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# 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 level. Those quality products are manufactured from Rangsit, Pathumthani and Wangnoi, Ayutthaya plants.

Throughout the 47 years of our business history, “IRC” has managed to achieve sustainable growth with the commitment to creating 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” mission: “Be the Leading Company in Innovation Development and the Smart Factory of Quality Elastomer Products, Motorcycle Tyres and Tubes in AEC”.









# MISSION

Be the Leading Company in Innovation Development and the Smart Factory of Quality Elastomer Products, Motorcycle Tyres and Tubes in AEC on the ground of 7 policies:



# Financial Highlights

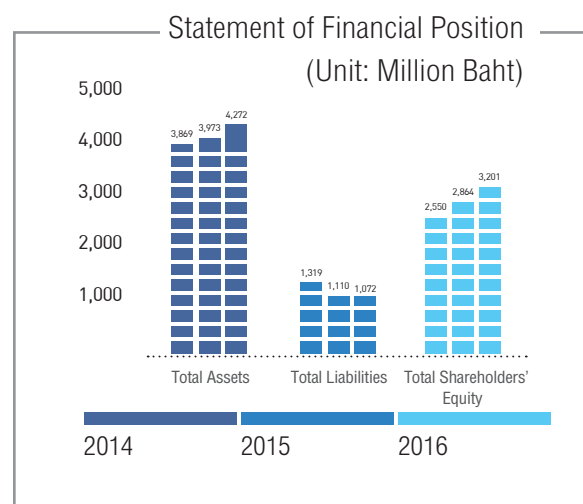
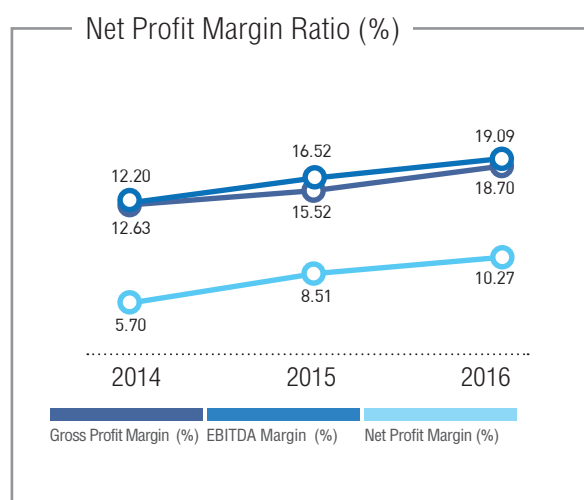
## Inoue Rubber (Thailand) Public Company Limited and its subsidiaries As at 30 September

Unit:Thousand Baht

	2014	2015	2016
<b>Statements of Comprehensive Income and Financial Position</b>			
Total Revenues	5,496,522	5,186,251	5,002,396
Costs of Sales and Services	4,789,440	4,330,719	4,028,243
EBIT	372,387	527,790	626,492
Net Profits	313,470	441,521	513,630
Total Assets	3,869,316	3,973,448	4,272,367
Total Liabilities	1,319,496	1,109,669	1,071,559
Total Shareholders' Equity	2,549,820	2,863,779	3,200,808

### Financial Ratio

Net Profit Margin (%)	5.70	8.51	10.27
Return on Equity (%)	12.29	15.42	16.05
Return on Total Asset	8.10	11.11	12.02
D/E Ratio	0.52	0.39	0.33
Basic Earnings per Share (Baht)	1.57	2.21	2.57
Book Value per Share (Baht)	12.75	14.32	16.00





# Message from Chairman



Mrs. Pimjai Leeissaranukul  
Chairman

Dear All Shareholders,

Throughout 2016, Inoue Rubber (Thailand) Public Company Limited “IRC” encountered numerous challenges resulting from changes in various dimensions namely global economic and political changes which led to certain geopolitical difficulties and subsequently trade and investment issues, including exchange rate volatility and fluctuations in commodity prices, all of which requires rapid response in order to cope with such changes. Fortunately, the country’s overall economic growth has reflected positive trend with government spending and investment in infrastructure development remain as the key driver. Nevertheless, drought situation during the first half of the year had caused agricultural income to drop whereas non-agricultural income remained fairly stable. Hence, the relatively high level of household debts had led to low consumer purchasing power in spite of the improving

Our deepest condolences to the Thai people for the loss of King Bhumibol Adulyadej

“In Remembrance of His Majesty the late  
King Bhumibol Adulyadej  
Board of Directors, Management and  
Staff of Inoue Rubber (Thailand)  
Public Company Limited”

IRC shall continue to uphold His Majesty’s Legacy and follow the Royal Addresses as guidance to ensure sustainability within our society and our nation.

economic trend. The overall automotive industry for the fiscal year 2016 revealed total car production of 1.96 million units, or an increase by 2.86% comparing to the previous year particularly total car production for exports which has grown by 7.68%; whereas total motorcycle production has dropped down to 1.79 million units, or a decrease by 2.86%.

Due to the above mentioned factors, IRC therefore generated 5,002.40 million baht in revenue in 2016, which was a decrease by 3.54% comparing to that of the previous year. Nevertheless, IRC managed towards 513.63 million baht in net profit, or an increase by 16.33% which is the highest profit figure in IRC history, as the results of the decreasing in raw material prices, the efficiency in raw material cost management, the strong R&D commitment in terms of production technology, and lastly the automation system installation for production and cost control effectively.

## Determined Mission and Sustainable Growth

### Economic Aspect

As we all know, the world today is currently under transitional period in which digital technology and internet have become the very basic needs in our lives, not to mention our management and production processes. Upon realizing this fact, IRC therefore focuses on development activities in various aspects, especially research and development, in hope to maintain and further improve its strengths in handling the upcoming changes. The Company has set its target on restructuring its production process from 'Mass Production' to 'Mass Customization' in order to strengthen its capacity and rapidly address customer demands while upholding high quality and prompt delivery service with the aim to achieve its mission of becoming the 'Smart Factory'.

### Social Aspect

IRC is highly committed in creating shared value within the society by carrying out social enterprise projects namely '**HAI-ARCHEEP HAI-CHEEVIT**', a project initiated based on the concept of 'returning good citizens back to the society' by providing trainings on ethics and morality, positive attitude building and professional trainings to female inmates from women correctional institutions. The program was joined by over 666 participants over the past 3 years since its kick off. Another project is '**Collaboration between IRC and Klong Pang Rubber Fund Cooperative Ltd. Trang Province towards Building Rubber Production System of ISO 9001:2015 Standard**', under which IRC becomes a 'partner' in developing the capacity of Thai rubber growers by adding value to natural rubbers through globally accepted quality standard to help uplift the quality of life and promote sustainable economic growth among local communities. Furthermore, the Company has been promoting 'Safe Driving Campaign' throughout the entire year in order to raise awareness and attention on the importance of 'safety' among drivers, particularly motorcyclists. Also, as part of corporate citizenship, every IRC employee has signed on the ratification and announced their stance against all forms of corruptions in order to achieve corporate sustainability.

### Environmental Aspect

In coping with the worsening climate changes and supporting Paris Agreement, which is an international agreement, IRC therefore adopted the concept '**Zero Waste**' in its production process, particularly water management, to ensure the most efficient use of available resources. The Company also installed solar cell panels to help promote sustainable energy, including focusing on using alternative energy which is clean energy and even reducing its carbon emission.

IRC's attempt in achieving sustainability has become concretely successful as the Company has been accredited with '**ESG 100 Certificate**' for its outstanding performance in environmental, social and governance aspects and it is expected that 'a company with ESG accreditation is capable of generating good returns from investment'. What's more, IRC has been accredited for excellent corporate governance for the second consecutive year by Thai Institute of Directors thanks to continuous supports from IRC employees, executives, directors and shareholders. As the Chairman, I would like to thank you all parties for their efforts in driving IRC towards sustainable growth. I strongly believe that through cooperation and commitment from all parties and by putting into account the economic, social and environmental aspects in running business, IRC will surely grow and prosper alongside the society in sustainable manner.



# Audit Committee Report



Associate Professor. Dr. Chesada Loha-unchit  
Chairman of Audit Committee

Dear Shareholders,

The Audit Committee consists of three independent directors with the necessary knowledge and experience in supporting the Company's business operation as well as in meeting the necessary regulatory requirements. They include myself, namely, Associate Professor Dr. Chesada Loha-unchit, as Chairman, and Associate Professor Jaruporn Viyanant and Mr. Vichit Vuthisombut as members. Associate Professor Jaruporn Viyanant is the member with the necessary qualifications and experience in reviewing the credibility of the Company's financial statements.

