2017, as prepared 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 employee at all level.
- Developed Form 56-1 and Annual Report following the SEC guideline, and Sustainability report on the basis of the Global Reporting Initiatives (GRI Standard: Core option) 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 has encouraged executives, and employees at all level to receive training and to understand the Anti-Corruption Policy as well as has provided this policy as part of the orientation curriculum for new employees with the intention of inculcating as the corporate culture. Moreover, the Company has determined the whistle-blowing channel for all stakeholder fairly.
- Social and Community Development Activities: the Committee has determine 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 and 4 activity levels as following;

1. **'Global'** activities that support the policy about the sustainable use of energy and reduction of greenhouse gas emission, which affect the weather and atmosphere, such as Zero Waste Management through the 3Rs (Reduce Reuse and Recycle), Solar Cell, LED light bulb, Deodorizer System, Dust collector installation, etc.
2. **'Community & Country'** activities, such as Safe Driving Program IRC care, Supply Chain Development Project Thailand 4.0, Klongpang Cooperative, and Hai Archeep–Hai Cheevit projects that aim to be Corporate Social Responsibility (CSR) and Social Value Creation (Creating Shared Value) activities.
3. **'Neighbor'** activities that strengthen the relationship between the Company and the neighbors around Rangsit and Wangnoi sites, for example, Safety driving project.
4. The activities inside **'IRC'**, for example, IRC Thought project, which covers activities that focus on creating good awareness both in terms of innovation, sustainability and continuous development for employees. The activities also include health care, well-being, safety and potential development of employees, as well as sustainable use of resources and environmental protection through environment projects.

Pride Awards in 2017

- Received **'ESG 100 Certificate 2017'** awarded by Thaipat Institute for two consecutive years. The Company was one of 100 companies with outstanding performance in terms of environmental, social, and governance from overall 656 listed companies
- Listed in **Thailand Sustainability Investment (THSI) 2017** awarded by the Stock Exchange of Thailand. The Company was one of 65 listed companies with outstanding performance on Environmental, Social and Governance (ESG) aspects.
- Received **"SET Sustainability Awards 2017 – Rising Star"** awarded by the Stock Exchange of Thailand. The Company was one of 24 "Role Models" that create value to both organization and society and was new organization that has outstanding sustainable performance.
- Got **"Very Good"** CG scoring awarded by the Thai Institute of Directors Association (IOD) in 2017 from 620 listed companies.
- Received **Thai Labor Standards (TLS) certificate** which was recognized at international level awarded by the Department of Labor Protection and Welfare, Ministry of Labor.
- Received **Prevention and Protection of Drugs Abuse in Workplace Certificate** awarded by the Department of Labor Protection and Welfare, Ministry of Labor.
- Received Gold level plaque from the "Zero Accident Campaign" in 2017 from Occupational Safety and Health Division, Department of Labor Protection and Welfare as the Company 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 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.

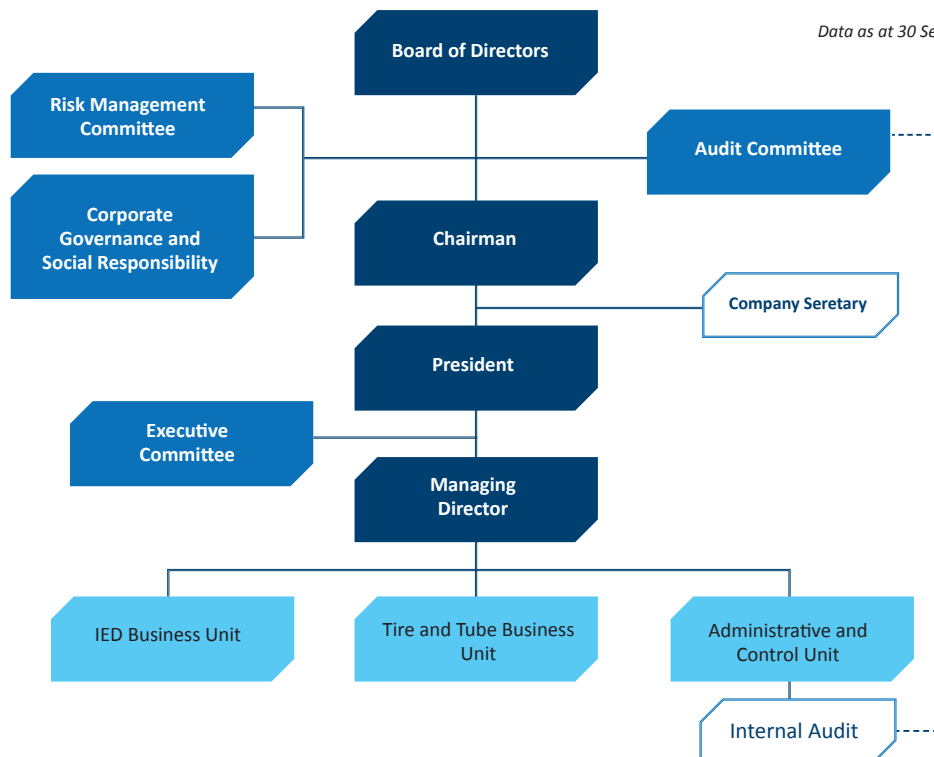
The unapplied topic is a recommendation from to establish a nomination committee and a remuneration committee. However, the Board has applied practice guideline recommended by the Stock Exchange of Thailand (SET) to be part of the Company’s CG Policy; for example,

qualifications of directors, remuneration, board and management training, director selection and succession plan. Board’s proposal to the shareholders meeting was thoroughly considered and made on a collective basis, details of which appear on the following part of this report.

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 in the page Investor Relations, which covers information on corporate governance and sustainable development.

Organization structure of the Company includes the Board of Directors and 4 Sub-committees. Sub-committees are Audit Committee, Executive Committee, Risk Management Committee and 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:



Data as at 30 September 2017

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 shall 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 30 September 2017, 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 one of them is 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, Articles of Association of the Company, including meeting resolutions of the board of directors and shareholders with honesty, integrity, due care for the interest of the Company.
2. To set the policy and direction of the Company's business operation and review on an annual basis for the purpose of alignment with current business circumstances, and to monitor the management to ensure that strategy has been implemented efficiently and effectively in order to optimize the economic value for the Company together with sustainability for the shareholders.
3. To arrange reliable systems for accounting, financial reports and auditing, also to ensure that the Company has appropriate systems for internal control, risk management and internal audit with regular monitoring.
4. To approve the quarterly financial statements and propose the annual financial statements to the shareholders' meeting for approval, as well as to approve the annual investment budget and to monitor the operating results of the Company, including the progress in significant aspects.
5. To provide advices/suggestions and make a decision with due care on the agenda proposed in the Board of Directors meeting.
6. To appoint/remove sub-committees as deemed appropriate.
7. An independent director has freedom to provide independent opinion and decision and freedom to oppose if he/she disagrees with any other directors or the management on the issue that is significant to the Company and the shareholders.
8. To arrange a corporate governance policy, business conduct and code of conduct for employees as a guideline on business operations and to monitor on a regular basis that the business is administrated in accordance with good governance principles.
9. To approve the importance transactions of the Company, such as, acquisition or disposal of assets, new investment projects, delegation of authority and any action required by laws and to look after the conflict of interest among stakeholders of the Company.
10. To approve and/or consent on the connected transactions of the Company and its subsidiaries in accordance with related notifications, requirements and guidelines of the Stock Exchange of Thailand.
11. To suspend buying/ selling/ transferring of the Company's securities for the period of 1 month prior to disclosure of the financial statements to the public 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.
12. To report any securities holding by himself/herself and his/ her spouses and children to the Board of Directors meeting quarterly and to inform the Company Secretary within 3 business days from such changes.
13. To arrange annual self-assessments of knowledge, skill and experience that is beneficially to the Company and supporting the Company's strategy (Board Skill Matrix), and of performance as the Board and Sub-committees, both on group and individual basis.
14. To manage and supervise the Company's intellectual property.

Responsibilities of the Chairman of the Board of Directors

1. To act 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. Two 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 2017, Audit Committee composed of 3 members, namely;

Name – Surname		Position
1. Mr. Vichit	Vuthisombut	Chairman of Audit Committee/ Independent
2. <i>*/**</i> Assoc.Prof. Jaruporn	Viyasant	Audit Committee Member / Independent Director
3. <i>*</i> Mr.Kittichai	Raktakanit	Audit Committee Member / Independent Director

Notice: **Audit Committee members who possess knowledge and experience in verifying the reliability of the financial*
*** Audit Committee member who has education background in accounting.*
And Mrs. Phatchada Muenthong acts as a Secretary of Audit Committee since 10 November 2017.

Roles, Duties and Responsibilities of Audit Committee

1. To review the Company's financial report for accurate and sufficiently disclosed.
2. To review the internal control and internal audit systems, in co-operation with external and internal auditors for appropriate and effective systems. To consider the independence of the internal audit function, as well as to provide an agreement for an appointment, transfer, termination of the head of the internal audit function or any other agencies responsible for the internal audit.
3. To review the 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.
4. To select and propose for the appointment and termination, including remuneration of an independent person to perform the duty as the Company's external auditor. To hold a meeting with the external auditor
5. without participation from the management at least once a year.
5. To review connected transactions and any transaction that may have a conflict of interests, in order to comply with the requirements of laws and the Stock Exchange of Thailand. This is to assure that such transactions are reasonable and for the best interest of the Company.
6. To ensure the Company has a whistleblowing procedure to report fraud as well as inappropriate financial report or other issues, so that all the complaints will be investigated independently and will acquire the appropriate monitoring.
7. To prepare the Audit Committee Report for the Company's Annual Report. The report must be signed by the Chairman of the Audit Committee and contain following information as the minimum;

- An opinion about an accuracy, completion and reliability of the Company's financial report.
 - An opinion about the adequacy of the Company's internal control systems including the corruption/ fraud prevention.
 - An opinion about 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 about an appropriateness of the external auditors.
 - An opinion about any financial transaction that may have a conflict of interests.
 - A total number of the Audit Committee's meetings and participation of each member.
 - An overall opinion or observation obtained by the Audit Committee from the operation as required in the charter of the Audit Committee.
- Other essential information as deemed to be acknowledged by shareholders and investors under the scope and responsibilities assigned to them by the Board of Directors.
8. To perform any other operation as assigned by the Board of Directors with an agreement by the Audit Committee.
 9. The Audit Committee is able to consult with independent consultant(s) as deemed appropriate with the Company budget.
 10. To do an annual self-assessment both on a committee and individual basis.
 11. Any provision or practice regulation or refrainment of practices that are not mentioned in the charter shall be held in accordance with the Company's Articles of Association, and other laws, as well as the provisions of the Stock Exchange of Thailand and the Securities and Exchange Commission.
 12. To review the Audit Committee Charter annually to comply with changing conditions and circumstances and propose to the Board of Directors for the approval.

The Company clearly separated responsibility of the Executive Committee which is the Management from responsibility of the Board of Directors as follows:

Executive Committee

As of 30 September 2017, 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. Eiichi Yano	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. Shigeyugi Hosokawa	Member
10. Mr. Hirozo Mizuno	Member
11. Mr. Hiroyuki Hibi	Member

Roles, Duties and Responsibilities of Executive Committee

1. To conduct and/or manage the daily business operation in accordance with 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 under the approved budget, for the best 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 suspend buying/ selling/ transferring of the Company's securities for the period of 1 month prior to disclosure of the financial statements to the public 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.
7. To report any securities holding by himself/herself and his/ her spouses and children to the Board of Directors meeting quarterly and to inform the Company Secretary within 3 business days from such changes.
8. To prepare an annual report on the conflict of interest of the management.
9. To manage the information system and intellectual properties including the Company's important commercial information.
10. To refrain from any reveal of information on Company's business transaction and/or intellectual properties to third party without consent or if the information is in breach of business conduct and affect the Company's business.10.

Corporate Governance and Social Responsibility Committee

As of 30 September 2017, the 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

1. To propose policies and guidelines that concern the corporate governance and social responsibility to the Board.
 2. To consider and review the corporate governance and social responsibility policies and guidelines to keep them
 3. To review the Company's performance of corporate governance and social responsibility. The Chairman of
- 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).

- 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.
4. To follow and report any issues or possibilities that may affect the Company on the subject of corporate governance and social responsibility to the Board.
 5. Chairman of the Committee or a person who is assigned by the Chairman shall review and agree to disclose the annual corporate governance and social responsibility report.
 6. The Committee may invite the Company's directors, executives, employees, or third parties to attend the meeting on related issues.
 7. To review and amend the charter of the corporate governance and social responsibility committee to keep it accord with present circumstances and environment by propose to the Board for approval.
 8. To 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 corporate governance and social responsibility as appropriate.
 9. To perform any corporate governance and social responsibility mission as assigned by the Board.

Risk Management Committee

As of 30 September 2017, the Risk Management Committee consists of 8 members as follows:

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. To propose and review acceptable risks (risk tolerance) and risk management policy that are aligned with the mission, strategy, governance and acceptable risks and to propose to the Board of Directors for approval. To conduct annual review of the risk management policy in order to reassure that the systems and policy are still suitable for the Company's business circumstances.
2. To monitor and supervise the Company to identify risks, by considering both internal and external factors that may prevent the Company from achieving its objective, and propose to the Board of Directors for acknowledgement.
3. To monitor and supervise the Company to assess and prioritize the identified risks and arrange for appropriate risk management system. To provide recommendation to the Board of Directors in relation to risk prevention and risk mitigation in order to keep the impact within risk tolerance.

4. To formulate strategies aligning with the risk management policy with the ability to assess and monitor result of risk assessment to be at the appropriate level for the Company's operations.
5. To report the Company's significant risks, risk status, risk management direction, including progress and risk management results to the Board regularly.
6. To render opinions and recommendations to the Company if it requires external risk management consultant in order to provide independent recommendations regarding the risk management framework and operation.
7. To communicate, exchange information and coordinate with the Company's internal control function in relation to risk issues.
8. To communicate, exchange information and coordinate with the Company's internal control function in relation to risk issues.
9. To support and encourage the Corporate activities in relation to risk management awareness for all employees.
10. To review and amend the charter of the Risk Management Committee to keep it conforms with the present circumstances and environment, and propose to the Board for approval;
11. To consider the appropriated acquirement of suggestion from independent professional with the Company's financial support.
12. To perform any risk management mission as assigned by the Board.

Executives

As of 30 September 2017, the Company's executives per definition of the Capital Market Supervisory Board as follows:

Name – Surname	Position
1. Mr. Hiroshi Harada	President
2. Mrs. Pimjai Leeissaranukul	Chairman
3. Mr. Eiichi Yano	Managing Director
4. Ms. Witchuda Kupongsak	Executive Director of Administrative and Control Unit
5. Mr. Shigeyugi Hosokawa	Executive Director of Tire and Tube Business Unit
6. Mr. Katsunori Ito	Executive Director of IED Business Unit
7. Ms. Praewphan Songhong	Chief Financial Officer

Company Secretary

The Board of Directors appointed Company Secretary Co., Ltd., to act as the Company Secretary on 10 November 2017. The responsible persons are Mrs. Phatchada Muenthong and Mrs. Pattarasupang Chalermnon, both with legal education background, with intensive experience in the area of company secretary for more than 10 years and continuing self-development including in 2017. Both have equal responsibility as the company secretary 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.

Remuneration and Meeting Participation of the Board and Sub-committees

In 2017, the Company held 1 meeting of Shareholders, 8 meetings of the Board of Directors, 7 meetings of the Audit Committee, 4 meetings of the 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 2017, 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 2017, held on 30 January 2017, the shareholders approved director remuneration according to position. The remuneration consists of yearly retention fee plus transportation allowance at Baht 7,000/ 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	100,000 Baht/ person/ year
Chairman of Corporate Social and Responsibility Committee	100,000 Baht/ person/ year
Independent Directors (Excluding Chairman of Audit Committee)	370,000 Baht/ person/ year
Director and Executive Director	300,000 Baht/ person/ year

(Remark : No remuneration for the position of Chairman of the Board of Directors and President of the Executive Committee)

Determination of director remuneration is based upon the principles of suitability and transparency, upon comparison with the industry, level of incomes and size of business. The proposed remuneration to maintain 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 2017					Remuneration* (Baht)	
		AGM	BOD	AC	EXCOM	CGSR		RMC
Mrs. Pimjai Leeissaranukul	Chairman	1/1	6/6	-	5/5	-	-	349,000
Mr. Hiroshi Harada	President/ Vice Chairman of RMC		3/3	-	2/2	-	2/2	127,425
Mr. Takenori Nakamoto ¹	Ex-President/ Ex-Vice Chairman of RMC	1/1	2/2	-	2/3	-	1/2	235,575
Mr. Vichit Vuthisombat	Independent Director/ Member of AC	1/1	7/8	6/7	-	-	-	517,972
Assoc.Prof.Dr. Chesada Loha-unchit ²	Ex-Independent Director/ Ex-Chairman of AC	-	-	-	-	-	-	185,000
Mr. Kittichai Raktakanit	Independent Director/ Member of AC	-	7/7	7/7	-	-	-	309,329
Assoc.Prof. Jaruporn Viyanant	Independent Director/ Member of AC/Chairman of CGSR Committee	1/1	8/8	7/7	-	4/4	-	610,000

Name of Director	Position	Number of Meeting Attendance in FY 2017					Remuneration* (Baht)	
		AGM	BOD	AC	EXCOM	CGSR	RMC	
Mr. Surong Bulakul	Independent Director/ Chairman of RMC	1/1	7/8	-	-	-	4/4	561,000
Mr. Soichi Inoue	Director	-	-	-	-	-	-	300,000
Mr. Masayuki Inoue	Director	-	-	-	-	-	-	300,000
Mr. Thanong Leeissaranukul	Director	1/1	8/8	-	-	-	-	356,000
Mr. Apichart Leeissaranukul	Director	1/1	6/8	-	-	-	-	335,000
Mrs. Porntip Sethiwan	Director	1/1	8/8	-	-	-	-	363,000
Mr. Kazuo Sato	Director	1/1	3/8	-	-	-	-	328,000
Total (Baht)								4,877,301

Remark:

* Calculate from net payment in FY 2017 in the capacity of Director only

¹ Mr. Takenori Kanamoto resigned from the BOD on 15 May 2017 and replaced by Mr. Hiroshi Harada on 16 May 2017.

² Associate Professor Dr. Chesada Loha-unchit resigned from the BoD on 31 January 2017 and replaced by Mr. Kittichai Raktakanit on 31 January 2017

Remuneration for Executives

During the fiscal year 2017, the Company paid remuneration to the executives under definition of the Securities and Exchange Commission for Baht 45.13 million, comprised of salary, bonus, provident fund, social security fund and other welfares.

Personnel

As of 30 September 2017, 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	153
Motorcycle Tire – Tube	790
Industrial Elastomer Parts	624
IRC (Asia) Research Co., Ltd.	121
Kinno Hoshi Engineering Co., Ltd.	27
Total	1,715

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

During the fiscal year 2017, the Company and its subsidiaries paid employees totaling Baht 786.90 million in term of salary, bonus, provident fund, social security fund and other welfares under fairness, non-discrimination, and aligning with the labor market and the Company's performance.

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 gives importance to the rights of shareholders as the owners of the Company; therefore, it established the policy as practice guideline for facilitating and supporting all groups of shareholders, either retail investors or institutional investors, so that they 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 without Company's obstacle in preventing the networking of shareholders, 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 function performs its duty in calling and conducting the shareholders' meetings in accordance with the guidelines for shareholders' meetings as specified by the SET. The Company's external auditor and a legal consultant who act as independent parties are invited to attend the annual general meeting of shareholders to inspect and examine the votes. To encourage the rights of shareholders, the Company regularly provided opportunities to shareholders to propose in advance an agenda, director nomination and question for the annual general meeting of shareholders via the Company's website and email: ir@ircthailand.com.

Sending Notice of and Facilitating Shareholders Meeting

The Company appoints the Thailand Securities Depository Company Limited (TSD) as its Registrar. TSD arranges for the dissemination of Notice of Shareholders Meeting to shareholders for the Company. In 2017, Notice was sent by post 21 days prior to the meeting date. The Company also published the Notice on the Company's website more

than 30 days in advance. The Notice provided information of venue, date, time, and agenda of the meeting with adequate 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 opinion of the board of directors on each agenda. The Company will not ask the meeting to consider a hidden agenda or other agendas not stated in the Notice of the Shareholders Meeting. The Company also published advertisement of the Notice of the Shareholders Meeting in the newspapers 3 consecutive days prior to the meeting date.

To facilitate shareholders who are inconvenient to attend the meeting in person, the Company sends the proxy form together with the Notice of the Shareholders Meeting and clearly specifies the required documents without creating requirements that would be difficult 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 provide at least 2 independent directors, whom a shareholder can give proxy to.

In order to facilitate the shareholders and to increase level of transparency, the Company uses the barcode system for meeting registration and voting. The Company spares 2 hours for meeting registration but regularly allows shareholders to register the attendance until final agenda. The Company's staff always facilitates shareholders and have duty stamps available at the meeting to support the proxies.

During and After Shareholders' Meeting

Before the meeting proceeds with its agenda, the Chairman of the meeting will introduce to the meeting the Board of Directors and the company secretary. The Chairman will also introduce the external auditor and the legal consultant who act as the independent party. The company secretary will inform the meeting about criteria and procedures for vote casting and counting in the meeting. The Chairman of the meeting provides equal opportunity and appropriate time to all attending shareholders to make inquiry or express opinions. The voting of director is conducted on one-by-one basis.

The Company uses e-voting via barcode system on every agenda item which requires vote casting for transparency and inspection can be made. An interpreter for Thai/English is provided during the meeting.

The minutes 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

Handling Inside Information

The Company realizes the importance of the use and control of inside information for own or the other's benefits of directors, executives, and employees. Therefore, the Company has provided a guideline in the Handbook of Good Corporate Governanace and Business Morality in compliance with the 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 for the purpose of trading or transferring of the Company's securities. They also 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 the Rights of Minority Shareholders

The Company will deliver the Notice of Meeting in advance. The meeting agenda was approved by the Board of Directors. The Company will not include additional agenda unless unnecessary. For annual general meeting of shareholders year 2018, the Company had provided opportunity for shareholders to propose an agenda, director nomination and question in advance.

Conflict of Interest

The Board of Directors sets the written policy and guidance of conflict of interest and include in the Handbook of Good Corporate Governanace and Business Morality. The Company has the policy to follow the guideline of the SET and Securities and Exchange Act. For the best interest of the Company, the employees at all levels have duty to consider and resolve conflict of interest cautiously and follow the principles of honesty, integrity, reasonable and independent with good moral. They should also disclose complete information for common interest of the public.

Report on Conflict of Interests of Directors and Executives

Directors and executives have to submit the report on conflict of interests, including their related persons when they first take the position and every time when the information has changed. The Company Secretary will keep all reports and report to the Chairman of the Board and the Chairman of Audit Committee. The Company requires related employees and executives to submit the report on conflict of interest due to their work to the Company on an annual basis.

Section 3 Role of Stakeholders

The Company is aware of the role of stakeholders and emphasizes the rights of all groups of stakeholders, such as shareholders, employees, customers, business partners, creditors, and government sectors, 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 a handbook of business conduct and employee's code of conduct, covering shareholder responsible policy, customer practice and product quality policy, suppliers/creditors policy, employee policy, employee practice policy, rival policy, social responsibility and environment policy, anti-corruption policy. The Company also sets Code of Conduct for directors and employees, investor relations code of conduct, whistle blowing policy and report on offense against ethics and penalty. Details of this information appear on the Company's website, under page Charter and Important document, Investor Relations.

In addition, the Company has provided communication channels for stakeholders and related groups to express opinion and complaint on issues that cause damages to the Company and are related to external environment. The Company will improve, fix and find the solution for the complaint in order to support 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 to proceed further.

Corporate Social Responsibility: CSR

The Company defines vision and appoints 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. CSR performance appears on the Sustainability Report which is an integral part of the Annual Report disseminated to the shareholders

Complaint Report (Whistleblowing)

A special or confidential channel has been arranged for all groups of stakeholders to keep those using the whistleblower hotline 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 make their report to the following channels;

1. Filing complaints by verbal to the Company's Chairman
2. Letter to the Chairman and Company Secretary
3. Email: listen@ircthailand.com
4. Website: www.ircthailand.com/en/investor/corporate/whistleblowing

The Company shall keep the informant's information confidentially by using this information for administration and internal control. Therefore, the informant or complaint shall be seriously responded in the whistle-blowing procedure and be protected from abuse of power or retaliation against the complaint.

Penalty: An employee who does not comply with the Corporate Governance Policy will be penalized according to the Company's disciplinary sanction.

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 have adverse effect to the Company's reputation or financial position. The Management also presents significant deficiencies with solutions and progress report 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 both significant 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 websites of the SET and the Company.

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

Section 5 Responsibilities of the Board

The Company's Board of Directors, Audit Committee, Executive Committee, Corporate Good 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 Board of Directors holds at least 6 meetings per annum to follow-up the work progress and to render opinion regarding operations, vision, mission, strategy, risk, plan, budget and other aspects which could have negative impact. Company Secretary will set a yearly meeting plan and propose to the Board Meeting in November every year.

Meeting agenda will be aligned with the responsibility of the Board and sub-committees as identified in the Charter and cover the issues of corporate governance. Meeting invitation will be sent out at least 14 days prior to the meeting, followed by the supporting documents no least than 7 days.

The Chairman allows adequate time for meeting discussion and encourage the meeting to scrutinize and to pay attention on every issue. The Chairman may consider inviting the Executive Committee to participate the meeting in order to provide supporting information for the Board's consideration.

Qualification of Directors

1. Qualifications mentioned under the notification of the Capital Market Supervisory Board.
2. Selected from candidates who possess a solid knowledge, competency and experience considered beneficial to the Company and contribute to diversity, such as, skills, profession, expertise, gender, etc. in order to create good balance of opinions between business and good governance aspects.
3. Demonstrated business determination and ethics.
4. Must not be a director or an executive of a company and/or organization, which is in the rival business to the company.
5. Take a position of a director no more than 5 listed companies, nor 6 subsidiaries of any listed companies;

Definition of Independent Directors

The Company added a requirement on maximum number of shareholding to be stricter than the requirement of the SEC, which requires that an independent director shall not hold shares of such company for more than 1.0%. Company's requirements for independent directors are following:

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.

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 Board of Governors of the Stock Exchange of Thailand 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;

5. 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;
6. 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;
7. 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;
8. Not having any other characteristics which make it incapable of expressing an independent opinion with

regard to the Company's operation.

Board 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 Training and Succession Plan

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 courses 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 is responsible to deliver a Handbook of Listed Company, a Director's Handbook of Listed Company, Company's Duties and Responsibilities of the Board, Company's Articles of Association, the Public Companies Act, the Securities and Exchange Act, Corporate Governance Policy and Code of Conduct.

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.

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 2017 were reviewed and expressed an opinion by Ms. Noppanch Apichartsatien, Certified Public Accountant No. 5266 of PricewaterhouseCoopers ABAS Limited (PwC). The Company and its subsidiaries paid audit fee for the fiscal year 2017 as follows:

Company	Audit Fee (Baht)
Inoue Rubber (Thailand) Public Company Limited	1,222,500
IRC (Asia) Research Co., Ltd.	229,220
Kinno Hoshi Engineering Co., Ltd.	229,220
Audit Fee for BOI business (4 businesses @ 64,000 each)	259,200
Out of Pocket Expenses	141,363
Non-audit fees	-None-
Total	2,081,503

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 complying 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 Rattanaekkwain, Mr. Suchart Kootiratrakarn, Mr. Bancha Yutthawarakool, 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 2017, 4 Risk Management Committee's meetings 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 affect 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 education and activities to whole employees.
7. Push forward the innovation and provide suggestion toward new technology changes and product development. In 2017, the Company has invented new innovation around 43 projects, which brought about the productivity up around 80,834,560 Baht
8. Report the progress and performance of the Risk Management 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 24th, 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.

Risk Factors and Risk management in 4 aspects

1) Strategy Risk

In addition to the rapid pace of technological and digital changes, the Thailand 4.0 model is considered another massive challenge that the Company has to deal with. The Risk Management Committee has therefore developed effective risk management principles to keep all risk factors under control, demanding the risk management team to periodically review and analyze the risk management strategies, expected to be implemented in a timely manner. Admittedly, the Risk Management Committee has remained firm in pursuing the Company's vision "Be the Leading Company in Innovation Development and the Smart Factory of Quality Elastomer Products, Motorcycle Tyres and Tubes in AEC", creating greater confidence and trust towards the Company's "Quality Reliability" concept. The Company has also emphasized on well-developed Quality policy "Quality First, Delivery on time, Customer Satisfaction" by ensuring the highest customer satisfaction with the most excellent products and services of internationally accepted standards towards quality, delivery, production process, and performance. Besides, the Company has introduced a set of strategies to promote product research and development to meet both general and specific requirements of all customers, while supporting innovation and becoming the Smart Factory to keep pace with the changing technology and step into the Thailand 4.0 model in high gear. 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 & Tubes Business Line:

As the demand for new motorcycles in the country grew slightly compared to last year. In consequence, the production of motorcycles also slightly increased. To reduce the impact of the potential risks, we still used the strategic plans to mitigate such impact by breaking our target markets into three major segments including:

(1) Original Equipment Market (OEM) – In 2017, the company emphasizing on maintaining the market share and increasing the production of high performance tires such as the Tubeless tires for new motorcycle models in various patterns.

(2) Replacement Market – focusing on the launch of marketing and promotional campaigns in collaboration with sales representatives as well as the introduction of brand-new products to satisfy various customer

demands, such as IRC IZ-S in new size tires, SC3 models for tubeless tires.

(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 Line:

The industrial tires part business is inevitably affected by the advancement of technological gadgets. According to the Thailand Automotive Institute (TAI), the electric vehicle market has been expected to achieve a remarkable growth in the next 15-20 years. Similarly, automotive experts in Europe have forecasted that vehicles with the Internal Combustion Engine (ICE) are on the brink of extinction by 2030. Hence, we are accelerating the development of value-added products, for instance, the End-Door Seal currently used as part of the BTS's Automatic Platform Gate and the rubber paving block for a sports stadium developed from the mixture of natural and synthetic rubber. Obviously, product diversification can be an ideal solution for our market expansion. Judging from our successful performances, Isuzu Motors (Thailand) has selected us as a strategic partner to provide innovative designs for its manufactured parts that can be more efficient and responsive to customer needs. This is considered one of our sophisticated strategies launched to maintain the proportion of our market share.

2) Operational Risk

The Company have introduced several intelligent technologies, allowing them to play their integral parts in maximizing efficiency of cost and production management. We have also been encouraged to promote our innovation deemed as part of our corporate culture conforming to our organizational vision and missions and the Thailand 4.0 model progressed by the government. These well-developed strategies will lead our organization to greater competitiveness and success, while creating potential values for our products and services in a sustainable manner. In 2017, the Company has invented new innovation around 43 projects, which brought about the productivity up around 80,834,560 Baht. Moreover, to maintain our quality standards in production, we have 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, we have managed and improved our production process to exceed the required standards and

regulations, ensuring the least impact caused to the surrounding communities. We are striving to maintain good relationship and understanding with all people living in the communal areas adjacent to the Company, as part of our passionate desire to operate the business in the most righteous and sustainable way.