During the 2016 financial year, the Audit Committee performed its duty according to the functions and responsibilities as stated in the Audit Committee Charter 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 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
Dr. Chesada Loha-unchit	Chairman of the Audit Committee	7/7
Mr. Vichit Vuthisombut	Director of the Audit Committee	6/7
Associate Professor Jaruporn Viyanant	Director of the Audit Committee	7/7

The Audit Committee's tasks, opinions and performance were reported at every Board of Director meeting, significant details of which can be summarized as follows:

### Accuracy and Reliability of Financial Statements

The Audit Committee reviewed all quarterly and annual financial statements audited by the external auditor, inviting the external auditor to meetings for discussions on topics covering the accuracy and completeness as well as changes made to statements, accounting standards and principles, as well as adequate information disclosure and internal control. The objective is 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 scope and extent of the annual audit as well as the independence of the auditors and the problems faced in the performance of their duty for the benefit of those who utilize or read the financial statements.

### Internal Audit and Internal Control

The Audit Committee reviewed the external auditor's report relating to the Company's internal control system and appraised this system utilizing the internal control assessment form of the Securities and Exchange Commission.

In 2016, actions undertaken by the Audit Committee were as follow:

- Review of the external auditor report concerning the internal control system relating to operations, as well as the performance, potential fraud, and reliability of the financial reports. The external auditor reported that there were no significant issues found.
- Review of the Internal Control Assessment Report of 2016 prepared by management to ensure that there is adequate and efficient internal control in the Company. The results of which were reported to the Board of Directors for approval.
- Review of the internal control report of KPMG Phoomchai Business Advisory Ltd. "KPMG", with results and opinions reported to the Board of Directors.
- Review of the complaint and whistleblowing guidelines for fraud in order to provide opportunities and enhance the clarity and efficiency in reporting such activities. There were no reports of such activities lodged with the Audit Committee in 2016.

### Conflict of Interest

The Audit Committee reviewed the appropriateness of all connected party transactions based on the benefits to the Company and any potential conflicts of interest to ensure that they comply with laws and regulations relating to the Securities and Exchange Commission and the Stock Exchange of Thailand.

### Compliance with the Securities and Exchange Law and Other Laws Related to the Company's Business

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. The external auditor also did not report any suspicious circumstances in which a director, manager or other persons responsible for the Company's operations might be suspected of committing an offense under Section 89/25 of the Securities and Exchange Act.

### Selection and Appointment 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's qualifications, and the audit fee, the Audit Committee proposed PricewaterhouseCoopers ABAS Limited as the Company's and subsidiaries' external auditor for 2017, consisting of Ms. Nopanuch Apichatsatien CPA Number 5266, Mr.Chanchai Chaiprasit CPA Number 3760, and/or Mr.Paiboon Tunkoon CPA Number 4298.

### Overall Opinion on Compliance with the Charter

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 creative opinions and suggestions for stakeholders' utmost benefits, 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 appropriate and beneficial to the Company; information is disclosed adequately and reliably; internal control is adequate and effective; and Good Corporate Governance and related laws and regulations are complied with fully.





*Jaruporn Viyanant*

Associate Professor Jaruporn Viyanant  
Chairman of Corporate Governance  
and Social Responsibility Committee

Dear All Shareholders,

The Corporate Governance and Social Responsibility Committee consists of an independent director and executives from various departments who together perform their duties in corporate governance and social responsibility as assigned by the Board of Directors which has paved the way for the sustainability of performance and confidence of all groups of stakeholders.

In 2016, the Committee held 4 meetings. Below are the essences of the meetings;

#### Good Corporate Governance

- Encouraged shareholders to propose agenda in advance during 1-31 October, 2016, which had been announced on the Company and SET's websites. The proposed agendas would be collected to propose to the Board of Directors' consideration on November 2016'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--, Practice Principles for Board of Directors of Listed Company, 2016, as prepared by the Securities and Exchange Commission 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 to hold on.

- Developed the 2016 annual sustainability report on the basis of Global Reporting Initiative (GRI), version 4 (G4) for 2 consecutive years 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 promoted directors, executives, and employee to have training and understanding of Anti-Corruption Policy as well as provided this policy as part of the orientation curriculum for new employees with the intention of inculcating as the corporate culture
- Social and Community Development Activities: the Committee has defined the strategy to drive the Company's CSR activities starting from the activities inside 'IRC' that focus on sustainable use of resources, health & living and knowledge of the employees. Then, the activities expand to 'Neighbor' level that strengthens the relationship between the Company and the neighbors around Rangsit and Wangnoi sites. Next level is 'Community & Country' activities e.g. Klongpang Cooperative and Hai Archeep-Hai Cheevit projects that intend to magnify as the sustainable Social Enterprise projects. Lastly is 'Global' activities that support the policy about the sustainable use of energy and reduction of greenhouse gas emission, which affect the weather and atmosphere. These activities were reported in the Sustainability Report.

#### Pride Awards in 2016

- 'ESG 100 Certificate 2016', which is 1 of 100 companies for outstanding performance in terms of environmental, social, and governance among 621 listed companies awarded by Thaipat Institute
- 'Very Good' corporate governance recognition level from the Corporate Governance Report of Thai Listed Companies 2016 among 601 listed companies awarded by Thai Institute of Directors (IOD)
- Certificate of Thai Labour Standard accepted as the international level which help promote the Company's competitiveness in the global trade awarded by the Department of Labour Protection and Welfare, Ministry of Labour
- Certificate of Prevention and Protection of Drugs Abuse in Workplace awarded by the Department of Labour Protection and Welfare, Ministry of Labour
- 'Silver Level' 2016 Zero Accident Campaign awarded by the Ministry of Labour
- Awards from customers— TOYOTA, GM, HINO etc. —in various aspects e.g. product quality, safety workplace, and risk management etc.

# Risk Management Committee Report



Mr. Surong Bulakul  
Chairman of the Risk Management Committee

Dear All Shareholders,

The Company's Risk Management Committee has been performed the 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 2016, 4 Risk Management Committee's meetings were held in order to keep up with the changes of economic, industrial and surrounding situations. The significant issues are summarized as follows;

- Defining integrated risk management framework and policy was in compliance with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the standard of ISO 14001: 2015 and ISO 9001: 2015. As a result, the Committee could identify the risk that occurred and affected the Company as well as could manage the risk at the appetite level and in accordance with the target.
- Risk evaluation, monitoring and reporting were undertaken quarterly to the Board so as to assure that the Company could appropriately and efficiently manage the instability of the business operation.
- Pushing forward to the strategic direction, providing the suggestion towards technological changes, and new product development: The Committee has realized the significance of the new product development with propose to generate incomes and expand businesses. In short to medium-terms, the Committee has seen a window of opportunity to develop products made from natural rubber to promote and create value added on domestic natural rubber. Besides, the elastomer products have been developed for market expansion towards the infrastructure projects, which are the future of our country. For the long-term development, the Committee has realized the importance of the disruptive technology together with paying attention to energy saving and being eco-friendly. It may cause the change of internal combustion engine cars towards hybrid cars and electric vehicles to become more evident and concrete. Hence, the Company will continue to develop our technology to catch up the market demand in the future, and emphasize our standpoint of being the leading company in innovation development of quality elastomer products, and motorcycle tyres and tubes.

Lastly, the Risk Management Committee and the working team will intentionally perform our duty to ensure all shareholders and stakeholders that the Company has supervised and closely managed each type of risks to drive the organization towards goals and objectives sustainably.