However, we 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. We 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. We 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 2017, the Occupational Health and Safety Committee has offered its good response to the targeted goals, backed by the celebration of 10 million working hours without lost time accident held at the Wang Noi site on September 28, 2017.

Furthermore, we 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 Line:

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. For examples, Improvement of Curing capacity in the tyre production line no. 2 to save energy consumption. The Automation has increasingly used in the process, such as the introduction of robots in the tires production line no. 2. It is expected to complete implementation to all process lines within

2018. Using an AGV (Automated Guided Vehicle) to assist in the loading system. It is also implemented in the tires production line as well. Furthermore, we 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. We increased the potential of inspection using an Auto balance – run out testing machine, in order to increase production efficiency and product delivery to meet the customer's satisfaction. We aimed to raise the efficiency of production and lead to increasing in competitiveness.

Industrial Elastomer Part Business Line:

The Company has strategically developed its automation system to facilitate the manufacturing of industrial elastomer parts, for instance, the production process of the hose air intake, the product assembly, as well as the product inspection. Moreover, with the advancement of the Machine Condition Monitoring System, we can efficiently control product quality, reduce production wastes, prevent operating machines from being damaged, and ensure effective cost management. The Company's efficient automation system as well as quality and productivity control could be guaranteed by many awards. Previously, we have been honored with the "Automation Award" by Inoac Corporation, passed through the final round of "Thailand Quality Prize 2018 with New Born QCC Prize type", become 1 out of 14 groups of Thailand representative participating in International Convention on Quality Control Circles 2017 at Philippines. Besides, the Company has been certified by IATF 16949: 2016 (New Version), ISO 9001:2015 (New Version), and ISO 14001: 2015 (New Version), as well as receive recognition awards toward quality and delivery from various customers. These awards could also guaranteed the Company's greatest operational risk management.

3) Financial Risk

The global economic outlook of 2017 is getting better comparing to those of the previous years. However, there is no explicit confirmation due to the political turmoil in Europe as well as the recent US economic policies declared by the newly elected US President Donald Trump, which severely cause the prolonged fluctuation of the global financial market resulted in weakened currency values for several nations. In addition, the differences and the directions of the central banks in Japan, Europe, and the US will certainly affect the movement of the global financial market.

According to the economic fluctuation and as we have declared our new policies in importing raw materials and exporting products traded in the US dollar (USD), Japanese yen (JPY), and Euro (EUR), the only major financial risk is the fluctuation of exchange rates. We own business transactions in many foreign currencies, where the Japanese Yen remain our top priority despite its high deviation. We have closely monitored the movement of exchange rates and events that may affect the financial market as a whole, while determining Forward Contract policies for all business transactions related to foreign currencies in order to hinder all types of risks. We have submitted reports on the implementation of such transactions to the Risk Management Committee for acknowledgement on a quarterly basis.

In addition, the Company occupy financial management by paying dividend higher than the Company's interest rate obtained from the short-term investments. Meanwhile, we have generated further investments in several other channels, such as the innovation and technology research. This is not only the worthy and beneficial financial management in long-term, but such an investment can provide tax deduction.

For credit risks, we regularly report our trade receivables to the management team to make a follow-up action whenever any potentially hazardous item is found. The Company also features such requirements in the financial statements of every quarter, where most of the Company's account receivables are not reaching the maturity. Luckily, this will not cause any difficulty to the liquidity and financial status of the Company.

4) Compliance Risk

We are fully committed to pursuing the compliance policies, both production and management, based on the principles of occupational health and safety, labor efficiency, disclosure of information, and anti-corruption deemed necessary to our business operations. We have successfully complied with all rules, regulations, and requirements of the Company.

In 2017, there has been an additional appointment of the Risk Management Committee to have a strong sense of responsibility in compliance with the ISO 9001: 2015 certification. The Risk Management Committee has been expected to comply with practical guidelines for good corporate governance of the listed companies. In the same year, the government has approved the amendment of the Securities and Exchange Act, B.E. 2535, where a new provision on the "Thailand 4.0 Model" and the "Market

Misconduct" has been added. For the second consecutive year, we have been honored by Thaipat Institute for being one of the Thailand-based companies with successful development of the Environmental, Social, and Governance (ESG) principle, known as the "ESG100" company. This remarkable achievement can truly guarantee our business status and potential in complying with the ESG principle required by the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC).

For anti-corruption, we have declared our intention to against Corruption by urging the Risk Management Committee to assess potential impacts caused by corruption in a more rigorous way. This ensures that the Company has earnestly developed an appropriate internal control system, leading to serious enforcement of anti-corruption policies and guideline by publishing on the Company website. The Company also stays focused on the advancement of effective communication with its employees via a good corporate governance handbook, while holding a training program to raise the employees' awareness towards anti-corruption. Moreover, the Company has provided complaints channels through whistleblowing channels as followings;

- 1) Filing your report to the Chairman
- 2) Letter to the Chairman and/or Company Secretary
258 Soi Rangsit - Nakornnayok 49, Prachathipat,
Thunyaburi, Pathumthani 12130
- 3) Email: listen@ircthailand.com
- 4) Website: www.ircthailand.com/en/investor/corporate/whistleblowing

The Company has recognized the importance of fostering the "Corporate Citizenship" among its employees of all levels. Obviously, this helps stimulate the compliance of rules and regulations as well as the responsibility towards the stakeholders' balanced needs and expectations. We have also established the Environment Committee and the Corporate Social Responsibility Committee to be responsible for developing efficient communication between the Company and stakeholder to ensure that the Company can always operate its business in the society sustainably and appropriately.

Message from Audit Committee



Mr. Vichit Vuthisombut
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 Mr. Vichit Vuthisombut as chairman of the Audit Committee, Associate Professor Jaruporn Viyanant and Mr. Kittichai Raktakanit as members. 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 2017 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 independently. Participation in these meetings by each Audit Committee member is as follows;

Name	Position	No. of participation / No. of the total meeting
Mr. Vichit Vuthisombut	Chairman of the Audit Committee	6/7
Assoc.Prof. Jaruporn Viyanant	Member of the Audit Committee	7/7
Mr. Kittichai Raktakanit	Member of the Audit Committee	7/7

Summary of the Audit Committee's performance and opinions to the Board of Director meetings in 2017 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 2 meetings with the Company's external auditors without management participation to consider the independence of the auditors 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 of 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

After considering 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 2018, 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 2017, 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 (3.9 point from 4.0 point).

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 to the SET.

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.

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 Good Corporate Governance and Business Morality Handbook, 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 May 16th, 2017 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 2017, 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 2017, 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.

Connected Transactions

During fiscal year 2017, 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 raw materials, 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. 26 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 3rd party.

Connected transactions of fiscal year 2017 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.

Table of Connected Transaction

For Fiscal Year 2017 (1 October 2016 – 30 September 2017)

	Connected Parties / Type of Relationship	Transaction Characteristics	Amount (Mill. Baht)		Type of Connected Transaction / Consideration Criteria
			FY 2016	FY 2017	
1	Thai Inoac Component Co., Ltd. "TIC" IRC and TIC have indirect common shareholder and directors	Assembly expenses	1.23	3.02	Normal Business Transaction This is to hire TIC to assemble finished goods and supply to the Company. Prices are in the same range as hiring other third parties. Management made decision as the transaction criterion met the principle approved by the Board of Directors.
		Rental incomes	1.20	1.20	Transaction regarding short term rental of immovable property Contract term is 1 year, with rental rate that is in the range of fair value appraised by 2 independent appraisers. Transaction value is under authority of Management, in accordance with the SEC regulations.
		Service and Utility incomes	0.19	0.19	Transaction regarding services Prices are comparable to prices charging to a third party and based upon reasonableness and company's benefit. Transaction value is under authority of Management, in accordance with the SEC regulations.
2	Thai Stanley Public Co., Ltd. "STANLY" IRC and Stanly have common major shareholder (Sopa- Kanok International Co., Ltd.) and directors.	Sales of finished goods	15.13	13.72	Normal Business Transaction Prices are market price or cost-plus margin based on type of products, comparable to prices selling to a third party. Management made decision as the transaction criterion met the principle approved by the Board of Directors.
3	Sirivit-Stanley Co., Ltd. IRC and Sirivit-Stanly have common major shareholder (Sopa-Kanok International Co., Ltd.) and directors.	Sales of finished goods	15.32	15.12	Normal Business Transaction Prices are market price or cost-plus margin based on type of products, comparable to prices selling a third party with general trading conditions. Management made decision as the transaction criterion met the principle approved by the Board of Directors.

	Connected Parties / Type of Relationship	Transaction Characteristics	Amount (Mill. Baht)		Type of Connected Transaction / Consideration Criteria
			FY 2016	FY 2017	
4	Inoue Rubber Co., Ltd. "IRCJ" IRCJ is a major shareholder and have common directors with IRC.	Technical assistance fee expenses	12.76	12.87	Supporting normal business transaction Charges are calculated from actual working hours plus related expenses. The terms and conditions are comparable to prices charged by a third party with general trading conditions. The Board approved without directors who have conflict of interest, and the Audit Committee did not have different opinion from the Board. Both concluded that the transaction is reasonable and for the best interest of the Company.
		Sales of finished goods	117.53	92.66	Normal Business Transaction Prices are market price or cost-plus margin based on type of products, comparable to prices selling to a third party with general trading conditions. Management made decision as the transaction criterion met the principle approved by the Board of Directors.
		Purchase of finished goods	5.75	2.74	Normal Business Transaction Prices and terms of purchase are comparable to prices selling a third party with general trading conditions. Management made decision as the transaction criterion met the principle approved by the Board of Directors.
5	Inoac Corporation Co., Ltd. "Inoac Corp" IRC and Inoac Corp have common major shareholder (IRCJ) and directors.	Technical assistance fee expenses	20.57	19.65	Supporting normal business transaction Charges are calculated from actual working period plus related expenses. The terms and conditions are comparable to prices charged by a third party with general trading conditions. The Board approved without directors who have conflict of interest, and the Audit Committee did not have different opinion from the Board. Both concluded that the transaction is reasonable and for the best interest of the Company.

	Connected Parties / Type of Relationship	Transaction Characteristics	Amount (Mill. Baht)		Type of Connected Transaction / Consideration Criteria
			FY 2016	FY 2017	
6	Inoue Rubber (Vietnam) Co., Ltd. "IRV" IRC holds 8% of shares in IRV. IRC and IRV have indirect common major shareholder (IRCJ) and directors.	Sales of finished goods	60.48	77.93	Normal Business Transaction Prices are market price or cost-plus margin based on type of products, comparable to prices selling to a third party with general trading conditions. Management made decision as the transaction criterion met the principle approved by the Board of Directors.
7	Inoac Thailand Co., Ltd. "ITH" IRC and ITH have indirect common major shareholder (IRCJ) and directors.	Professional service fee expenses	37.47	37.72	Normal Business Transaction Contract term is 1 year. ITH provides professional services regarding marketing and product quality control. Prices are comparable to prices charged to other subsidiaries. Management made decision as the transaction criterion met the principle approved by the Board of Directors
		Sales of finished goods	2.25	2.69	Normal Business Transaction Prices are market price or cost-plus margin based on type of products, comparable to prices selling to a third party with general trading conditions. Management made decision as the transaction criterion met the principle approved by the Board of Directors.
		Rental and service incomes	0.38	0.40	Transaction regarding short term rental of immovable property and services Contract term is 1 year, with rental rate that is in the range of fair value appraised by 2 independent appraisers. Service incomes are based upon cost plus margin, comparable to prices charged to a third party with general trading conditions. The Board approved without directors who have conflict of interest, and the Audit Committee did not have different opinion from the Board. Both concluded that the transaction is reasonable and for the best interest of the Company.
8	Inoac Vietnam Co., Ltd. "IVC" IRC and IVC have indirect common major shareholder (IRCJ)	Sales of finished goods	0.43	0.52	Normal Business Transaction Prices are market price or cost-plus margin based on type of products, comparable to prices selling to a third party with general trading conditions. Management made decision as the transaction criterion met the principle approved by the Board of Directors.

	Connected Parties / Type of Relationship	Transaction Characteristics	Amount (Mill. Baht)		Type of Connected Transaction / Consideration Criteria
			FY 2016	FY 2017	
9	The Sittipol (1919) Co., Ltd. "STP" IRC and STP have common major shareholder (Sopa-Kanok International Co., Ltd.) and directors.	Sales of finished goods	569.44	655.32	Normal Business Transaction STP is the sole distributor for motorcycle tires and tubes in domestic market of Thailand. Prices are market price or cost-plus margin based on type of products, which approximate to the price charged to a third party. Management made decision as the transaction criterion met the principle approved by the Board of Directors.
		Advertising expenses	3.20	4.00	Supporting normal business transaction This is to support and promote the selling activities as the brand owner. Prices are comparable to the prices charged by a third party with general trading conditions. Management made decision as the transaction criterion met the principle approved by the Board of Directors.
10	Smart Sport Promotion Co., Ltd. IRC and Smart Sport Promotion have common major shareholder (Sopa-Kanok International Co., Ltd.) and directors.	Advertising expenses	0.28	0.25	Supporting normal business transaction This is to arrange for exhibition booths. Prices are comparable to the prices charged by a third party with general trading conditions. Management made decision as the transaction criterion met the principle approved by the Board of Directors.
11	Total Oil (Thailand) Co., Ltd. "TOTAL" IRC and TOTAL have common major shareholder (Sopa-Kanok International Co., Ltd.) and directors.	Purchase of material and spare part	2.15	3.85	Normal Business Transaction Prices and conditions of purchase are comparable to a third party with general trading conditions. Management made decision as the transaction criterion met the principle approved by the Board of Directors.
12	Pacific Industries (Thailand) Co., Ltd. "PACIFIC" IRC and PACIFIC have common major shareholder (Sopa-Kanok International Co., Ltd.) and directors.	Purchase of raw material	68.00	73.10	Normal Business Transaction Prices and conditions of purchase are comparable to a purchase from a third party with general trading conditions. Management made decision as the transaction criterion met the principle approved by the Board of Directors.
13	SK Rubber Product Co., Ltd. "SKR" IRC and SKR have common major shareholder (Sopa-Kanok International Co., Ltd.) and directors.	Work-in-Process incomes	36.06	36.03	Normal Business Transaction Prices are market price or cost-plus margin based on type of products, comparable to prices selling to a third party with general trading conditions. Management made decision as the transaction criterion met the principle approved by the Board of Directors.
		Purchase of goods	67.46	65.07	Normal Business Transaction Prices and conditions of purchase are comparable to a third party with general trading conditions. Management made decision authority of the management as the transaction criterion met the principle approved by the Board of Directors.

	Connected Parties / Type of Relationship	Transaction Characteristics	Amount (Mill. Baht)		Type of Connected Transaction / Consideration Criteria
			FY 2016	FY 2017	
14	Inoac International Co., Ltd. "IIC" IRC and IIC have common major shareholder (IRCJ) and directors.	Sales of finished goods	150.48	175.05	Normal Business Transaction Prices are market price or cost-plus margin based on type of products, comparable to prices selling a third party. Management made decision as the transaction criterion met the principle approved by the Board of Directors
		Purchase of material	141.83	146.84	Normal Business Transaction Prices and conditions of purchase are comparable to a third party with general trading conditions. Management made decision as the transaction criterion met the principle approved by the Board of Directors.
15	Techno Foam Co., Ltd. IRC and Techno Foam have indirect common major shareholder (IRCJ).	Sales of finished goods	0.58	0.53	Normal Business Transaction Prices are market price or cost-plus margin based on type of products, comparable to prices selling to a third party with general trading conditions. Management made decision as the transaction criterion met the principle approved by the Board of Directors.
16	Inoac Automotive (Thailand) Co., Ltd. IRC and Inoac Automotive have indirect common major shareholder (IRCJ).	Sales of finished goods	4.07	4.66	Normal Business Transaction Market price or cost-plus margin based on type of products, comparable to prices selling a third party with general trading conditions. Management made decision as the transaction criterion met the principle approved by the Board of Directors
		Purchase of raw material	4.92	3.95	Normal Business Transaction Prices and conditions of purchase are comparable to a third party with general trading conditions. Management made decision as the transaction criterion met the principle approved by the Board of Directors.
17	Bridgestone IRC Manufacturing Co., Ltd. IRC and Bridgestone IRC Manufacturing have indirect common major shareholder (IRCJ).	Sales of finished goods	140.23	108.84	Normal Business Transaction Prices are market price or cost-plus margin based on type of products, comparable to prices selling to a third party with general trading conditions. Management made decision as the transaction criterion met the principle approved by the Board of Directors.

	Connected Parties / Type of Relationship	Transaction Characteristics	Amount (Mill. Baht)		Type of Connected Transaction / Consideration Criteria
			FY 2016	FY 2017	
18	Inoac Tokai (Thailand) Co., Ltd. IRC and Inoac Tokai (Thailand) have indirect common major shareholder (IRCJ).	Purchase of finished goods	188.90	284.35	Transaction regarding services Contract term is 1 year. The Company provides professional services regarding systems on accounting and finance, information technology and personnel management. Prices calculated from cost plus margin, comparable to other party. The Board approved without directors who have conflict of interest, and the Audit Committee did not have different opinion from the Board. Both concluded that the transaction is reasonable and for the best interest of the Company.
		Building rental incomes	1.54	1.02	Transaction regarding short term rental of immovable property Contract term is 1 year, with rental rate that is in the range of fair value appraised by 2 independent appraisers. Transaction value is under authority of Management, in accordance with the SEC regulations.
19	Mrs. Pimjai Leeissaranukul Executive Director	Short-term Promissory Note	-	0.00012	Receipt of financial assistance Received a 4 million-baht promissory note for the period of 2 days at the rate of 0.55% per annum, or equivalent to 121 baht. The Board approved without directors who have conflict of interest, and the Audit Committee did not have different opinion from the Board. Both concluded that the transaction is reasonable and for the best interest of the Company since the authorized director urgently travelled overseas and the consideration is calculated from average interest rate of commercial banks which is deemed fair and reasonable.

Management Discussion and Analysis

The Automotive Industry Situation

Car and Motorcycle Production in Fiscal Year 2016-2017

	FY 2016 (1 OCT 15 – 30 Sep 16)	FY 2017 (1 OCT 16 – 30 Sep 17)	Change (%)
Car Production (units)	1,957,979	1,945,426	-0.64
- Domestic Sales (units)	767,226	830,450	+8.24
- Export Sales (units)	1,190,753	1,114,976	-6.36
Motorcycle Production (units)	1,787,057	2,005,282	+12.21
- Domestic Sales (units)	1,494,856	1,649,084	+10.32
- Export Sales (units)	292,201	356,198	+21.9

According to the data from the Federation of Thai Industries (FTI), automobile production in fiscal year 2017 (1 October 2016 – 30 September 2017), was quite stable, slightly contracted from the previous year around 0.64% or 12.6 thousand units due to the decrease in production for exports around 6.36%. However, the production for domestic sales increased by 8.24%, mainly from the production of Pick-up 1 ton and Passenger car.

For the Motorcycle production in fiscal year 2017 (1 October 2016 – 30 September 2017), the total production was 2 million units, increased from last year around 12.21%. This could be classified into family model 1.53 million units and sport model 0.48 million units. The rising in the motorcycle production mostly came from the production for domestic sales, especially in model 101-125 CC., which was the popular model for the domestic market.

(Unit: million Baht)	Q1 / 2017	Q2 / 2017	Q3 / 2017	Q4 / 2017	FY2016	FY2017	%YoY
Total Revenues	1,288.89	1,344.28	1,309.61	1,388.69	5,002.40	5,331.47	6.58%
Cost of Sales and Services	1,009.86	1,126.21	1,144.91	1,184.95	4,028.24	4,465.93	10.87%
Selling and Administration	89.66	94.78	90.69	79.21	347.66	354.34	19.21%
EBIT	189.37	123.29	74.01	124.54	626.49	511.21	-18.40%
Net Profit	154.69	102.52	63.05	103.53	513.63	423.79	-17.49%
Basic Earnings per Share	0.77	0.51	0.32	0.52	2.57	2.12	-17.49%

Overview of the Company and its Subsidiaries Operation

In fiscal year 2017, the Company's total revenues amounted to 5,331,47 million baht, increased by 329.07 million baht or 6.58% comparing to the last year, complying with the Automotive industry situation including automobile and motorcycle. The Company's revenues mainly came from the increase in sales and services of these 2 business units as follows:

- **Motorcycle Tire and Tube Business:** The sales proportion of Motorcycle Tires & Tubes was classified by channels of distribution which are Export, Original Equipment Manufacturer (OEM) and Replacement markets. Overall, total sales this year was in line with the motorcycle and motorcycle tires markets that expanded in ASEAN area.
- **Industrial Elastomer Parts Business:** The sales increased from other industries and market share expansion.

In addition, there were other incomes from the increase of dividend from investment around 34 million baht comparing to last year.

The Company's cost of sales and services increased by 10.87% from last year due to the sharp increment of raw material prices during Quarter 2 to Quarter 3 especially in natural rubber, synthetic rubber and chemicals groups. The prices highly adjusted following the crude oil price and uncertainty of global demand and supply, which finally caused the Company's overall raw material prices jumped up to 238.74 million baht, and consequently brought the decrease in net profit around 89.84 million baht or 17.49% comparing to last year.

In fiscal year 2017, 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 165.60 million baht.

Financial Status

As at June 30th, 2017, the Company had total assets at 4,631.76 million baht, rose by 359.39 million baht comparing to September 30th, 2016 mainly due to the increase in sales as well as trade and other receivables around 141.42 million baht. Besides, this year the Company has managed the short-term investment by investing in government and corporate bonds around 702.74 million baht.

The Company's total liabilities amounted to 1,214.89 million baht, rose by 143.33 million baht mainly resulting from increase in trade and other payables around 173.83 million baht. This was in line with the increase in sales and raw material prices. However, the Company remained the position without long-term debts.

The total shareholders' equity amounted to 3,416.87 million baht, expanded by 216.06 million baht from the increase in operating profits during the FY 2016 deducted by the allocation of net profit in 2016 with the amount of 1.0273 baht per share (from BOI – promoted operations 0.2330 baht per share and Non – BOI -promoted operations 0.7943 baht per share), totaling in dividend paid of 205.46 million baht.

Additionally, as at September 30th, 2017, the Company had debt to equity ratio (D/E ratio) at 0.36 times.

Cash Flow

According to the consolidated financial statement as of September 30th, 2017, the Company has cash flow comparing to the last year as follows:

- Cash received from the operating activities amounted to 636.61 million baht, declined by 306.33 million baht mainly due to the increase in cost of raw material.
- Cash paid for investing activities amounted to 250.35 million baht, declined from last year around 484.52 million baht mainly due to the decrease in short-term investment as partly investing in government and corporate bonds.
- Cash paid for financing activities amounted to 207.99 million baht, grew by 25.50 million baht mainly due to the higher dividend payment of 28.86 million baht.

Accordingly, the Company had cash and cash equivalent at 406.23 million baht, increased by 178.06 million baht, and short-term investment at 244.07 million baht.

The Possible Impacts on Financial Position and Performance in the Future

World economic and political conditions as well as Thai economy are the key factors that will affect the Company's performance in the future. From the Company's expectation, overall Thai economy next year is likely to improve, which shows a good sign for increasing in sales. However, the Company continuously focuses on the risk management toward the production cost and the competitiveness improvement in order to adapt with the growth of the economy and the transition of the Industry 4.0.

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, 2017 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 and maintained 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, 2017.

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 2017, 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 2017, 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><i>Allowance for obsolete and slow-moving inventories</i></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 2017, the gross amounts of inventories in the consolidated and separate statements of financial position were Baht 508.80 million and Baht 505.87 million, respectively. The allowance for inventories obsolescence was Baht 3.83 million, equally.</p>	<p>I performed the following procedures:</p> <ul style="list-style-type: none"> 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. 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.

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"> • 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. • Tested the mathematical accuracy of the allowances of the inventories obsolescence derived from management's assumptions. No material variances arose from performing this work. <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><i>Fair value estimation on available-for-sale investments</i></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 702.74 million which represented 15% 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 2 because it was complex computation which required expertise knowledge. 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"> • 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. • Checked with the fund manager on the compliance with investment policies and confirmed no exceptional case incurred during the year. • Obtained the monthly report to review the investments in securities and other information complied with agreed investment policies. • Checked the monthly report on the authorised signatures as final approval before release to the Group. • Agreed the valuation of available-for-sale investments from the monthly report to the accounting records. <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 2017

Inoue Rubber (Thailand) Public Company Limited
Statements of Financial Position
As at 30 September 2017

	Notes	Consolidated		Separate	
		financial statements		financial statements	
		2017	2016	2017	2016
		Baht	Baht	Baht	Baht
Assets					
Current assets					
Cash and cash equivalents	6	406,228,379	227,970,278	382,734,981	222,839,301
Short-term investments	7	244,073,432	964,603,692	240,002,005	930,662,487
Trade and other receivables, net	8	1,025,941,380	884,517,831	1,026,529,299	884,130,776
Inventories, net	9	504,973,893	454,710,742	502,046,501	451,433,227
Other current assets		17,548,495	16,849,305	15,782,076	15,629,068
Total current assets		2,198,765,579	2,548,651,848	2,167,094,862	2,504,694,859
Non-current assets					
Available-for-sale investments	10	702,739,996	-	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	9,224,908	9,825,579	9,994,458	10,630,797
Property, plant and equipment, net	14	1,604,615,276	1,599,508,645	1,536,259,760	1,526,635,663
Computer software, net	15	35,014,689	37,206,132	29,587,110	30,382,664
Deferred tax assets	16	31,597,158	25,546,507	30,329,584	25,063,574
Other non-current assets		19,018,000	20,846,883	19,018,000	20,846,883
Total non-current assets		2,432,991,826	1,723,715,545	2,378,759,937	1,664,390,610
Total assets		4,631,757,405	4,272,367,393	4,545,854,799	4,169,085,469

Director _____

Director _____

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

Inoue Rubber (Thailand) Public Company Limited
Statements of Financial Position (Cont'd)
As at 30 September 2017

	Notes	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
		Baht	Baht	Baht	Baht
Liabilities and equity					
Current liabilities					
Trade and other payables	17	998,172,531	824,347,048	1,004,263,152	826,256,509
Current portion of finance lease liabilities	18	-	4,693,491	-	4,693,491
Income tax payable		32,549,357	60,350,407	32,549,357	60,937,837
Other current liabilities		2,532,341	1,918,337	492,380	194,054
Total current liabilities		1,033,254,229	891,309,283	1,037,304,889	892,081,891
Non-current liabilities					
Employee benefit obligations	19	179,805,700	158,454,178	162,090,408	143,016,106
Finance lease liabilities	18	-	20,548,658	-	20,548,658
Deferred tax liabilities	16	1,825,347	1,246,786	-	-
Total non-current liabilities		181,631,047	180,249,622	162,090,408	163,564,764
Total liabilities		1,214,885,276	1,071,558,905	1,199,395,297	1,055,646,655

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

Inoue Rubber (Thailand) Public Company Limited
Statements of Financial Position (Cont'd)
As at 30 September 2017

	Notes	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
		Baht	Baht	Baht	Baht
Liabilities and equity (Cont'd)					
Equity					
Share capital	20				
Authorised share capital					
Ordinary shares, 200 million shares at par value of Baht 1 each		<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
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	20	298,000,000	298,000,000	298,000,000	298,000,000
Retained earnings					
Appropriated - legal reserve	21	20,000,000	20,000,000	20,000,000	20,000,000
Unappropriated		2,899,545,008	2,681,214,880	2,826,315,345	2,591,278,534
Other components of equity		<u>(677,677)</u>	<u>1,587,371</u>	<u>2,144,157</u>	<u>4,160,280</u>
Equity attributable to owners of the parent		<u>3,416,867,331</u>	<u>3,200,802,251</u>	<u>3,346,459,502</u>	<u>3,113,438,814</u>
Non-controlling interests		<u>4,798</u>	<u>6,237</u>	<u>-</u>	<u>-</u>
Total equity		<u>3,416,872,129</u>	<u>3,200,808,488</u>	<u>3,346,459,502</u>	<u>3,113,438,814</u>
Total liabilities and equity		<u>4,631,757,405</u>	<u>4,272,367,393</u>	<u>4,545,854,799</u>	<u>4,169,085,469</u>

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

Inoue Rubber (Thailand) Public Company Limited
Statements of Comprehensive Income
For the year ended 30 September 2017

	Notes	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
		Baht	Baht	Baht	Baht
Revenues					
Sales and services income		5,232,565,186	4,954,767,572	5,231,860,894	4,954,572,158
Dividend income	11, 12	45,914,000	-	69,912,658	35,999,239
Other income		52,992,551	47,628,584	55,656,562	49,907,646
Total revenues		5,331,471,737	5,002,396,156	5,357,430,114	5,040,479,043
Expenses					
Costs of sales and services		4,465,926,970	4,028,243,415	4,484,820,743	4,041,875,797
Selling expenses		97,453,730	87,961,758	97,453,730	87,961,757
Administrative expenses		236,806,652	234,426,750	227,897,346	224,494,362
Other expenses		20,076,859	25,272,144	19,930,075	25,269,433
Total expenses		4,820,264,211	4,375,904,067	4,830,101,894	4,379,601,349
Profit before finance costs and income tax expense		511,207,526	626,492,089	527,328,220	660,877,694
Finance costs	22	(1,141,866)	(1,743,567)	(1,141,866)	(1,661,486)
Profit before income tax expense		510,065,660	624,748,522	526,186,354	659,216,208
Income tax expense	24	(86,275,737)	(111,118,509)	(85,689,656)	(110,910,386)
Net profit for the year		423,789,923	513,630,013	440,496,698	548,305,822

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

Inoue Rubber (Thailand) Public Company Limited
Statements of Comprehensive Income (Cont'd)
For the year ended 30 September 2017

	Note	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
		Baht	Baht	Baht	Baht
Other comprehensive income (expense)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of employee benefit obligations	19	(3,545,210)	-	(3,197,851)	-
Income tax on remeasurements of employee benefit obligations	24	599,355	-	500,927	-
Total items that will not be reclassified subsequently to profit or loss		(2,945,855)	-	(2,696,924)	-
Item that will be reclassified subsequently to profit or loss:					
Change in value of available-for-sale investments	10	680,802	-	680,802	-
Total item that will be reclassified subsequently to profit or loss		680,802	-	680,802	-
Other comprehensive expense for the year, net of tax		(2,265,053)	-	(2,016,122)	-
Total comprehensive income for the year		<u>421,524,870</u>	<u>513,630,013</u>	<u>438,480,576</u>	<u>548,305,822</u>
Profit attributable to:					
Owners of the parent		423,790,015	513,630,214	440,496,698	548,305,822
Non-controlling interests		(92)	(201)	-	-
		<u>423,789,923</u>	<u>513,630,013</u>	<u>440,496,698</u>	<u>548,305,822</u>
Total comprehensive income attributable to:					
Owners of the parent		421,524,967	513,630,214	438,480,576	548,305,822
Non-controlling interests		(97)	(201)	-	-
		<u>421,524,870</u>	<u>513,630,013</u>	<u>438,480,576</u>	<u>548,305,822</u>
Earnings per share					
Basic earnings per share	25	2.12	2.57	2.20	2.74