# Board of Directors



Mrs. Pimjai Leeissaranukul



Mr. Takenori Nakamoto



Mr. Soichi Inoue



Mr. Thanong Leeissaranukul



Mr. Apichart Leeissaranukul



Mrs. Pornthip Sethiwan



Mr. Masayuki Inoue



Assoc.Prof.Dr. Chesada  
Loha-unchit



Assoc.Prof. Jaruporn  
Viyanant



Mr. Vichit Vuthisombut



Mr. Surong Bulakul



Mr. Kazuo Sato



# Executive Committee



Mr. Takenori Nakamoto



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





Mrs. Pimjai Leeissaranukul

Position Chairman/ Executive Director/  
Authorized Director  
Age 55 years  
Appointment Year 1993  
Shareholding Proportion 2.44%

#### Highest Education

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

#### Training

Thai Institute of Directors Association (IOD)  
DCP Director Certification Program Class 37/2003  
RCP Role of the Chairman Program Class 31/2013  
RMP Risk Management Committee Program Class 1/2013  
Capital Market Academy (CMA): Capital Market Academy  
Leadership Program Class 10  
National Defense College (NDC): NDC Course (JSPS), Class 26/2013

#### Past 5-year Working Experience

2013 - Present Chairman of Inoue Rubber (Thailand) PLC  
2016 - Present Director and Secretary of Institute of Agro-based  
Industries, The Federation of Thai Industries  
Director of Thailand Forest Certification Council  
Deputy Secretary General of The Federation of  
Thai Industries  
2014 - Present Director of Capital Market Academy Alumni  
Member of the Board of Thai Women Engineers,  
The Engineering Institute of Thailand  
2012 - Present Director of Student, National Defense College  
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-KanokInternational Co., Ltd.  
1989 - Present Director of Thai Stanley Electric PLC  
2014 - 2016 Member of the Board and Deputy Secretary  
General, Public Relations,  
The Federation of Thai Industries  
2010 - 2014 Executive Board as External Advisory Expert of  
Faculty of Engineering,  
Chulalongkorn University  
2007 - 2013 Director & President of Inoue Rubber (Thailand)  
PLC



Mr. Takenori Nakamoto

Position President / Executive Director  
/ Chairman of Executive Committee/  
Authorized Director / Vice-Chairman of  
Risk Management Committee  
Age 54 years  
Appointment Year 2016  
Shareholding Proportion -None-

#### Highest Education

Bachelor's degree in Management, Department of Economics,  
Faculty of Economics, Gakushuin University

#### Training

Thai Institute of Directors Association (IOD):  
DAP Director Accreditation Program Class 125/2016

#### Past 5-year Working Experience

2016 - Present President and Chairman of Executive  
Committee, Inoue Rubber (Thailand) PLC  
2015 - Present Vice-Chairman of Risk Management  
Committee, Inoue Rubber (Thailand) PLC  
Director, Thai Inoac Components Co., Ltd.  
2013 - Present Director and Executive Director, Kinno  
Hoshi Engineering Co., Ltd.  
2014 - 2016 Director, Inoac Tokai (Thailand) Co., Ltd.  
2013 - 2016 Managing Director and Executive Committee  
Member, Inoue Rubber (Thailand) PLC  
2015 - 2015 Chairman of Risk Management Committee,  
Inoue Rubber (Thailand) PLC  
2010 - 2013 Sales Manager of Inoac Vietnam Co., Ltd.



Position Director  
Age 87 years  
Appointment Year 1993  
Shareholding Proportion -None-

**Mr. Soichi Inoue**

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.



Position Director / Authorized Director  
Age 56 years  
Appointment Year 1993  
Shareholding Proportion 1.70%

**Mr. Thanong Leeissaranukul**

Highest Education

Bachelor's degree in Business Administration Nanzan University, Japan

Training

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Past 5-year Working Experience

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.  
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) PLC  
1983 - Present Director of Thai Stanley Electric PLC



Position Director  
Age 53 years  
Appointment Year 1993  
Shareholding Proportion 1.86%

**Mr. Apichart Leeissaranukul**

**Highest Education**

Master's degree in Business Administration,  
Oklahoma University, USA

**Training**

Thai Institute of Directors Association (IOD):  
DCP Director Certification Program Class8/2001

**Past 5-year Working Experience**

2013 - Present	Chairman of Thai Stanley Electric PLC
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) PLC
1992 - 2013	Vice President of Thai Stanley Electric PLC



Position Director  
Age 49 years  
Appointment Year 1993  
Shareholding Proportion 2.17%

**Mrs. Porntip Sethiwan**

**Highest Education**

Bachelor's degree in Business Administration,  
Chulalongkorn University

**Training**

Thai Institute of Directors Association (IOD):  
DAP Director Accreditation Program Class5/2003  
RCC Role of the Compensation Class17/2013

**Past 5-year 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) PLC
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 PLC



Position Director / Authorized Director  
Age 51 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 Class65/2007

#### Past 5-year Working Experience

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



Position Independent Director /  
Chairman of Risk Management Committee  
Age 61 years  
Appointment Year 2015  
Shareholding Proportion -None-

Mr. Surong Bulakul

#### Highest Education

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

#### Training

Thai Institute of Directors Association (IOD) :  
Directors Certification Program (DCP 121/2009)  
Capital Market Academy (CMA) :  
Capital Market Academy Leadership Program Class 10  
National Defense College (NDC) : NDC Course (JSPS), Class 4919  
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 5-year Working Experience

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





Position Independent Director /  
Chairman of Audit Committee  
Age 68 years  
Appointment Year 2010  
Shareholding Proportion -None-

Assoc.Prof.Dr. Chesada Loha-unchit

#### Highest Education

Doctor of Philosophy in Economics, Princeton University, USA

#### Training

Thai Institute of Directors Association (IOD):  
DAP Director Accreditation Program Class82/2010  
RNG Role of the Nomination and Governance Committee  
Class5/2013

#### Past 5-year Working Experience

2010 - Present	Independent Director and Chairman of Audit Committee, Inoue Rubber (Thailand) PLC
2011 - 2016	Advisor of Trinity Securities PLC
2013 - 2014	Chairman of Risk Management Sub-Committee, Social Security Office
2003 - 2014	Columnist of KrungthepTurakit Business Newspaper
2006 - 2012	Independent Director & Audit Committee Member of Asset Plus Fund Management



Position Independent Director /  
Audit Committee / Chairman of Corporate  
Governance and Social Responsibility  
Committee  
Age 72 years  
Appointment Year 2015  
Shareholding Proportion -None-

Assoc.Prof. Jaruporn Viyanant

#### Highest Education

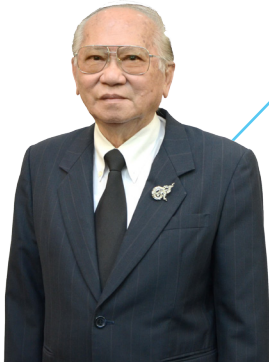
Master Degree in Financial Economic,  
Middle Tennessee State University, U.S.A.

#### Training

Thai Institute of Directors Association (IOD):  
Anti-Corruption Executive Program (ACEP) 5/2015  
Director Certificate Program (DCP 126)  
Director Certificate Program Update (DCPU 1)  
Audit Committee (ACP)  
Monitoring Fraud Risk Management (MFM)  
Monitoring the International Audit Function (MIA)  
Monitoring the System of Internal Control and Risk Management (MIR)  
Monitoring the Quality of Financial Reporting (MFR)  
Role of the Compensation Committee (RCC)  
Ethical Leadership Program (ELP)  
Capital Market Academy (CMA): Capital Market Academy  
Leadership Program Class 10

#### Past 5-year Working Experience

2016 - Present	Independent Director, Chairman of Audit Committee of KSL Green Innovation PLC
2015 - Present	Independent Director, Audit Committee and Chairman of CGSR Committee of Inoue Rubber (Thailand) PLC
2014 - Present	Independent Director and Audit Committee of Ocean Life Insurance PLC
2012 - Present	Independent Director and Audit Committee of VGI Global Media PLC
2009 - Present	Expert Committee of the Thai Chamber of Insurance Industry
2012 - 2014	Consultant 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 Independent Director/  
Audit Committee  
Age 75 years  
Appointment Year September 21, 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 Class27/2004

DCP Director Certification Program Class51/2004

**Past 5-year Working Experience**

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



Position Director  
Age 58 years  
Appointment Year 2013  
Shareholding Proportion -None-

**Mr. Kazuo Sato**

**Highest Education**

Bachelor of Engineering, Nagoya Institute of Technology, Japan

**Training**

DAP Director Accreditation Program Class108/2014

**Past 5-year Working Experience**

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

# Details of Executive Committee



Position Member of Executive Committee / Managing Director  
 Age 53 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 5-year Working Experience**

2016 - Present Executive Committee Member and Managing Director of Inoue Rubber (Thailand) PCL  
 Director and Executive 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 Member of Executive Committee and Corporate Governance and Social Responsibility Committee / Executive Director of Administrative and Control Unit  
 Age 52 years  
 Appointment Year 2013  
 Shareholding Proportion 0.0239%