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

Inoue Rubber (Thailand) Public Company Limited
Statements of Changes in Equity
For the year ended 30 September 2017

Consolidated financial statements															
Attributable to owners of the parent															
	Note	Retained earnings				Other components of equity				Other comprehensive income (expense)					
		Issued and fully paid-up share capital		Share premium		Legal reserve		Unappropriated retained earnings		Change in value of available-for-sale investments		Remeasurements of employee benefit obligations		Total	
		Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
Opening balance as at 1 October 2015		200,000,000	298,000,000	20,000,000	2,344,184,666	-	-	1,587,371	1,587,371	2,863,772,037	2,863,772,037	7,199	2,863,779,236		
Total comprehensive income for the year		-	-	-	513,630,214	-	-	-	-	513,630,214	513,630,214	(201)	513,630,013		
Dividends paid	30	-	-	-	(176,600,000)	-	-	-	-	(176,600,000)	(176,600,000)	(761)	(176,600,761)		
Closing balance as at 30 September 2016		200,000,000	298,000,000	20,000,000	2,661,214,880	-	-	1,587,371	1,587,371	3,200,802,251	3,200,802,251	6,237	3,200,808,488		
Opening balance as at 1 October 2016		200,000,000	298,000,000	20,000,000	2,661,214,880	-	-	1,587,371	1,587,371	3,200,802,251	3,200,802,251	6,237	3,200,808,488		
Total comprehensive income for the year		-	-	-	423,790,015	680,802	680,802	(2,945,850)	(2,265,048)	421,524,967	421,524,967	(97)	421,524,870		
Dividends paid	30	-	-	-	(205,459,887)	-	-	-	-	(205,459,887)	(205,459,887)	(1,342)	(205,461,229)		
Closing balance as at 30 September 2017		200,000,000	298,000,000	20,000,000	2,899,545,008	680,802	680,802	(1,356,479)	(677,677)	3,416,867,331	3,416,867,331	4,798	3,416,872,129		

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

Inoue Rubber (Thailand) Public Company Limited
 Statements of Changes in Equity (Cont'd)
 For the year ended 30 September 2017

		Separate financial statements									
		Issued and fully paid-up share capital		Retained earnings		Other comprehensive income (expense)		Other components of equity		Total equity	
				Share premium	Legal reserve	Unappropriated retained earnings	Change in value of Available-for-sale investments	Revaluations of employee benefit obligations	other components of equity		
Note	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	
		200,000,000	298,000,000	20,000,000	2,219,572,712	-	4,160,280	4,160,280	4,160,280	2,741,732,992	
		-	-	-	548,305,822	-	-	-	-	548,305,822	
30		-	-	-	(176,600,000)	-	-	-	-	(176,600,000)	
		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	
		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	
		-	-	-	440,496,698	680,802	(2,696,925)	(2,016,123)	(2,016,123)	438,480,575	
30		-	-	-	(205,459,887)	-	-	-	-	(205,459,887)	
		200,000,000	298,000,000	20,000,000	2,826,315,345	680,802	1,463,355	2,144,157	2,144,157	3,346,459,502	

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

Inoue Rubber (Thailand) Public Company Limited
Statements of Cash Flows
For the year ended 30 September 2017

	Notes	Consolidated financial statements		Separate financial statements	
		2017 Baht	2016 Baht	2017 Baht	2016 Baht
Cash flows from operating activities					
Profit before income tax expense		510,065,660	624,748,522	526,186,354	659,216,208
Adjustments for:					
Depreciation charges	13,14	310,487,769	323,361,445	297,591,487	310,828,807
Amortisation charges	15	5,620,197	5,244,510	4,188,608	3,890,041
Reversal of allowance for inventories obsolescence	9	(697,204)	(548,526)	(697,204)	(548,526)
(Gain) Loss on write-offs and disposals of property, plant and equipment		(1,278,843)	2,751,646	(1,223,566)	2,489,722
Loss on write-offs computer software		185,015	-	185,015	-
Unrealised gain on exchange rate		(651,131)	(4,294,347)	(651,131)	(4,294,347)
Dividend income	11,12	(45,914,000)	-	(69,912,658)	(35,999,239)
Interest income		(4,205,171)	(11,704,612)	(3,983,897)	(11,136,320)
Interest expenses	22	449,706	1,419,579	449,706	1,405,492
Employee benefits	19	20,290,288	19,309,775	18,360,427	17,490,574
Changes in operating assets and liabilities					
Trade and other receivables		(142,538,156)	(24,021,827)	(143,482,133)	(25,843,758)
Inventories		(35,592,566)	146,630,337	(35,942,689)	142,128,727
Other current assets		(699,190)	(971,781)	(153,008)	(428,302)
Other non-current assets		1,828,883	13,067,126	1,828,883	13,067,126
Trade and other payables		138,270,687	(79,666,630)	141,953,631	(78,147,674)
Other current liabilities		(1,486,705)	9,215,038	(1,696,224)	7,014,266
Employee benefits paid	19	(2,483,976)	(1,175,174)	(2,483,976)	(1,175,174)
Cash generated from operating activities		751,651,263	1,023,365,081	730,517,625	999,957,623
Interest received		2,253,986	11,078,193	2,001,715	10,505,575
Interest paid		(449,847)	(1,419,579)	(449,706)	(1,405,492)
Income tax paid		(116,848,671)	(90,085,650)	(116,848,671)	(90,070,730)
Net cash generated from operating activities		636,606,731	942,938,045	615,220,963	918,986,976

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

Inoue Rubber (Thailand) Public Company Limited
Statements of Cash Flows (Cont'd)
For the year ended 30 September 2017

	Notes	Consolidated financial statements		Separate financial statements	
		2017 Baht	2016 Baht	2017 Baht	2016 Baht
Cash flows from investing activities					
Short-term investments		720,530,260	(444,889,859)	690,660,482	(446,153,367)
Purchases of available-for-sale investments	10	(1,362,654,524)	-	(1,362,654,524)	-
Held-to-maturity investments	10	616,000,000	-	616,000,000	-
Proceeds from disposals of available- for-sale investments	10	44,595,330	-	44,595,330	-
Purchases of property, plant and equipment		(317,907,159)	(287,676,986)	(308,912,168)	(281,744,260)
Purchases of computer software	15	(3,613,769)	(4,322,203)	(3,578,069)	(1,936,769)
Proceeds from disposals of property, plant and equipment		6,781,475	2,015,563	6,643,909	1,886,646
Dividend received	11,12	45,914,000	-	69,912,658	35,999,239
Net cash used in investing activities		(250,354,387)	(734,873,485)	(247,332,382)	(691,948,511)
Cash flows from financing activities					
Finance lease payments	18	(2,533,014)	(5,891,782)	(2,533,014)	(5,891,782)
Dividends paid	30	(205,461,229)	(176,600,760)	(205,459,887)	(176,600,000)
Net cash used in financing activities		(207,994,243)	(182,492,542)	(207,992,901)	(182,491,782)
Net increase in cash and cash equivalents					
		178,258,101	25,572,018	159,895,680	44,546,683
Cash and cash equivalents at the beginning of the year		227,970,278	202,398,260	222,839,301	178,292,618
Cash and cash equivalents at the end of the year		406,228,379	227,970,278	382,734,981	222,839,301

Non-cash transactions

Significant non-cash transactions for the years ended 30 September 2017 and 2016 comprised:

Other payables from purchases of property, plant and equipment	70,913,282	45,614,945	80,902,737	55,106,182
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The accompanying notes are an integral part of these consolidated and company financial statements.

Inoue Rubber (Thailand) Public Company Limited
Notes to the Consolidated and Separate Financial Statements
For the year ended 30 September 2017

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. Its parent company is Inoue Rubber Company Limited, which is incorporated and domiciled in Japan. The addresses of the Company’s registered offices are as follows:

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

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 2017.

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.

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2 Accounting policies (Cont'd)

2.2 New/revised financial reporting standards, and related interpretations

2.2.1 New and revised financial reporting standards which are effective on 1 January 2016 and are relevant to the Group:

(a) Financial reporting standards with major changes:

TAS 16 (revised 2015)	Property, plant and equipment
TAS 19 (revised 2015)	Employee benefits
TAS 24 (revised 2015)	Related party disclosures
TAS 27 (revised 2015)	Separate financial statements
TAS 36 (revised 2015)	Impairment of assets
TAS 38 (revised 2015)	Intangible assets
TAS 40 (revised 2015)	Investment property
TFRS 8 (revised 2015)	Operating segments
TFRS 10 (revised 2015)	Consolidated financial statements
TFRS 12 (revised 2015)	Disclosure of interests in other entities
TFRS 13 (revised 2015)	Fair value measurement

TAS 16 (revised 2015), 'Property, plant and equipment' clarifies how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

TAS 19 (revised 2015), 'Employee benefits' is amended to apply to contributions from employees or third parties to defined benefit plans and to clarify the accounting treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period.

TAS 24 (revised 2015), 'Related party disclosures' includes as a related party an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required.

TAS 27 (revised 2015), 'Separate financial statements' allows an investment entity that is exempted from consolidating its subsidiaries presenting separate financial statements as its only financial statements. It requires the investment entity to measure its investment in subsidiaries at fair value through profit or loss.

TAS 36 (revised 2015), 'Impairment of assets' is amended to provide additional disclosure requirement when the recoverable amount of the assets is measured at fair value less costs of disposal. The disclosures include 1) the level of fair value hierarchy, 2) when fair value measurement categorised within level 2 and level 3, disclosures is required for valuation technique and key assumption.

TAS 38 (revised 2015), 'Intangible assets' is amended to clarify how the gross carrying amount and the accumulated amortisation are treated where an entity uses the revaluation model.

TAS 40 (revised 2015), 'Investment property' clarifies that TFRS 3 should be applied when determining whether an acquisition of an investment property is a business combination.

TFRS 8 (revised 2015), 'Operating segments' requires disclosure of the judgements made by management in aggregating operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported to chief operating decision maker.

TFRS 10 (revised 2015) 'Consolidated financial statements' is amended to define an investment entity and introduce an exception from consolidation. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss.

TFRS 12 (revised 2015) introduces disclosures that an investment entity needs to disclose.

TFRS 13 (revised 2015), 'Fair value measurement' is amended to clarify that the portfolio exception in TFRS 13 applies to all contracts (including non-financial contracts) within the scope of TAS 39 'Financial instruments: Recognition and Measurement' (when announced) or TFRS 9 'Financial instruments' (when announced).

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

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2 Accounting policies (Cont'd)

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

2.2.1 New and revised financial reporting standards which are effective on 1 January 2016 and are relevant to the Group: (Cont'd)

(b) Financial reporting standards with minor changes and do not have impact to the Group are as follows:

TAS 1 (revised 2015)	Presentation of financial statements
TAS 2 (revised 2015)	Inventories
TAS 7 (revised 2015)	Statement of cash flows
TAS 8 (revised 2015)	Accounting policies, changes in accounting estimates and errors
TAS 10 (revised 2015)	Events after the reporting period
TAS 11 (revised 2015)	Construction contracts
TAS 12 (revised 2015)	Income taxes
TAS 17 (revised 2015)	Leases
TAS 18 (revised 2015)	Revenue
TAS 20 (revised 2015)	Accounting for government grants and disclosure of government assistance
TAS 21 (revised 2015)	The effects of changes in foreign exchange rates
TAS 23 (revised 2015)	Borrowing costs
TAS 26 (revised 2015)	Accounting and reporting by retirement benefit plans
TAS 28 (revised 2015)	Investments in associates and joint ventures
TAS 29 (revised 2015)	Financial reporting in hyperinflationary economies
TAS 33 (revised 2015)	Earnings per share
TAS 34 (revised 2015)	Interim financial reporting
TAS 37 (revised 2015)	Provisions, contingent liabilities and contingent assets
TFRS 5 (revised 2015)	Non-current assets held for sale and discontinued operations
TFRS 6 (revised 2015)	Exploration for and evaluation of mineral resources
TFRS 11 (revised 2015)	Joint arrangements
TSIC 10 (revised 2015)	Government assistance - No specific relation to operating activities
TSIC 15 (revised 2015)	Operating leases - Incentives
TSIC 25 (revised 2015)	Income taxes - changes in the tax status of an entity or its shareholders
TSIC 27 (revised 2015)	Evaluating the substance of transactions involving the legal form of a lease
TSIC 29 (revised 2015)	Service concession arrangements: Disclosures
TSIC 31 (revised 2015)	Revenue - barter transactions involving advertising services
TSIC 32 (revised 2015)	Intangible assets - Web site costs
TFRIC 1 (revised 2015)	Changes in existing decommissioning, restoration and similar liabilities
TFRIC 4 (revised 2015)	Determining whether an arrangement contains a lease
TFRIC 5 (revised 2015)	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
TFRIC 7 (revised 2015)	Applying the restatement approach under TAS 29 Financial reporting in hyperinflationary economies
TFRIC 10 (revised 2015)	Interim financial reporting and impairment
TFRIC 12 (revised 2015)	Service concession arrangements
TFRIC 13 (revised 2015)	Customer loyalty programmes
TFRIC 14 (revised 2015)	TAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction
TFRIC 15 (revised 2015)	Agreements for the construction of real estate
TFRIC 17 (revised 2015)	Distributions of non-cash assets to owners
TFRIC 18 (revised 2015)	Transfers of assets from customers
TFRIC 20 (revised 2015)	Stripping costs in the production phase of a surface mine

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2 Accounting policies (Cont'd)

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

2.2.2 Revised financial reporting standards are effective for annual periods beginning on or after 1 January 2017. These standards are relevant to the Group and are not early adopt.

(a) Financial reporting standards, which have significant changes 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 statements.

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 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.

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2 Accounting policies (Cont'd)

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

2.2.2 Revised financial reporting standards are effective for annual periods beginning on or after 1 January 2017. These standards are relevant to the Group and are not early adopt. (Cont'd)

(b) Revised financial reporting standards and interpretations with minor changes and do not have impact to the Group are as follows:

TAS 2 (revised 2016)	Inventories
TAS 7 (revised 2016)	Statement of cash flows
TAS 8 (revised 2016)	Accounting policies, changes in accounting estimates and errors
TAS 10 (revised 2016)	Events after the reporting period
TAS 11 (revised 2016)	Construction contracts
TAS 12 (revised 2016)	Income taxes
TAS 17 (revised 2016)	Leases
TAS 18 (revised 2016)	Revenue
TAS 20 (revised 2016)	Accounting for government grants and disclosure of government assistance
TAS 21 (revised 2016)	The effects of changes in foreign exchange rates
TAS 23 (revised 2016)	Borrowing costs
TAS 24 (revised 2016)	Related party disclosures
TAS 26 (revised 2016)	Accounting and reporting by retirement benefit plans
TAS 29 (revised 2016)	Financial reporting in hyper-inflationary economies
TAS 33 (revised 2016)	Earnings per share
TAS 36 (revised 2016)	Impairment of assets
TAS 37 (revised 2016)	Provisions, contingent liabilities and contingent assets
TAS 40 (revised 2016)	Investment property
TFRS 2 (revised 2016)	Share-based payment
TFRS 3 (revised 2016)	Business combinations
TFRS 4 (revised 2016)	Insurance contracts
TFRS 6 (revised 2016)	Exploration for and evaluation of mineral resources
TFRS 8 (revised 2016)	Operating segments
TFRS 13 (revised 2016)	Fair value measurement
TSIC 10 (revised 2016)	Government Assistance - No specific relation to operating activities
TSIC 15 (revised 2016)	Operating leases - Incentives
TSIC 25 (revised 2016)	Income taxes - Changes in the tax status of an entity or its shareholders
TSIC 27 (revised 2016)	Evaluating the substance of transactions in the legal form of a lease
TSIC 29 (revised 2016)	Service Concession Arrangements: Disclosures
TSIC 31 (revised 2016)	Revenue - Barter transactions involving advertising services
TSIC 32 (revised 2016)	Intangible assets - Web site costs
TFRIC 1 (revised 2016)	Changes in existing decommissioning, restoration and similar liabilities
TFRIC 4 (revised 2016)	Determining whether an arrangement contains a lease
TFRIC 5 (revised 2016)	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
TFRIC 7 (revised 2016)	Applying the restatement approach under TAS 29 Financial reporting in hyper-inflationary economies
TFRIC 10 (revised 2016)	Interim financial reporting and impairment
TFRIC 12 (revised 2016)	Service concession arrangements
TFRIC 13 (revised 2016)	Customer loyalty programmes
TFRIC 14 (revised 2016)	TAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction
TFRIC 15 (revised 2016)	Agreements for the construction of real estate
TFRIC 17 (revised 2016)	Distributions of non-cash assets to owners
TFRIC 18 (revised 2016)	Transfers of assets from customers
TFRIC 20 (revised 2016)	Stripping costs in the production phase of a surface mine
TFRIC 21 (revised 2016)	Levies
TAS 104 (revised 2016)	Accounting for Troubled Debt Restructurings
TAS 105 (revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS 107 (revised 2016)	Financial Instruments: Disclosure and Presentation

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2 Accounting policies (Cont'd)

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.