**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 Class28/2013  
 CEDI - Babson Entrepreneurial Leadership Program Babson College

**Past 5-year Working Experience**

2015 - Present Member of Corporate Governance and Social Responsibility Committee, and Executive Director of Administrative & Control Unit, Inoue Rubber (Thailand) PLC  
 2013 - Present Member of Executive Committee, Inoue Rubber (Thailand) PLC  
 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) PLC



Position Member of Executive Committee and Corporate Governance and Social Responsibility Committee / Executive Director of Tire & Tube Business Unit  
Age 48 years  
Appointment Year 2014  
Shareholding Proportion -None-

**Mr. Shigeyuki Hosokawa**

**Highest Education**

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

**Training**

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**Past 5-year Working Experience**

2015 - Present Member of Corporate Governance and Social Responsibility Committee, Inoue Rubber (Thailand) PLC  
2014 - Present Member of Executive Committee, Inoue Rubber (Thailand) PLC  
2013 - Present Executive Director of Tire & Tube Business Unit of Inoue Rubber (Thailand) PLC  
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 Member of Executive Committee / Executive Director of IED Business Unit  
Age 54 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 5-year Working Experience**

2016 - Present Director of Kinno Hoshi Engineering Co.,Ltd.  
2014 - Present Member of Executive Committee, Inoue Rubber (Thailand) PLC  
2013 - Present Executive Director of IED Business Unit, Inoue Rubber (Thailand) PLC  
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** Member of Executive Committee and Risk Management Committee / Deputy Executive Director of IED Business Unit  
**Age** 58 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 5-year Working Experience**

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



**Position** Member of Executive Committee and Risk Management Committee / Deputy Executive Director of IED Business Unit  
**Age** 46 years  
**Appointment Year** 2014  
**Shareholding Proportion** 0.0025%

**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, Inoue Rubber (Thailand) PLC  
 Deputy Executive Director of R&D Division, IRC (Asia) Research Co., Ltd.  
 Member of Risk Management Committee, Inoue Rubber (Thailand) PLC  
 2014 - Present Member of Executive Committee, Inoue Rubber (Thailand) PLC  
 2013 - Present Director of IRC (Asia) Research Co., Ltd.  
 2013 - 2015 Production Division Manager, Inoue Rubber (Thailand) PLC  
 2009 - 2015 Engineering Division Manager, Inoue Rubber (Thailand) PLC  
 R&D Manager, IRC (Asia) Research Co., Ltd.



**Position** Member of Executive Committee and Risk Management Committee / Deputy Executive Director of Tire & Tube Business Unit  
**Age** 47 years  
**Appointment Year** 2013  
**Shareholding Proportion** 0.0087%

**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** 61 years  
**Appointment Year** 2012  
**Shareholding Proportion** -None-

**Mr. Hirozo Mizuno**

**Highest Education**

Bachelor of Industrial Engineering, Shibaura Institute of Technology

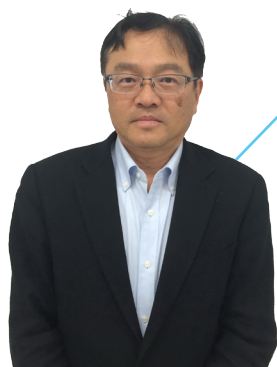
**Training**

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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 53 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    Managing Director of PT. Inoac Polytechno Indonesia  
 Member of Executive Committee,  
 Inoue Rubber (Thailand) PLC  
 Director of Kinno Hoshi Engineering Co., Ltd.
- 2015 - 2016    Managing Director of Division,  
 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.



Position Company Secretary /  
 Investor Relations  
 Age 28 years  
 Appointment Year 2016  
 Shareholding Proportion -None-

**Ms. Tipwadee Sudwayha**

Highest Education

Master's Degree in Finance (MIF),  
 Faculty of Commerce and Accountancy, Thammasat University

Training

- Thai Institute of Directors Association (IOD):  
 Company Secretary Program (CSP) Class71/2016  
 Board Reporting Program (BRP) Class20/2016  
 Corporate Governance for Executives (CGE) Class4/2015  
 Ethical Leadership Program (ELP) Class2/2015  
 Preparation for Collective Action Coalition Against Corruption  
 (CAC) Training Program

Past 5-year Working Experience

- 2016 - Present    Company Secretary, Secretary of the Audit  
 Committee and Secretary of the Executive  
 Committee, Inoue Rubber (Thailand) PLC
- 2015 - Present    Secretary of the Risk Management Committee,  
 and Corporate Governance and Social  
 Responsibility Committee,  
 Inoue Rubber (Thailand) PLC  
 Chief of Investor Relations,  
 Inoue Rubber (Thailand) PLC
- 2015 - 2015    Assistant to Chief of Investor Relations,  
 Inoue Rubber (Thailand) PLC
- 2013 - 2015    Strategy and Planning Officer of Securities  
 and Exchange Commission
- 2011 - 2013    Risk Management Officer of Krung Thai Bank  
 PLC

# Shareholding Proportion of Board of Directors, Executive Committee, and Top Management

Name	Position	Amount of Shares <sup>1</sup>		Trading during the FY 2016	Proportion (%)
		1 OCT 2015	30 SEP 2016		
Mrs. Pimjai Leeissaranukul <sup>3</sup>	Chairman	4,881,075	4,881,075	-	2.44
Mr. Takenori Nakamoto	President/ Vice Chairman of RMC	-	-	-	-
Mr. Soichi Inoue <sup>2</sup>	Director	-	-	-	-
Mr. Masayuki Inoue <sup>2</sup>	Director	-	-	-	-
Mr. Thanong Leeissaranukul <sup>3</sup>	Director	3,408,000	3,408,000	-	1.70
Mr. Apichart Leeissaranukul <sup>3</sup>	Director	3,662,700	3,711,400	48,700	1.86
Mrs. Porntip Sethiwan <sup>3</sup>	Director	4,261,675	4,336,475	74,800	2.17
Mr. Kiyoharu Mizushima	Director	-	-	-	-
Mr. Kazuo Sato	Director	-	-	-	-
Assoc.Prof.Dr. Chesada Loha-unchit	Independent Director/ Chairman of Audit Committee	-	-	-	-
Mr. Vichit Vuthisombat	Independent Director/ Audit Committee	-	-	-	-
Assoc.Prof. Jaruporn Viyanant	Independent Director/ Audit Committee	-	-	-	-
Mr. Surong Bulakul	Independent Director	-	-	-	-
Mr. Fumito Miyake	Independent Director	-	-	-	-
Mr. Eiichi Yano	Executive Committee Member	-	-	-	-
Ms. Witchuda Kupongsak	Executive Committee Member	47,800	47,800	-	0.0239
Mr. Suchart Kootiratrakarn	Executive Committee Member	17,400	17,400	-	0.0087
Mr. Hirozo Mizuno	Executive Committee Member	-	-	-	-
Mr. Narongchai Rattanaekkawin	Executive Committee Member	5,000	5,000	-	0.0025
Mr. Chaowalit Meethongkum	Executive Committee Member	1,000	1,000	-	0.0005
Mr. Shigeyuki Hosokawa	Executive Committee Member	-	-	-	-
Mr. Toshihiro Kuze	Executive Committee Member	-	-	-	-
Mr. Katsunori Ito	Executive Committee Member	-	-	-	-
Mr. Hiroyuki Hibi	Executive Committee Member	-	-	-	-

Remark: <sup>1</sup>Amount of shares includes holding by spouse and minor children

<sup>2</sup>Major shareholders: Inoue Rubber Co., Ltd (Japan)

<sup>3</sup>Major shareholders: Leeissaranukul Family



# Milestones in the Past 3 Years

## 2014



- Received Delivery Award for the year 2013/2014 at Quality, Cost and Delivery Awards Announcement of Thai Honda Manufacturing Co., Ltd – August
- IRC Rangsit Site granted Zero Accident Award from Ministry of Labor for 3.1 million hour without a lost time injury – July
- Obtained Outstanding Award for Labor Relations and Welfare of the year 2014 (4 consecutive years) from Ministry of Labour – June
- Gained Honorable Trophy for Establishment Model of Patumthani, due to participation in Integrated Management on Promoting Occupational Safety and Disease Prevention for the Employees in the Establishment Project – 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



## 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** - and the Cooperative finally achieved the ISO 9001: 2015 international standard in **June**.