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.

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2 Accounting policies (Cont'd)

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 31.

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.

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.

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2 Accounting policies (Cont'd)

2.9 Investments (Cont'd)

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.

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

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2 Accounting policies (Cont'd)

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 of property, plant or equipment which substantially transfer all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease liabilities. The interest element of the finance cost is charged to profit or loss over the lease period so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant or equipment acquired under finance leases is depreciated over the shorter period of the useful life of the asset and the lease term.

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 substantively 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.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

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 28.

Inoue Rubber (Thailand) Public Company Limited
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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: currency risk, 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.

Inoue Rubber (Thailand) Public Company Limited
Notes to the Consolidated and Separate Financial Statements
For the year ended 30 September 2017

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 31 (Financial instruments).

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's financial asset that is measured at fair value at 30 September 2017.

	Level 1 Baht	Level 2 Baht	Level 3 Baht	Total Baht
Asset				
Available-for-sale investments	-	702,739,996	-	702,739,996
Total asset	-	702,739,996	-	702,739,996

As at 30 September 2016, the Group had no financial asset that is measured at fair value.

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

See Note 10 for disclosures of available-for-sale investments that are measured at fair value.

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4 Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

4.1 Inventories

Allowance is made, where necessary, for obsolete, slow-moving and defective inventories. 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. Net realisable value is the estimate of the selling price in the ordinary course of business, less applicable variable selling expenses.

4.2 Investment property, plant and equipment and intangible assets

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment and intangible assets. Management will revise the depreciation charge where useful lives and residual values are different to previously estimated, or it will write off or write down technically obsolete or assets that have been abandoned or sold.

4.3 Employee benefit obligations

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used include the discount rate, inflation rate, future salary increase rate and retirement age. Any changes in these assumptions will have an impact on the carrying amount of the obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers 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 the terms of the related pension liability.

Other key assumptions for the obligations are based in part on current market conditions. Additional information is disclosed in Note 19.

4.4 Available-for-sale investments

Securities in available-for-sale investments are initially recognised at cost, which is equal to the fair value of consideration paid plus transaction cost. Such investments are subsequently measured at fair value. 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 or Net Asset Value (NAV) announced by the Asset Management Company. The unrealised gains and losses of available-for-sale investments are recognised in equity.

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.

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6 Cash and cash equivalents

	Consolidated financial statements		Separate financial statements	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Cash on hand	43,281	65,000	28,281	50,000
Deposits held at call with banks				
- Saving deposits	110,353,394	64,757,815	102,706,700	63,303,218
- Current deposits	7,803,692	13,147,463	-	9,486,083
- Fixed deposits	288,028,012	150,000,000	280,000,000	150,000,000
Cash and cash equivalents	406,228,379	227,970,278	382,734,981	222,839,301

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

	Consolidated financial statements		Separate financial statements	
	2017 % per annum	2016 % per annum	2017 % per annum	2016 % per annum
Deposits held at call with banks				
- Saving deposits	0.10 - 0.50	0.10 - 0.50	0.10 - 0.50	0.10 - 0.50
- Fixed deposits	1.08	1.225	1.08	1.225

Fixed deposits are 7 days and 3 months fixed deposits with a financial institution (2016: 7 days fixed deposits).

7 Short-term investments

Short-term investments consist of 4 - 5 months fixed deposits with financial institutions. The interest rates on deposits are ranged between 1.10% - 1.475% per annum (2016: 1.20% - 1.65% per annum).

8 Trade and other receivables, net

	Consolidated financial statements		Separate financial statements	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Trade receivables - related companies (Note 26)	421,285,227	343,629,339	422,262,416	342,662,127
Trade receivables - other companies	597,474,889	532,456,338	597,474,889	532,456,338
Less Allowance for doubtful accounts	(2,167,775)	(2,167,775)	(2,167,775)	(2,167,775)
Trade receivables, net	1,016,592,341	873,917,902	1,017,569,530	872,950,690
Prepayments	5,856,673	7,411,488	5,014,423	6,418,884
Accrued income	987,530	2,189,644	962,903	1,970,891
Amounts due from related parties (Note 26)	1,299,000	933,708	2,961,142	2,725,222
Other receivables	1,205,836	65,089	21,301	65,089
Trade and other receivables, net	1,025,941,380	884,517,831	1,026,529,299	884,130,776

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8 Trade and other receivables, net (Cont'd)

Outstanding trade receivables as at 30 September 2017 and 2016 can be analysed as follows:

	Consolidated financial statements		Separate financial statements	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
<u>Related companies</u>				
Current	420,031,049	343,486,339	421,008,238	342,519,127
Overdue up to 3 months	1,254,178	-	1,254,178	-
Overdue 3 - 6 months	-	-	-	-
Overdue 6 - 12 months	-	-	-	-
Overdue more than 12 months	-	143,000	-	143,000
	<u>421,285,227</u>	<u>343,629,339</u>	<u>422,262,416</u>	<u>342,662,127</u>
<u>Other companies</u>				
Current	593,061,658	522,867,103	593,061,658	522,867,103
Overdue up to 3 months	2,245,456	7,435,491	2,245,456	7,435,491
Overdue 3 - 6 months	-	-	-	-
Overdue 6 - 12 months	-	-	-	-
Overdue more than 12 months	2,167,775	2,153,744	2,167,775	2,153,744
	<u>597,474,889</u>	<u>532,456,338</u>	<u>597,474,889</u>	<u>532,456,338</u>
<u>Less</u> Allowance for doubtful accounts	<u>(2,167,775)</u>	<u>(2,167,775)</u>	<u>(2,167,775)</u>	<u>(2,167,775)</u>
	<u>595,307,114</u>	<u>530,288,563</u>	<u>595,307,114</u>	<u>530,288,563</u>
Total trade receivables, net	<u>1,016,592,341</u>	<u>873,917,902</u>	<u>1,017,569,530</u>	<u>872,950,690</u>

9 Inventories, net

	Consolidated financial statements		Separate financial statements	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Raw materials	192,409,069	171,551,432	192,403,519	171,466,912
Work in process	97,243,736	89,194,022	96,053,981	87,839,813
Finished goods	115,997,361	112,698,809	115,997,361	112,698,809
Supplies and spare parts	49,920,041	50,890,983	48,187,954	49,052,197
Inventories in transit	53,230,932	34,899,946	53,230,932	34,899,946
	<u>508,801,139</u>	<u>459,235,192</u>	<u>505,873,747</u>	<u>455,957,677</u>
<u>Less</u> Allowance for inventories				
obsolescence - raw materials	(1,349,434)	(2,097,359)	(1,349,434)	(2,097,359)
Allowance for inventories				
obsolescence - finished goods	(2,477,812)	(2,427,091)	(2,477,812)	(2,427,091)
Inventories, net	<u>504,973,893</u>	<u>454,710,742</u>	<u>502,046,501</u>	<u>451,433,227</u>

During the year, the Group and the Company reversed their 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 697,204 (2016: reversed by Baht 548,526).

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10 Available-for-sale investments

As at 30 September 2017, 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.

	Consolidated financial statements		Separate financial statements	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Opening balance	-	-	-	-
Additions	1,362,654,524	-	1,362,654,524	-
Disposals	(44,595,330)	-	(44,595,330)	-
Held-to-maturity	(616,000,000)	-	(616,000,000)	-
Change in fair value	680,802	-	680,802	-
At 30 September	702,739,996	-	702,739,996	-

Fair value of available-for-sale investments as at 30 September 2017 and 2016 were as follows:

	Consolidated financial statements		Separate financial statements	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Debt securities	702,739,996	-	702,739,996	-
	702,739,996	-	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).

11 Investments in subsidiaries

As at 30 September 2017 and 2016, the Company had investments in subsidiaries as follows:

Company	Type of business	Country of incorporation	Separate financial statements		
			Registered capital Baht	% Ownership interest	Investment 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					20,049,230

At the Annual General Meeting of shareholders 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.

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11 Investments in subsidiaries (Cont'd)

At the Annual General Meeting of shareholders 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.

At the Annual General Meeting of shareholders of IRC (Asia) Research Limited held on 29 January 2016, the shareholders passed a resolution approving dividend payment from its operating results for 2015 at Baht 8.67 per share (Baht 5.62 per share from BOI-promoted operations and Baht 3.05 per share from non-BOI promoted operations) amounting to a total dividend of Baht 26 million. The dividends were distributed on 29 February 2016.

At the Annual General Meeting of shareholders of Kin No Hoshi Engineering Company Limited held on 29 January 2016, the shareholders passed a resolution approving dividend payment from its operating results for 2015 at Baht 100 per share (Baht 48.26 per share from BOI-promoted operations and Baht 51.74 per share from non-BOI promoted operations) amounting to a total dividend of Baht 10 million. The dividends were distributed on 29 February 2016.

12 Other long-term investment

As at 30 September 2017 and 2016, the Group had other long-term investment as follows:

Company	Type of business	Country of incorporation	Consolidated and Separate financial statements		
			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.

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13 Investment property, net

	Consolidated financial statements		
	Land and land improvements Baht	Building and building improvements Baht	Total Baht
As at 1 October 2015			
Cost	9,020,819	11,404,673	20,425,492
<u>Less</u> Accumulated depreciation	-	(10,511,571)	(10,511,571)
Net book amount	<u>9,020,819</u>	<u>893,102</u>	<u>9,913,921</u>
For the year ended 30 September 2016			
Opening net book amount	9,020,819	893,102	9,913,921
Additions	-	39,624	39,624
Disposals	-	(53,196)	(53,196)
Depreciation charges	-	(74,770)	(74,770)
Closing net book amount	<u>9,020,819</u>	<u>804,760</u>	<u>9,825,579</u>
As at 30 September 2016			
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>
Fair value	<u>15,825,000</u>	<u>16,610,080</u>	<u>32,435,080</u>
	Consolidated financial statements		
	Land and land improvements Baht	Building and building improvements Baht	Total Baht
As at 1 October 2016			
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>
For the year ended 30 September 2017			
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>
As at 30 September 2017			
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>
Fair value	<u>15,825,000</u>	<u>15,058,000</u>	<u>30,883,000</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
As at 1 October 2015			
Cost	9,564,949	21,285,683	30,850,632
<u>Less</u> Accumulated depreciation	-	(20,085,408)	(20,085,408)
Net book amount	<u>9,564,949</u>	<u>1,200,275</u>	<u>10,765,224</u>
For the year ended 30 September 2016			
Opening net book amount	9,564,949	1,200,275	10,765,224
Additions	-	39,624	39,624
Disposals	-	(53,196)	(53,196)
Depreciation charges	-	(120,855)	(120,855)
Closing net book amount	<u>9,564,949</u>	<u>1,065,848</u>	<u>10,630,797</u>
As at 30 September 2016			
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>
Fair value	<u>19,677,500</u>	<u>23,239,280</u>	<u>42,916,780</u>
Separate financial statements			
	Land and land improvements Baht	Building and building improvements Baht	Total Baht
As at 1 October 2016			
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>
For the year ended 30 September 2017			
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>
As at 30 September 2017			
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>
Fair value	<u>19,677,500</u>	<u>23,180,587</u>	<u>42,858,087</u>

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.

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13 Investment property, net (Cont'd)

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

	Consolidated financial statements		Separate financial statements	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Rental income (Note 26)	1,416,000	1,505,100	4,295,100	4,384,200
Direct operating expense arising from investment property that generated rental income for the year	-	-	-	-
Direct operating expense arising from investment property that did not generated rental income for the year	-	-	-	-
	<u>1,416,000</u>	<u>1,505,100</u>	<u>4,295,100</u>	<u>4,384,200</u>

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14 Property, plant and equipment, net

	Consolidated financial statements							Total Baht
	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	Construction in progress Baht	
As at 1 October 2015								
Cost	196,464,564	835,595,009	2,390,733,090	1,692,871,501	115,533,125	52,965,546	128,220,363	5,412,383,198
<u>Less</u> Accumulated depreciation	(35,850,787)	(545,157,701)	(1,617,631,776)	(1,448,719,496)	(90,326,208)	(36,880,916)	-	(3,774,566,884)
Net book amount	160,613,777	290,437,308	773,101,314	244,152,005	25,206,917	16,084,630	128,220,363	1,637,816,314
For the year ended 30 September 2016								
Opening net book amount	160,613,777	290,437,308	773,101,314	244,152,005	25,206,917	16,084,630	128,220,363	1,637,816,314
Additions	3,020,741	19,783,330	57,783,709	88,493,774	6,640,727	6,181,175	107,829,187	289,732,643
Disposals, net	-	(599,518)	(2,180,819)	(1,801,836)	(157,090)	(14,374)	-	(4,753,637)
Transfers in (out)	3,887,469	14,049,368	142,456,298	1,506,949	-	-	(161,900,084)	-
Depreciation charges	(6,758,817)	(36,175,380)	(147,474,792)	(114,219,841)	(11,618,978)	(7,038,867)	-	(323,286,675)
Closing net book amount	160,763,170	287,495,108	823,685,710	218,131,051	20,071,576	15,212,564	74,149,466	1,599,508,645
As at 30 September 2016								
Cost	203,372,775	867,320,733	2,576,939,830	1,766,297,473	119,378,904	55,660,736	74,149,466	5,663,119,917
<u>Less</u> Accumulated depreciation	(42,609,605)	(579,825,625)	(1,753,254,120)	(1,548,166,422)	(99,307,328)	(40,448,172)	-	(4,063,611,272)
Net book amount	160,763,170	287,495,108	823,685,710	218,131,051	20,071,576	15,212,564	74,149,466	1,599,508,645
For the year ended 30 September 2017								
Opening net book amount	160,763,170	287,495,108	823,685,710	218,131,051	20,071,576	15,212,564	74,149,466	1,599,508,645
Additions	3,739,839	10,685,142	74,035,603	86,863,944	8,103,177	12,592,737	147,185,054	343,205,496
Disposals, net	-	(345,203)	(4,841,547)	(475,446)	(42,357)	(1,128,562)	-	(6,833,115)
Write-offs, net	(111,863)	(574,748)	(20,644,433)	(31,957)	(15,649)	(2)	-	(21,378,652)
Transferred from investment property (Note 13)	-	554,571	-	-	-	-	-	554,571
Transfers in (out)	1,527,894	8,712,787	96,425,413	9,851,245	23,500	-	(116,540,839)	-
Depreciation charges	(7,247,966)	(36,644,497)	(146,670,872)	(103,106,484)	(10,270,882)	(6,500,968)	-	(310,441,669)
Closing net book amount	158,671,074	269,883,160	821,989,874	211,232,353	17,869,365	20,175,769	104,793,681	1,604,615,276
As at 30 September 2017								
Cost	204,291,878	875,844,409	2,641,978,377	1,754,208,742	114,707,770	59,219,220	104,793,681	5,755,044,077
<u>Less</u> Accumulated depreciation	(45,620,804)	(605,961,249)	(1,819,988,503)	(1,542,976,389)	(96,838,405)	(39,043,451)	-	(4,150,428,801)
Net book amount	158,671,074	269,883,160	821,989,874	211,232,353	17,869,365	20,175,769	104,793,681	1,604,615,276

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

	Separate financial statements							Total Baht
	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	Construction in progress Baht	
As at 30 September 2015								
Cost	195,920,434	814,162,825	2,213,911,636	1,657,768,290	93,435,281	51,199,740	121,820,271	5,148,218,477
<u>Less</u> Accumulated depreciation	(35,850,786)	(527,476,819)	(1,494,445,639)	(1,417,273,106)	(69,913,192)	(35,818,762)	-	(3,580,778,304)
Net book amount	160,069,648	286,686,006	719,465,997	240,495,184	23,522,089	15,380,978	121,820,271	1,567,440,173
Year ended 30 September 2016								
Opening net book amount	160,069,648	286,686,006	719,465,997	240,495,184	23,522,089	15,380,978	121,820,271	1,567,440,173
Additions	3,020,741	19,212,921	50,731,597	86,187,686	5,946,377	6,032,530	103,134,385	274,266,237
Disposals, net	-	(599,518)	(1,808,137)	(1,801,832)	(138,934)	(14,374)	-	(4,362,795)
Transfers in (out)	3,887,468	14,049,368	141,432,298	1,053,574	-	-	(160,422,708)	-
Depreciation charges	(6,758,817)	(34,758,864)	(139,329,978)	(112,374,509)	(10,760,469)	(6,725,315)	-	(310,707,952)
Closing net book amount	160,219,040	284,589,913	770,491,777	213,560,103	18,569,063	14,673,819	64,531,948	1,526,635,663
As at 30 September 2016								
Cost	202,828,645	845,318,140	2,392,842,682	1,729,490,552	96,608,910	53,746,285	64,531,948	5,385,367,162
<u>Less</u> 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	64,531,948	1,526,635,663
Year ended 30 September 2017								
Opening net book amount	160,219,040	284,589,913	770,491,777	213,560,103	18,569,063	14,673,819	64,531,948	1,526,635,663
Additions	3,739,839	10,330,076	70,782,441	85,220,397	7,746,192	12,592,737	144,297,041	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	-	(107,989,778)	-
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	100,839,211	1,536,259,760
As at 30 September 2017								
Cost	203,747,749	853,486,750	2,446,346,006	1,716,435,172	92,309,021	57,654,289	100,839,211	5,470,818,198
<u>Less</u> 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	100,839,211	1,536,259,760

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

Depreciation charges of Baht 293,715,919 (2016: Baht 304,880,418) were included in the costs of sales and services, Baht 16,725,750 (2016: Baht 18,406,257) in administrative expenses for the consolidated statements of comprehensive income.

Depreciation charges of Baht 281,796,225 (2016: Baht 293,222,168) were included in the costs of sales and services, Baht 15,713,494 (2016: Baht 17,485,784) in administrative expenses for the separate statements of comprehensive income.

15 Computer software, net

	Consolidated financial statements Baht	Separate financial statements Baht
As at 1 October 2015		
Cost	89,857,409	63,721,520
<u>Less</u> Accumulated amortisation	<u>(51,728,970)</u>	<u>(31,385,584)</u>
Net book amount	<u>38,128,439</u>	<u>32,335,936</u>
For the year ended 30 September 2016		
Opening net book amount	38,128,439	32,335,936
Additions	4,322,203	1,936,769
Amortisation charges	<u>(5,244,510)</u>	<u>(3,890,041)</u>
Closing net book amount	<u>37,206,132</u>	<u>30,382,664</u>
As at 30 September 2016		
Cost	79,823,722	51,302,399
<u>Less</u> Accumulated amortisation	<u>(42,617,590)</u>	<u>(20,919,735)</u>
Net book amount	<u>37,206,132</u>	<u>30,382,664</u>
For the year ended 30 September 2017		
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	<u>(5,620,197)</u>	<u>(4,188,608)</u>
Closing net book amount	<u>35,014,689</u>	<u>29,587,110</u>
As at 30 September 2017		
Cost	83,164,088	54,607,065
<u>Less</u> Accumulated amortisation	<u>(48,149,399)</u>	<u>(25,019,955)</u>
Net book amount	<u>35,014,689</u>	<u>29,587,110</u>

Amortisation charges of Baht 673,592 (2016: Baht 595,237) were included in the costs of sales and services and Baht 4,946,605 (2016: Baht 4,649,273) in administrative expenses for the consolidated statement of comprehensive income.

Amortisation charges of Baht 4,188,608 (2016: Baht 3,890,041) were included in the administrative expenses for the separate statement of comprehensive income.

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16 Deferred income taxes

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

	Consolidated financial statements		Separate financial statements	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
(a) The Company and subsidiary with net deferred tax asset position				
Deferred tax assets:				
Deferred tax assets to be recovered within 12 months	5,072,291	2,913,143	3,709,933	2,346,886
Deferred tax assets to be recovered after 12 months	<u>32,875,062</u>	<u>30,029,673</u>	<u>32,875,062</u>	<u>30,029,673</u>
	<u>37,947,353</u>	<u>32,942,816</u>	<u>36,584,995</u>	<u>32,376,559</u>
Deferred tax liabilities:				
Deferred tax liabilities to be settled within 12 months	(408,199)	(305,975)	(408,199)	(305,975)
Deferred tax liabilities to be settled after 12 months	<u>(5,941,996)</u>	<u>(7,090,334)</u>	<u>(5,847,212)</u>	<u>(7,007,010)</u>
	<u>(6,350,195)</u>	<u>(7,396,309)</u>	<u>(6,255,411)</u>	<u>(7,312,985)</u>
Deferred income taxes, net (assets)	<u>31,597,158</u>	<u>25,546,507</u>	<u>30,329,584</u>	<u>25,063,574</u>
(b) Subsidiary with net deferred tax liability position				
Deferred tax assets:				
Deferred tax assets to be recovered within 12 months	212,444	291,382	-	-
Deferred tax assets to be recovered after 12 months	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>212,444</u>	<u>291,382</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities:				
Deferred tax liabilities to be settled within 12 months	-	-	-	-
Deferred tax liabilities to be settled after 12 months	<u>(2,037,791)</u>	<u>(1,538,168)</u>	<u>-</u>	<u>-</u>
	<u>(2,037,791)</u>	<u>(1,538,168)</u>	<u>-</u>	<u>-</u>
Deferred income taxes, net (liabilities)	<u>(1,825,347)</u>	<u>(1,246,786)</u>	<u>-</u>	<u>-</u>

Inoue Rubber (Thailand) Public Company Limited
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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:

	Consolidated financial statements		Separate financial statements	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Net deferred taxes (assets):				
Opening balance	25,546,507	18,924,205	25,063,574	18,481,738
Recognised to profit or loss	5,439,512	6,622,302	4,765,083	6,581,836
Recognised to other comprehensive income	611,139	-	500,927	-
Closing balance	<u>31,597,158</u>	<u>25,546,507</u>	<u>30,329,584</u>	<u>25,063,574</u>
Net deferred taxes (liabilities)				
Opening balance	(1,246,786)	(1,018,078)	-	-
Recognised to profit or loss	(566,777)	(228,708)	-	-
Recognised to other comprehensive income	(11,784)	-	-	-
Closing balance	<u>(1,825,347)</u>	<u>(1,246,786)</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:

	Consolidated financial statements			
	As at 1 October 2016 Baht	Recognised to profit or loss Baht	Recognised to other comprehensive income Baht	As at 30 September 2017 Baht
Deferred income tax assets				
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>38,048,829</u>
Deferred income tax liabilities				
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>
Deferred income tax, net	<u>24,299,721</u>	<u>4,872,735</u>	<u>599,355</u>	<u>29,771,811</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)

	Consolidated financial statements			
	As at 30 September 2015 Baht	Recognised to profit or loss Baht	Recognised to other comprehensive income Baht	As at 30 September 2016 Baht
Deferred income tax assets				
Intangible assets	55,593	(29,625)	-	25,968
Receivable and other assets	4,118,758	437,041	-	4,555,799
Provisions and accruals	22,615,781	5,454,369	-	28,070,150
Equipment under finance leases	435,765	146,516	-	582,281
	<u>27,225,897</u>	<u>6,008,301</u>	<u>-</u>	<u>33,234,198</u>
Deferred income tax liabilities				
Equipment under finance leases	(596,146)	133,532	-	(462,614)
Plant and equipment	(8,723,624)	251,761	-	(8,471,863)
	<u>(9,319,770)</u>	<u>385,293</u>	<u>-</u>	<u>(8,934,477)</u>
Deferred income tax, net	<u>17,906,127</u>	<u>6,393,594</u>	<u>-</u>	<u>24,299,721</u>
	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
Deferred tax assets				
Intangible assets	25,967	(24,900)	-	1,067
Receivable and other assets	4,555,799	(447,916)	-	4,107,883
Provisions and accruals	27,212,512	4,762,606	500,927	32,476,045
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>
Deferred tax liabilities				
Equipment under finance leases	(462,614)	138,969	-	(323,645)
Plant and equipment	(6,850,371)	918,065	-	(5,931,766)
	<u>(7,312,985)</u>	<u>1,057,574</u>	<u>-</u>	<u>(6,255,411)</u>
Deferred income tax, net	<u>25,063,574</u>	<u>4,765,083</u>	<u>500,927</u>	<u>30,329,584</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)

	Separate financial statements			As at 30 September 2016 Baht
	As at 30 September 2015 Baht	Recognised to profit or loss Baht	Recognised to other comprehensive income Baht	
Deferred tax assets				
Intangible assets	55,592	(29,625)	-	25,967
Receivable and other assets	4,118,758	437,041	-	4,555,799
Provisions and accruals	21,747,102	5,465,410	-	27,212,512
Equipment under finance leases	435,765	146,516	-	582,281
	<u>26,357,217</u>	<u>6,019,342</u>	<u>-</u>	<u>32,376,559</u>
Deferred tax liabilities				
Equipment under finance leases	(596,146)	133,532	-	(462,614)
Plant and equipment	(7,279,333)	428,962	-	(6,850,371)
	<u>(7,875,479)</u>	<u>562,494</u>	<u>-</u>	<u>(7,312,985)</u>
Deferred income tax, net	<u>18,481,738</u>	<u>6,581,836</u>	<u>-</u>	<u>25,063,574</u>

As at 30 September 2017, 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 2017, 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	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Trade payables - related companies (Note 26)	195,951,802	164,370,553	197,348,144	165,193,464
Trade payables - other companies	516,409,957	415,359,531	512,854,053	411,868,370
Amounts due to related parties (Note 26)	1,949,216	12,219,742	30,861,869	34,044,480
Accrued expenses	160,280,598	146,599,286	139,618,128	129,908,349
Down payments received from customers	9,240,845	6,312,736	9,240,845	6,312,736
Other payables	114,340,113	79,485,200	114,340,113	78,929,110
Trade and other payables	<u>998,172,531</u>	<u>824,347,048</u>	<u>1,004,263,152</u>	<u>826,256,509</u>

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17 Trade and other payables (Cont'd)

Outstanding accrued expenses as at 30 September 2017 and 2016 were as follows:

	Consolidated financial statements		Separate financial statements	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Accrued bonuses	123,542,772	117,595,115	110,114,030	105,571,098
Accrued employee income taxes	8,774,359	7,766,731	6,998,169	6,175,221
Accrued employee welfare	6,806,784	5,747,428	6,806,784	5,747,428
Other accruals	21,156,683	15,490,012	15,699,145	12,414,602
Accrued expenses	<u>160,280,598</u>	<u>146,599,286</u>	<u>139,618,128</u>	<u>129,908,349</u>

18 Finance lease liabilities

	Consolidated financial statements		Separate financial statements	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Finance lease liabilities				
Not later than 1 year	-	6,257,021	-	6,257,021
Later than 1 year	-	25,044,939	-	25,044,939
	-	31,301,960	-	31,301,960
<u>Less</u> Future finance charges on finance leases	-	(6,059,811)	-	(6,059,811)
Present value of finance lease liabilities	-	<u>25,242,149</u>	-	<u>25,242,149</u>
Representing finance lease liabilities:				
- Current	-	4,693,491	-	4,693,491
- Non-current	-	20,548,658	-	20,548,658
	-	<u>25,242,149</u>	-	<u>25,242,149</u>

Movements in finance lease liabilities for the year ended 30 September 2017 were as follows:

	Consolidated financial statements Baht	Separate financial statements Baht
Opening balance	25,242,149	25,242,149
Repayments during the year	(2,533,014)	(2,533,014)
Termination of the agreement	(22,709,135)	(22,709,135)
Closing balance	-	-

During the year, the Company terminated a finance lease agreement with a company that was a consequence of changing its shareholders' structure since 2016. It was not considered related party of the Company then. However, the Company had no obligation to pay the compensation due to terminate the agreement before maturity.

The effective interest rates at the statement of financial position date were as follows:

	Consolidated financial statements		Separate financial statements	
	2017 %	2016 %	2017 %	2016 %
Finance leases liabilities	-	4.46 - 5.50	-	4.46 - 5.50

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19 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:

	Consolidated financial statements		Separate financial statements	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Beginning balance	158,454,178	140,319,577	143,016,106	126,700,706
Current service cost	14,675,147	14,178,888	13,285,618	12,836,347
Interest cost	5,615,141	5,130,887	5,074,809	4,654,227
Remeasurements on employee benefit obligations				
Loss from change in demographic assumptions	3,545,210	-	3,197,851	-
<u>Less</u> Benefits paid during the year	<u>(2,483,976)</u>	<u>(1,175,174)</u>	<u>(2,483,976)</u>	<u>(1,175,174)</u>
At 30 September	<u>179,805,700</u>	<u>158,454,178</u>	<u>162,090,408</u>	<u>143,016,106</u>

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

	Consolidated financial statements		Separate financial statements	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Present value of obligations	176,260,490	158,454,178	158,892,557	143,016,106
Past service cost	-	-	-	-
Remeasurements	3,545,210	-	3,197,851	-
Liabilities in the statements of financial position	<u>179,805,700</u>	<u>158,454,178</u>	<u>162,090,408</u>	<u>143,016,106</u>

The amounts recognised in profit or loss were as follows:

	Consolidated financial statements		Separate financial statements	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Current service cost	14,675,147	14,178,888	13,285,618	12,836,347
Interest cost	5,615,141	5,130,887	5,074,809	4,654,227
Past service cost	-	-	-	-
Total	<u>20,290,288</u>	<u>19,309,775</u>	<u>18,360,427</u>	<u>17,490,574</u>

Expense of Baht 16,070,848 (2016: Baht 16,036,016) was included in the costs of sales and services, Baht 4,219,440 (2016: Baht 3,273,759) was included in administrative expenses for the consolidated statement of comprehensive income.

Expense of Baht 14,140,987 (2016: Baht 14,216,815) was included in the costs of sales and services, Baht 4,219,440 (2016: Baht 3,273,759) was included in administrative expenses for the separate statement of comprehensive income.