# Revenue Structure and Product Features

The Company's revenue structure for the past 3 fiscal year consisted of;

Business Unit/ Product	Fiscal year 2014	%	Fiscal year 2015	%	Fiscal year 2016	%
<b>Industrial Elastomer Parts</b>						
Domestic Sales	2,361.97	43.31	2,249.19	43.88	2,119.42	42.78
Export Sales	559.10	10.25	465.15	9.07	377.04	7.61
<b>Motorcycle Tires and Tubes</b>						
Domestic Sales	1,718.47	31.51	1,540.80	30.06	1,484.11	29.95
Export Sales	813.97	14.93	871.14	16.99	974.00	19.66
<b>Total (million baht)</b>	<b>5,453.51</b>	<b>100.00</b>	<b>5,126.28</b>	<b>100.00</b>	<b>4,954.57</b>	<b>100.00</b>

Note: For more details, they were shown in the Notes to the Financial Statement item 27 "Segment Information"

## Product Features

### • Industrial Elastomer Parts

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

#### I. Elastomer Parts for Automotive Industry



#### Elastomer Parts in Pickup 1 ton

- » 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

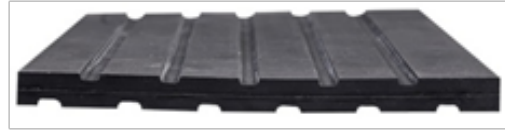
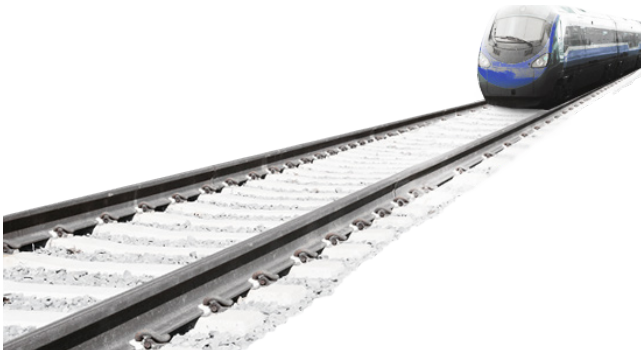
- » Cover Rubber
- » Socket Body
- » Rubber Seat
- » Cover
- » Grommet
- » Guide Chain
- » Chain Guard
- » Vale Inlet
- » Roller
- » Sprocket
- » O-Ring
- » Float
- » Peeling Fuel



## 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 and fishery machineries, cooling machines rubber cushions for electrical appliances, construction materials, sealing rubber container, sealing rubber valve for the Metropolitan Waterworks Authority and others as 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



### Rubber Chip for Sport Track





### Main Groups of Customers

#### 1. Automotive and Motorcycle Original Equipment Manufacturer (OEM)

For the automotive manufacturers, the Company supplies to Mitsubishi, Toyota, Isuzu, Honda, Nissan, Mazda, Suzuki, Ford, Chevrolet, General Motor (Thailand) and General Motor (Brazil); moreover, the motorcycle manufacturers include Honda, Suzuki, Kawasaki, and Yamaha. Recently, the Company attained the reliance from Ducati (Italy) to be the supplier of elastomer products to Ducati (Thailand) which it shall bring IRC's products to be assembled in Ducati motorcycle manufactured in Thailand. This shows that IRC's quality elastomer products assembled in completed built-up cars and motorcycles are exported to each countries globally.

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

#### 2. Sub-Automotive and Sub-Motorcycle

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

#### 3. Other Industries

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

- Cooling machines e.g. Mitsubishi Electric, Daikin Industries, and Toshiba Carrier etc.
- Agricultural machines e.g. Kubota and Kobelco etc.
- 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 manufacturer) 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 continuously gain the number one market share in Original Equipment Manufacturer (OEM) market continuously gain highest market share in OEM market and being able to carry out product distribution in both domestic and oversea replacement markets. 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 Under IRC's global marketing activihe
- The Sittipol 1919 Co., Ltd. as the distributor in the replacement market

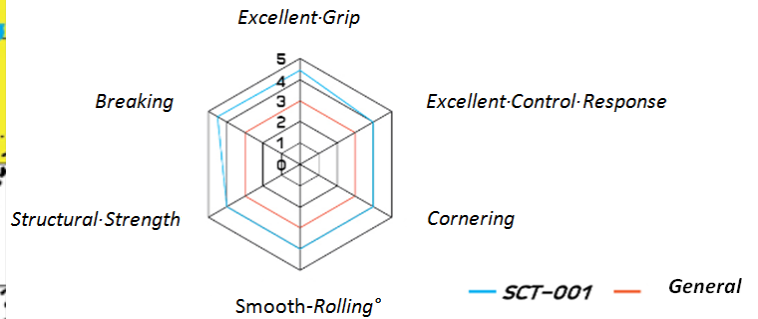
#### 2. Export market

- Direct supply to motorcycle OEMs under IRC's global markrting 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 2016



### IRC MOBILITY SCT-001



New motorcycle tread is designed for “Scooter sport” to serve scooter motorcycle biker 110-150cc. With the excellent grip and excellent control response, you can bike joyfully and confidently and this is our goal in developing **IRC MOBILITY SCT-001**.

### IRC URBAN SNOW SN26

Development of motorcycle tire to be used on snow or cold-weather with new tread: “IRC URBAN SNOW SN26” is available over than 10 sizes to suit for various motorcycle models. (only for export sales)



## NR 77U / TL



New tire size with 12 inch in **IRC WINGS NR77u** to support OEM for Mini Sport Bike

## SCT-003 TL



New tire size with 14 and 13 inch in **SCT-003 TL** to directly support OEM for motorcycle 150cc.

## IRC MOBILCITY SCT-001



New tire tread "Saw-Tooth" with 17 inch suiting for **RETRO** motorcycle. It is designed for durability and efficient water drain for wet grip with special compound.

## Market Situation and Competition

### • The Automotive Industry Situation

In the fiscal year 2016 (October 1st 2015 – September 30th 2016), Thai automotive industry has slightly recovered from the previous year around 2.86%. The automobile production for domestic sales and exports reached 1.96 million units which mainly drove by the production for exports about 1.19 million units or increased by 7.68%. There are the main export markets including Oceania, Asia and Middle-East. While the production for domestic sales amounted to 0.77 million units or dropped by 3.81%.

To consider by types of the automobile production, in the fiscal year 2016, it can be separated as below;

- Pickup 1 ton with 44% of the Thailand's total production, it performed stable but consistently maintained the position as the "Product Champion". There are direct investment from main automobile manufacturers and localize 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: passenger cars not over than 1,500 cc show the most popular among this group.
- Pick-Up Passenger Vehicle or PPV with 15% of the Thailand's total production, it represents the highest growth at 7.85% which reflects the consistent demand in this type of car.
- Other commercial vehicles (van, bus and truck) with 2% of the Thailand's total production, it contracted by 22.81% or 1,700 units from the previous year.

For the Motorcycle production in fiscal year 2016, it showed total production of 1.79 million units, which was classified into family model 1.36 million units and sport model 0.43 million units. Overall production contracted by 2.86% from the same period last year mainly due to the decreased demand of the key motorcycle users that caused a contraction of model 101-125 CC., which was the popular model for the domestic market. However, the motorcycle manufacturers have done the marketing campaigns and launched the new model continuously throughout the year to stimulate the demand in the market.

#### • Competitive Situation

##### Industrial Elastomer Parts

As the main customers of Industrial Elastomer Parts consists of cars and motorcycles manufacturers as well as other industries such as air-conditioners, agricultural machinery, construction industry and other infrastructures as aforesaid. Our products are represented as original equipment manufacturers or OEMs that caused our sales from this business line variable 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, until raw material selection process together with market planning to serve various needs of customers in a short period of time. This directly hits to the point of Industry 4.0 to transform to be mass customization in order to enhance the Company's competitiveness and create customer confidence in quality and on-time delivery.

As a result, the Company believes in the way of market

expansion on the existing customers and the preparedness to continuously expand customer base in new potential markets upon 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 2016, the production for domestic sales was maintained comparing to the previous year. However, motorcycle manufacturers have effort developing new models to stimulate the domestic market, particularly in sport motorcycles and mini-sport motorcycles in 125-150 cc. which consistently gains popularity from consumers.
- For the replacement market, it expanded better than the previous year comparing to the overall Thailand's economy. It resulted from continuous launching the sale promotion activities and the cooperation with sales agents such as organizing the seminars with motorcycle mechanics in each province 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. Throughout the year, the Company has paid attention to safety driving by constantly held safety driving activities such as "IRC ride for life" which can directly access to IRC's customers and supporting IRC tires "IZR IZ003" which is the popular tires for racing lovers to be used in racing in circuit under the safety drive campaign.

Consequently, the Company has determined to develop and design new products with outstanding in quality and performance under the suitable price aligning with market situation e.g. new IRC's motorcycle tires under "IRC MOBILITY SCT-001" series with 14 inch, and IRC's classic tire "IRC Retro RT-01" with 17 inch etc. With the determination in development in every aspect as mentioned, IRC commits to keep our standard in on-time delivery and create the best satisfaction to customers.

**Export Market:** As the economic situation aforesaid, it caused the volatility in exchange rate which affected the Company's distribution strategy. During this year, the Company has tried to adjust the distribution plan to respond to situations in a timely and effective manner which has been received a good cooperation from customers in each country, especially customers in Japan and Southeast Asia. In addition, launching new designs for oversea market customers has enabled the Company to gain more product quantities and values in terms of total exports comparing to the previous year. Hence, the Company has progressively promoted this distribution channel to preserve and expand the market share to grow up further.

# 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	<a href="http://www.ircthailand.com">www.ircthailand.com</a>
Site (Head Office)	258 Soi. Rangsit – Nakornnayok 49, Prachatipat, Thanyaburi, Pathumthanee 12130
Registered Capital	200,000,000 Baht (fully paid-up)
Number of Shares	200,000,000 ordinary shares
Par Value	1 Baht
Total Shareholder	1,106 shareholders (as of December 9, 2016)
Investor Relation	<a href="mailto:ir@ircthailand.com">ir@ircthailand.com</a>

## Subsidiaries

IRC (Asia) Research Company Limited

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

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

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%



## 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 & Peangpanor Ltd.  
22nd Floor, Mercury Tower  
540 Ploenchit Road, Lumpini, Pathumwan,  
Bangkok, 10330  
Tel : (66) 2 264 8000 Fax (66) 2 657 2222

## Directors of Subsidiaries

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

As of 30 September 2016

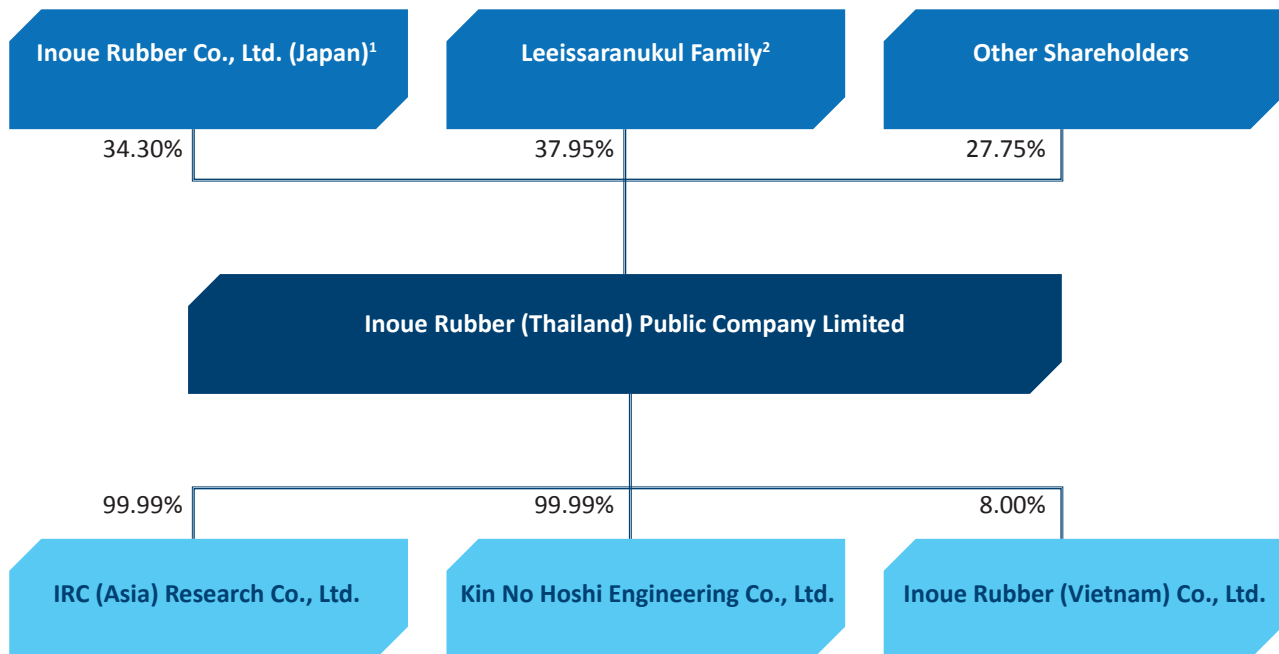
## Symbols indicate positions

/ = 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

As at 9 December 2016



Remark:

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

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

## Subsidiaries and Joint Venture Business

### Operation Governance

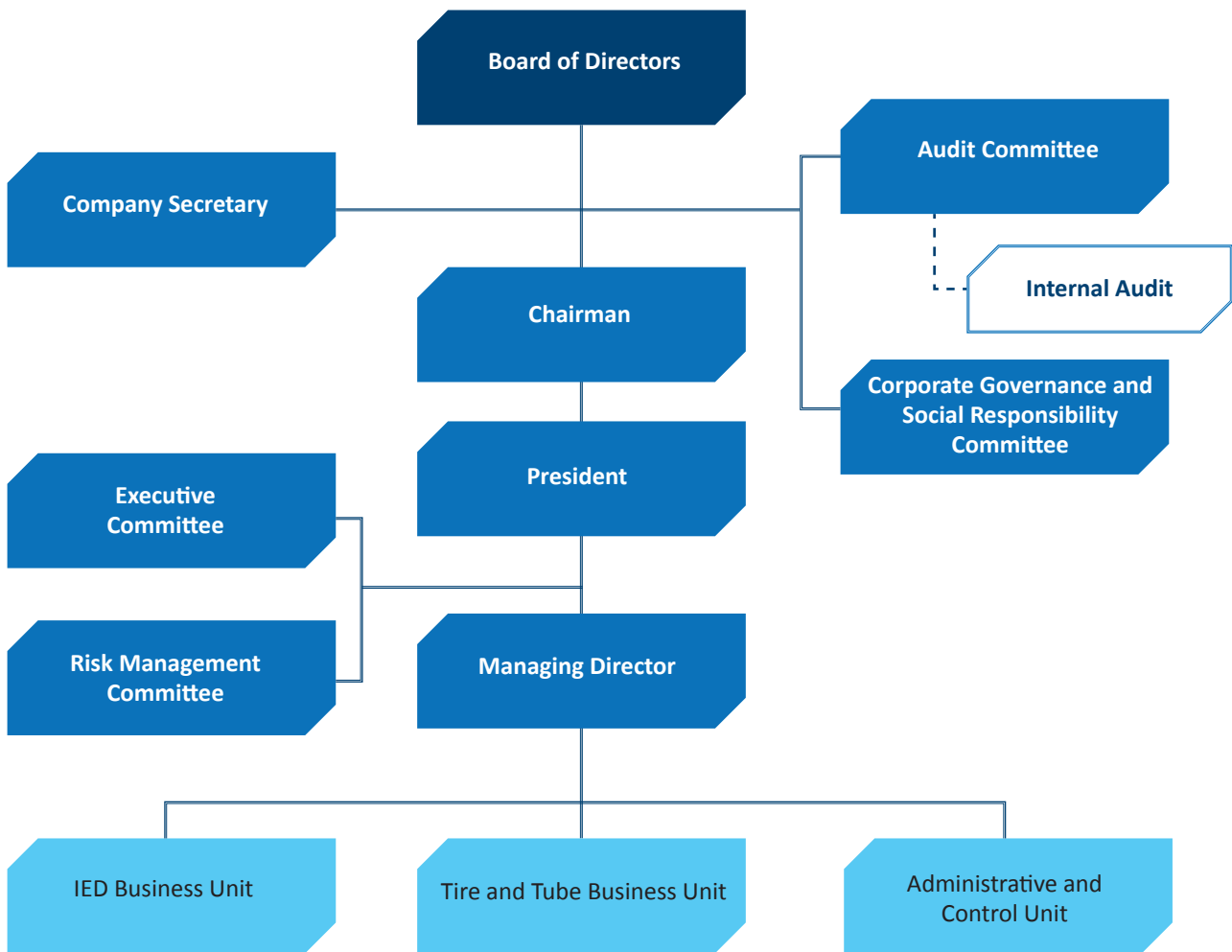
As for operation and management policy of subsidiaries and joint venture, the Company has appointed the management to be directors and executives in order to allow the Company to closely participate in administrating and setting up the policy. Subsidiaries have been operated under the same administration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

## Corporate Governance

The Company has the Board of Directors, Independent Directors, Audit Committee, Executive Committee, Risk Management Committee, Corporate Governance and Social Responsibility Committee to scrutinize and study guidelines on supervision and management of the Company. All directors have independence 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 November 25, 2016.