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19 Employee benefit obligations (Cont'd)

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

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Discount rate	3.5%	3.5%	3.5%	3.5%
Inflation rate	3%	3%	3%	3%
Future salary increase rates	4% - 7%	4% - 7%	4% - 7%	4% - 7%
Retirement age	58 years old	58 years old	58 years old	58 years old

The sensitivity analysis for each significant assumption disclosed in 2017 were as follows:

	Consolidated financial statement		
	Impact on employee benefit obligations		
	Change in assumptions	Change in the obligations (%)	Change in the obligations (Baht)
Discount rate	Increased by 0.50%	Decreased by 8%	Decreased by Baht 13,976,265
	Decreased by 0.50%	Increased by 6%	Increased by Baht 10,562,372
Future salary increase rate	Increased by 1%	Increased by 9%	Increased by Baht 15,924,307
	Decreased by 1%	Decreased by 12%	Decreased by Baht 21,237,805
	Separate financial statement		
	Impact on employee benefit obligations		
	Change in assumptions	Change in the obligations (%)	Change in the obligations (Baht)
Discount rate	Increased by 0.50%	Decreased by 8%	Decreased by Baht 12,279,356
	Decreased by 0.50%	Increased by 6%	Increased by Baht 9,420,101
Future salary increase rate	Increased by 1%	Increased by 8%	Increased by Baht 13,190,466
	Decreased by 1%	Decreased by 11%	Decreased by Baht 18,407,294

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 weighted average duration of the retirement benefit obligation was 15 years.

Expected maturity analysis of undiscounted retirement benefits:

	Consolidated financial statements		Separate financial statements	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Less than a year	-	-	-	-
Between 1 - 2 years	-	-	-	-
Between 2 - 5 years	15,266,507	15,266,507	15,266,507	15,266,507
Over 5 years	231,729,312	231,729,312	205,757,109	205,757,109
	<u>246,995,819</u>	<u>246,995,819</u>	<u>221,023,616</u>	<u>221,023,616</u>

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20 Share capital and premium on share capital

	Consolidated and Separate financial statements			
	Number of shares	Ordinary shares	Share premium	Total
	shares	Baht	Baht	Baht
As at 1 October 2015	200,000,000	200,000,000	298,000,000	498,000,000
Issue of shares	-	-	-	-
As at 30 September 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

As at 30 September 2017, the total number of registered ordinary shares was 200 million shares (2016: 200 million shares) with a par value of Baht 1 per share (2016: Baht 1 per share). All issued shares are fully paid.

21 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.

22 Finance costs

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	Baht	Baht	Baht	Baht
Interest expenses	449,847	1,419,579	449,847	1,405,492
Bank charges	692,019	323,988	692,019	255,994
	1,141,866	1,743,567	1,141,866	1,661,486

23 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	
	2017	2016	2017	2016
	Baht	Baht	Baht	Baht
Raw materials and consumables used	2,588,037,065	2,177,095,311	2,578,233,380	2,164,105,196
Changes in inventories of finished goods and work in progress	11,348,266	(23,269,146)	11,512,720	(19,644,292)
Depreciation charges (Notes 13 and 14)	310,487,769	323,361,445	297,591,487	310,828,807
Staff costs	786,901,557	730,394,004	712,879,591	661,949,503
Advertising and promotion expenses	19,928,077	18,480,641	19,928,077	18,480,641
Amotisation charges (Note 15)	5,620,197	5,244,510	4,188,608	3,890,041
Rental expenses	2,399,261	2,605,616	2,399,261	2,605,616
Purchases of finished goods	515,795,733	514,834,179	515,795,733	514,834,179
Utility expenses	152,645,746	151,930,281	144,876,401	145,281,845
Transportation expenses	70,299,427	65,977,534	69,916,400	65,263,233
Repair and maintenance expenses	104,470,358	95,111,624	102,224,119	92,775,526
Professional fees	60,562,300	57,792,195	60,458,370	57,732,802

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24 Income tax expenses

Income tax expenses for the years ended 30 September 2017 and 2016 were summarised below:

	Consolidated financial statements		Separate financial statements	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Current income tax	91,148,472	117,512,103	90,454,739	117,492,222
Deferred income tax (Note 16)	(4,872,735)	(6,393,594)	(4,765,083)	(6,581,836)
Income tax expenses	<u>86,275,737</u>	<u>111,118,509</u>	<u>85,689,656</u>	<u>110,910,386</u>

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

	Consolidated financial statements		Separate financial statements	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Profit before income tax expenses	510,065,660	624,748,522	526,186,354	659,216,208
Tax calculated at statutory tax rates of 20%	102,013,132	124,949,704	105,237,271	131,843,242
Impact:				
Income not subjected to tax or expenses that are deductible at a greater amount	(11,088,265)	(16,287,132)	(10,974,549)	(10,370,964)
Expenses not deductible for tax purpose	5,373,011	6,707,831	5,071,429	5,866,662
Profit from promoted activities which exempt from payment of corporate income tax	(10,022,140)	(4,251,894)	(15,424,738)	(16,428,554)
Income tax expenses	<u>86,275,737</u>	<u>111,118,509</u>	<u>83,447,783</u>	<u>110,910,386</u>

The tax credit/ (charge) relating to component of other comprehensive income was as follows:

	Consolidated financial statements					
	2017			2016		
	Before tax Baht	Tax credit/ (charge) Baht	After tax Baht	Before tax Baht	Tax credit/ (charge) Baht	After tax Baht
Fair value change in available-for-sale investments	680,802	-	680,802	-	-	-
Remeasurements of employee benefit obligations	(3,545,210)	599,355	(2,945,855)	-	-	-
	<u>(2,864,408)</u>	<u>599,355</u>	<u>(2,265,053)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Separate financial statements					
	2017			2016		
	Before tax Baht	Tax credit/ (charge) Baht	After tax Baht	Before tax Baht	Tax credit/ (charge) Baht	After tax Baht
Fair value change in available-for-sale investments	680,802	-	680,802	-	-	-
Remeasurements of employee benefit obligations	(3,197,851)	500,927	(2,696,924)	-	-	-
	<u>(2,517,049)</u>	<u>500,927</u>	<u>(2,016,122)</u>	<u>-</u>	<u>-</u>	<u>-</u>

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25 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.

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Net profit attributable to the owners of the parent company (Baht)	423,790,015	513,630,214	440,496,698	548,305,822
Weighted average number of ordinary shares outstanding (shares)	200,000,000	200,000,000	200,000,000	200,000,000
Basic earnings per share (Baht per share)	2.12	2.57	2.20	2.74

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

26 Related party transactions

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.

	Terms and basis
Sales of goods	Market price or cost plus margin based on type of products
Services income	Cost plus margin
Rental income	Prices as agreed which are in line with market
Purchases of raw materials and molds	Prices which approximate to the price charged to a third party
Research and development expenses	Prices as agreed in the contract which are in line with market
Technical assistance fee expenses	Prices as agreed in the contract which are based on percentage of sales
Advertising expenses	Prices which approximate to the price charged to a third party
Utility expenses	Prices as agreed to the price charged by a third party
Rental expenses	Prices as agreed which are in line with market

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26 Related party transactions (Cont'd)

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

	Consolidated financial statements		Separate financial statements	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Sales of goods				
Subsidiaries	-	-	1,543,572	-
Related parties	1,876,161,968	1,659,031,526	1,874,618,396	1,659,031,526
	<u>1,876,161,968</u>	<u>1,659,031,526</u>	<u>1,876,161,968</u>	<u>1,659,031,526</u>
Services income				
Related parties	8,935,126	9,026,387	8,935,126	9,026,387
	<u>8,935,126</u>	<u>9,026,387</u>	<u>8,935,126</u>	<u>9,026,387</u>
Rental income (Note 13)				
Subsidiaries	-	-	2,879,100	2,879,100
Related parties	1,416,000	1,505,100	1,416,000	1,505,100
	<u>1,416,000</u>	<u>1,505,100</u>	<u>4,295,100</u>	<u>4,384,200</u>
Dividend income				
Subsidiaries (Note 11)	-	-	23,998,658	35,999,239
Related parties (Note 12)	45,914,000	-	45,914,000	-
	<u>45,914,000</u>	<u>-</u>	<u>69,912,658</u>	<u>35,999,239</u>
Purchases of raw materials				
Related parties	579,899,412	478,993,329	579,899,412	478,993,329
	<u>579,899,412</u>	<u>478,993,329</u>	<u>579,899,412</u>	<u>478,993,329</u>
Purchases of metal molds				
Subsidiary	-	-	36,020,839	39,600,225
	<u>-</u>	<u>-</u>	<u>36,020,839</u>	<u>39,600,225</u>
Research and development expenses				
Subsidiary	-	-	97,119,969	90,477,211
Related parties	1,961,421	9,814,786	-	-
	<u>1,961,421</u>	<u>9,814,786</u>	<u>97,119,969</u>	<u>90,477,211</u>
Technical assistance fee expenses				
Related parties	70,867,215	70,916,930	70,867,215	70,916,930
	<u>70,867,215</u>	<u>70,916,930</u>	<u>70,867,215</u>	<u>70,916,930</u>
Advertising expenses				
Related parties	4,250,000	3,479,000	4,250,000	3,479,000
	<u>4,250,000</u>	<u>3,479,000</u>	<u>4,250,000</u>	<u>3,479,000</u>
Utility expenses				
Related parties	326,658	370,433	326,658	370,433
	<u>326,658</u>	<u>370,433</u>	<u>326,658</u>	<u>370,433</u>
Rental expenses				
Related parties	1,152,000	1,536,000	1,152,000	1,536,000
	<u>1,152,000</u>	<u>1,536,000</u>	<u>1,152,000</u>	<u>1,536,000</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.

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26 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 2017 and 2016 between the Company and those related companies were summarised as follows:

	Consolidated financial statements		Separate financial statements	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Trade receivables				
Subsidiaries	-	-	977,188	-
Related companies	421,285,227	343,629,339	421,285,228	342,662,127
Total trade receivables	421,285,227	343,629,339	422,262,416	342,662,127
Amounts due from related parties				
Subsidiaries	-	-	1,662,142	-
Related companies	1,299,000	933,708	1,299,000	2,725,222
Total amounts due from related parties	1,299,000	933,708	2,961,142	2,725,222
Trade payables				
Subsidiaries	-	-	1,422,829	-
Related companies	195,951,802	164,370,553	195,925,315	165,193,464
Total trade payables	195,951,802	164,370,553	197,348,144	165,193,464
Amounts due to related parties				
Subsidiaries	-	-	29,618,453	26,278,950
Related companies	1,949,216	12,219,742	1,243,416	7,765,530
Total amounts due to related parties	1,949,216	12,219,742	30,861,869	34,044,480

Directors' and 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 2017 and 2016 as follows:

	Consolidated financial statements		Separate financial statements	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Salaries and short-term employee benefits	43,964,486	41,869,780	43,964,486	41,869,780
Post-employee benefits	611,794	587,023	611,794	587,023
Other long-term employee benefits	551,955	531,384	551,955	531,384
	45,128,235	42,988,187	45,128,235	42,988,187

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27 Letters of guarantee

As at 30 September 2017, the Company had outstanding letters of guarantee issued by financial institutions of approximately Baht 20.96 million (2016: Baht 20.97 million) to the Provincial Electricity Authority for electricity consumption on behalf of the Company and Baht 0.34 million (2016: Baht 0.36 million) for the due fulfillment by the Company of the terms and conditions in respect of grant of Certification Mark Licence by the licensor.

28 Segment information

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.

Financial information of the Group for the years ended 30 September 2017 and 2016 classified by market were presented as follows:

	Consolidated financial statements		
	Local Baht	Export Baht	Total Baht
For the year ended 30 September 2017			
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			(236,806,652)
Other expenses			(20,076,859)
Financial costs			(1,141,866)
Profit before income tax expense			510,065,660
Income tax expense			(86,275,737)
Net profit for the year			<u>423,789,923</u>
Consolidated financial statements			
	Local Baht	Export Baht	Total Baht
For the year ended 30 September 2016			
Sales and service income	3,620,048,457	1,334,719,115	4,954,767,572
Costs of sales and services	(3,077,614,560)	(950,628,855)	(4,028,243,415)
Gross margin	<u>542,433,897</u>	<u>384,090,260</u>	926,524,157
Other income			47,628,584
Selling expenses			(87,961,758)
Administrative expenses			(234,426,750)
Other expenses			(25,272,144)
Financial costs			(1,743,567)
Profit before income tax expense			624,748,522
Income tax expense			(111,118,509)
Net profit for the year			<u>513,630,013</u>

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29 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

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29 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:

	Consolidated financial statements					
	BOI		non-BOI		Total	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Sales						
Export	92,860,622	112,519,762	1,298,791,502	1,238,521,066	1,391,652,124	1,351,040,828
Local	87,832,595	115,212,469	3,753,080,467	3,488,514,275	3,840,913,062	3,603,726,744
	<u>180,693,217</u>	<u>227,732,231</u>	<u>5,051,871,969</u>	<u>4,727,035,341</u>	<u>5,232,565,186</u>	<u>4,954,767,572</u>
	Separate financial statements					
	BOI		non - BOI		Total	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Sales						
Export	92,860,622	112,519,762	1,298,791,503	1,238,521,066	1,391,652,125	1,351,040,828
Local	87,832,595	115,212,469	3,752,376,174	3,488,318,861	3,840,208,769	3,603,531,330
	<u>180,693,217</u>	<u>227,732,231</u>	<u>5,051,167,677</u>	<u>4,726,839,927</u>	<u>5,231,860,894</u>	<u>4,954,572,158</u>

30 Dividends paid

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.

At the Annual General Meeting of shareholders of the Company held on 29 January 2016, the shareholders passed a resolution approving dividend payment from its operating results for 2015 at Baht 0.883 per share (Baht 0.123 per share from BOI-promoted operations and Baht 0.76 per share from non-BOI promoted operations), amounting to a total dividend of Baht 176.60 million. The dividends were distributed on 23 February 2016.

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31 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 2017 and 2016 were summarised as follows:

Foreign currency	Consolidated financial statements			
	2017		2016	
	Sold amount Million	Bought amount Million	Sold amount Million	Bought amount Million
US Dollars	2.42	0.70	1.02	1.95
Japanese Yen	103.19	203.57	117.90	91.96
Euro	-	-	-	0.16

Foreign currency	Separate financial statements			
	2017		2016	
	Sold amount Million	Bought amount Million	Sold amount Million	Bought amount Million
US Dollars	2.42	0.70	1.02	1.95
Japanese Yen	103.19	203.57	117.90	91.96
Euro	-	-	-	0.16

Net fair values

The net fair values of the open forward foreign exchange contracts as at 30 September 2017 and 2016 were as follows:

	Consolidated financial statements		Separate financial statements	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Favourable forward foreign exchange contracts	343,878	941,964	343,878	941,964
Unfavourable forward foreign exchange contracts	(1,919,015)	(966,151)	(1,919,015)	(966,151)
Net	<u>(1,575,137)</u>	<u>(24,187)</u>	<u>(1,575,137)</u>	<u>(24,187)</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.


At 30 September 2017 and 2016, the Group had outstanding foreign currency assets and liabilities as follows:

	Consolidated financial statements		Separate financial statements	
	2017 Million	2016 Million	2017 Million	2016 Million
Assets				
US Dollars	2.35	1.76	2.35	1.76
Japanese Yen	103.14	81.36	103.14	81.36
Euro	-	1.65	-	1.65
Liabilities				
US Dollars	1.10	1.54	1.10	1.54
Japanese Yen	204.29	125.35	204.29	125.35

Inoue Rubber (Thailand) Public Company Limited
Notes to the Consolidated and Separate Financial Statements
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32 Events after the reporting period

On 22 November 2017, the Board of Directors' Meeting of the Company No.8/2017 passed a resolution approving the proposed 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 dividend payment will later be proposed for approval in the Annual General Meeting of the Company's shareholders.

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