### Board of Directors

The Company forms at least 5 members of the Board of Directors and not less than a half of whom must reside in Thailand. Of the total numbers of board members, at least one-third and no fewer than three persons must be independent directors.

As of November 25th, 2016, the Boards of Directors consist of 12 members including;

- 10 non-executive directors (4 independent directors)
- 2 executive directors

### Authorized Directors

Authorized Directors, namely “Mrs. Pimjai Leeissaranukul” or “Mr. Thanong Leeissaranukul” co-signs with “Mr. Takenori Nakamoto” or “Mr. Masayuki Inoue” together with the Company’s seal.

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

1. To undertake the duties in accordance with laws, objectives and Articles of Association of the Company and resolutions of the Board of Directors’ meeting and the shareholders’ meeting with due care and integrity and to look after the interest of the Company;
2. To set the policy and direction of the Company’s business operation and supervise the management to ensure efficiency, effectiveness and compliance with the prescribed policies and to optimize the economic value of the business and business stability to shareholders;
3. To arrange a reliable accounting system, financial reports and auditing by settle internal control procedures and suitable internal audit system with consistent follow-up;
4. To approve the quarterly financial statement and propose the shareholders’ meeting to consider to approve the annual financial statement, as well as to approve the annual investment budget and to monitor the operating results of the Company, including the major progress in various aspects;
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 the sub-committee on specific matters as deemed suitable;
7. An independent director is able to provide their independent discretion on the issues and to oppose any act of other directors or the management, if there is any conflict significant to the Company and the shareholders;
8. To arrange a good corporate governance, business morality and employee’s code of conduct as a guideline on business conducts and to arrange and supervise the administrative work in accordance with the good governance principles consistently;
9. To approve the importance transactions of the Company such as acquisition or disposal of assets, expansion of the investment projects, determination of the authority to be assigned and any action required by laws and to look after the conflict of interest among stakeholders of the Company;
10. To approve and/or consent on the connected transactions between the Company and its subsidiaries in accordance with related notifications, requirements and guidelines of the Stock Exchange of Thailand;
11. To suspend buying/ selling/ transferring of the Company’s securities one month prior to public disclosure of the financial statement and during the period that the Company is undertaking the confidential transaction e.g. increasing in capital, merger and acquisition, or negotiation of new significant projects;
12. To report any securities holding by himself/herself and his/ her spouses and children in the Board of Directors meeting quarterly and to inform the Company Secretary within 3 business days from the first day that securities holding changes, if there is any buying/selling/ transferring of securities of the Company;
13. To arrange a self-assessment of the director annually;
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.

### Office Holding Period

According to the Company's Articles of Association, at every Annual General Meeting of Shareholders, one-third of the directors shall retire, if the number of directors is not a multiple of three, the number of directors closest to one-third shall retire.

In the case of a vacancy in the Board of Directors for any reason(s) other than the expiration of the directors' term of office, the Board of Directors shall elect a person who has the qualifications and who possesses in-prohibited characteristics under Section 68 of Public Limited Companies Act B.E. 2535 as the substitute director at the next meeting of the Board of Directors, unless the remaining term of office of the said director is less than

two months. The substitute director shall hold office only for the remaining term of office of the director whom he replaces.

The Board of Directors shall pass the resolution with at least three quarter of the remaining directors' votes.

### Audit Committee

Audit Committee consists of 3 independent directors which possess qualifications aligned with the Securities and Exchange Commission's definition. At least one audit committee member must have adequate knowledge and experience to perform her duty in verifying the reliability of the financial statements.

As of November 25th, 2016, Audit Committee composed of 3 members, namely;

Name – Surname	Position
1. Assoc.Prof.Dr. Chesada Loha-unchit	Chairman of Audit Committee/ Independent Director
2. Mr. Vichit Vuthisombut	Audit CommitteeMember/ Independent Director
3. *Assoc.Prof. Jaruporn Viyanant	Audit CommitteeMember/ Independent Director

*Notice: \*Assoc.Prof. Jaruporn Viyanant is the Audit Committee Member who possesses considerable knowledge and experience in verifying the reliability of the financial statements. Ms. Tipwadee Sudwayha acts as a Secretary of Audit Committee.*

### Roles, Duties and Responsibilities of Audit Committee

- The Committee shall serve to direct and supervise the Company's business operation, for transparency of management of the Board of Directors or executives with honesty and responsibility that should be available to the shareholders. At the same time, the Committee shall assure that the Company's Executive Directors or executives have properly operated the business according to the policy of the Company's Board of Directors with required standards.
- To verify and assure that the Company's financial report is accurate and sufficiently disclosed;
- To verify and assure that the Company shall have an appropriate and effective internal control and internal audit systems, in co-operation with internal auditors and internal controllers. To consider the independence of the internal audit agency, as well as provide an approval for an appointments, transfer, termination of the chief of the internal audit agency or any other agencies responsible for the internal audit;
- To verify and assure that the Company has acted in compliance with the law on Securities and Exchange, requirements of the Stock Exchange of Thailand, and other laws in relation to the Company's business;
- To consider, select, propose to appoint, and disemploy an independent person(s) to perform the duty as the Company's auditor. To propose remuneration for that person(s) and to participate in a meeting with the auditors without the management involvement at least once a year;
- To consider connected transactions and any transaction that may have a conflict of interests by referring to the requirements of laws and the Stock Exchange of Thailand, to assure that such transactions are reasonable and resulted in maximum benefits to the Company;



7. To review that the Company has a whistleblowing procedure to report fraud as well as inappropriate financial report or other issues. This is to assure that all the complaints will be investigated independently and will acquire the appropriate monitoring;
8. To prepare a report of the Committee as disclosed in the Company's Annual Report which must be signed by the Chairman of the Audit Committee and must consist of the information as follows (at least);

- An opinion(s) about an accuracy, completion and reliability of the Company's financial report.
- An opinion(s) about the adequacy of the Company's internal control systems including the corruption/ fraud prevention.
- An opinion(s) about an action in compliance with law of Securities and Stock Exchange, provisions of the Stock Exchange of Thailand or any related laws regarding the Company's business.
- An opinion(s) about an appropriateness of the auditors.
- An opinion(s) about any financial transaction that may have a conflict of interests.
- A total number of the Committee's meetings and each member's meeting participation.
- An overall opinion(s) or an observation(s) obtained by the Committee from the operation as required in this charter.
- Other essential information or transactions as deemed to be acknowledged by shareholders and investors under the scope and responsibilities assigned to them by the Board of Directors.

9. Any other operation as assigned by the Board of Directors with an approval by the Committee;

The Committee is able to consult with independent consultant(s) as appropriated with the Company budget;

10. To do the self-assessment of the Committee as a whole and the member as an individual annually;

11. Any provision or practice regulation or refrainment of practices that are not mentioned in this charter shall be held in accordance with the Company's memorandum of associations, and other laws, as well as the provisions of the Stock Exchange of Thailand and the Securities and Exchange Commission;
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.

#### **Office Holding Period**

1. Members' terms coincide with their respective directors' terms as spelled out in the company's regulations as follows:
  - (1) The Chairman of the Audit Committee may hold their posts for no longer than 3 years.
  - (2) Members may hold their posts for no longer than 2 years.
2. Members who vacate office at the end of their term may be re-elected. Membership will be automatically cancelled in the following situations:
  - (1) Death
  - (2) Resignation
  - (3) Disqualification under this charter or the criteria prescribed by the Capital Market Supervisory Board
  - (4) Removal from office by resolution of the Board
3. A member, who wishes to resign during the term of appointment, shall notify and submit a resignation letter to the Company one month in advance by stating his/her reasons to the Board of Directors and the board shall appoint a placement to replace the resigned member.
4. In case of all of the members resign at the same time, they must remain in office until a new Committee is appointed.
5. In case of a member vacates office during the term of appointment, the Board of Directors shall appoint a replacement within 90 days in order to maintain the required number of members as set forth.

## Executive Committee

As of November 25<sup>th</sup>, 2016, the Executive Committee consists of 11 members are as follows:

Name – Surname		Position
1. Mr. Takenori	Nakamoto	Chairman of Executive Committee
2. Mrs. Pimjai	Leeissaranukul	Vice-Chairman of Executive Committee
3. Mr. Eiichi	Yano	Executive Committee Member
4. Ms. Witchuda	Kupongsak	Executive Committee Member
5. Mr. Chaowalit	Meethongkum	Executive Committee Member
6. Mr. Suchart	Kootiratrakarn	Executive Committee Member
7. Mr. Narongchai	Rattanaekkwain	Executive Committee Member
8. Mr. Katsunori	Ito	Executive Committee Member
9. Mr. Shigeyugi	Hosokawa	Executive Committee Member
10. Mr. Hirozo	Mizuno	Executive Committee Member
11. Mr. Hiroyuki	Hibi	Executive Committee Member
Ms. Tipwadee	Sudwayha	Secretary of the Committee

## Roles, Duties and Responsibilities of Executive Committee

- 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;
- To strictly, honestly and carefully conduct and manage the operation in accordance with the resolutions of the Board of Directors altogether with the approved budget by consideration on the interest of the Company and the shareholders;
- 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;
- To assess and screen the major investment projects and the annual budget prior to the submission to Board's consideration;
- To undertake the work in accordance with the good corporate governance principles prescribed as a guideline by the Board of Directors;
- To suspend buying/ selling/ transferring of the Company's securities one month prior to public disclosure of the financial statement and during the period that the Company is undertaking the confidential transaction e.g. increasing in capital, merger and acquisition, negotiation of new significant projects, etc.
- To report any securities holding by himself/ herself and his/ her spouses and children in the Board of Directors meeting quarterly and to inform the Company Secretary within 3 business days from the first day that securities holding changes, if there is any buying/ selling/ transferring of securities of the Company;
- To prepare a report on the conflict of interest of the management annually;
- To manage the information system and intellectual property including the Company's important commercial information;
- To refrain from any reveal of Company's business transaction and/or intellectual property to third party without consent and/or oppose to business ethics and affect the Company's business.

### Corporate Governance and Social Responsibility Committee

As of November 25<sup>th</sup>, 2016, the Corporate Governance and Social Responsibility Committee consists of 6 members as follows:

Name – Surname	Position
1. Assoc.Prof. Jaruporn Viyanant	Chairman of the Committee
2. Mr. Jatupol Lawhachainam	Vice Chairman of the Committee
3. Ms. Witchuda Kupongsak	Committee Member
4. Mr. Shigeyuki Hosokawa	Committee Member
5. Mr. Sommai Wandee	Committee Member
6. Mr. Banthorn Sriwongchant	Committee Member
Ms. Tipwadee Sudwayha	Secretary of the Committee

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

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

### Risk Management Committee

As of November 25<sup>th</sup>, 2016, the Company appointed the Risk Management Committee consists of 8 members namely;

Name – Surname		Position
1. Mr. Surong	Bulakul	Chairman of the Committee
2. Mr. Takenori	Nakamoto	Vice Chairman of the Committee
3. Mr. Chaowalit	Meethongkum	Committee Member
4. Mr. Narongchai	Rattanaekkawin	Committee Member
5. Mr. Suchart	Kootiratrakarn	Committee Member
6. Mr. Buncha	Yutthaworakool	Committee Member
7. Ms. Jaithip	Choosatsatienchoke	Committee Member
8. Mr. Surachai	Chaichalermpong	Committee Member
Ms. Tipwadee	Sudwayha	Secretary of the Committee

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

- Propose and define appropriate and effective risk management policies and procedures covering all business units and every type of risk related to the Company's operation;
- Formulate strategies aligning with the policies, evaluate and monitor the Company's risks to be at the appropriate level for the Company's operation;
- Supervise, control, monitor, and evaluate the Company's overall risk management performance, including every business unit of the Company by following the Committee's risk management policies and procedures. Consider the efficiency of the policies and procedures, as well as provide recommendations for the Company regarding risk prevention and risk reduction to be at acceptable level;
- Review the adequacy of the Company's risk management policies and systems at least once a year to reassure that the systems and policies are still suitable for the Company's business circumstances;
- Report the Company's significant risks, risk status, risk management procedures, progress, and risk management results to the Board regularly;
- Give opinions and recommendations to the Company if it requires external risk management consultant in order to provide independent recommendations regarding the risk management framework and operation;
- Communicate to exchange information and coordinate with the Company's internal control unit;
- Report the Committee's progress and performance to the Board to acknowledge and/or consider every quarter;
- 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;
- Consider the appropriated acquirement of suggestion from independent professional with the Company's financial support;
- Be responsible for other missions assigned by the Board.

## Executives

As of November 25<sup>th</sup>, 2016, the Company's next four executives in line with Capital Market Supervisory Board's definition namely;

Name – Surname		Position
Mr. Eiichi	Yano	Managing Director
Ms. Witchuda	Kupongsak	Executive Director of Administrative and Control Unit
Mr. Shigeyugi	Hosokawa	Executive Director of Tire and Tube Business Unit
Mr. Katsunori	Ito	Executive Director of IED Business Unit

Remark: Ms. Praewphan Songhong is a Senior Accounting Manager.

## Company Secretary

The Board of Directors pass the resolution to appoint Ms. Tipwadee Sudwayha as a Company Secretary since November 25<sup>th</sup>, 2016. Company Secretary discharged in helping the Company comply with related laws and regulations and align with Good Corporate Governance Principles as follows;

### Roles, Duties and Responsibilities of Company Secretary

1. Prepare and file the directors' directory, the invitation letters and the minutes of the Board of Directors' meetings, the Annual Report, the invitation letters and the minutes of the Shareholders' meeting
2. Keep the report on interests of the directors and the management
3. Prepare document and supporting data for the Board of Directors' and the Shareholders' meetings
4. Other tasks required by the Capital Market Supervisory Board

### Remuneration for Directors and Executives

In 2016, The Company had 1 Annual General Meeting, 9 Board of Directors Meetings (including 2 without Management Meetings), 7 Audit Committee Meetings, 4 Corporate Governance and Social Responsibility Committee Meeting, and 4 Risk Management Committee Meetings. The details are shown in the Table.

### Remuneration for Directors

On the Annual General Meeting of Shareholders for the year 2016, held on January 29, 2016, the Board of Directors proposed the shareholders' meeting to approve remuneration for directors including transportation allowance at Baht 7,000/ person/ meeting and no another kind of remuneration with the following details;

- Executive Directors 200,000 Baht/ person/ year
- Non-executive Committee 200,000 Baht/ person/ year
- Chairman of Audit Committee 350,000 Baht/ person/ year
- Independent Directors (Excluding Chairman of Audit Committee) 270,000 Baht/ person/ year
- Chairman of Corporate Social and Responsibility Committee 100,000 Baht/ person/ year
- Chairman of Risk Management Committee 100,000 Baht/ person/ year

The Company shall determine the suitable and transparent remuneration by comparing to other companies in the same industry, same level of incomes, and same size of business to keep benefits in a proper manner. Moreover, it shall preserve and persuade professional directors to fully devote their skills, experience, and knowledge to the Company

### 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 2016						Remuneration* (Baht)
		AGM	BOD	AC	EXCOM	CGSR	RMC	
Mrs. Pimjai Leeissaranukul	Chairman	1/1	7/7	-	7/7	-	-	256,000
Mr. Takenori Nakamoto <sup>1</sup>	President/ Vice Chairman of RMC	1/1	5/5	-	7/7	-	4/4	175,776
Assoc.Prof.Dr. Loha-unchit Chesada	Independent Director/ Chairman of AC	1/1	9/9	7/7	-	-	-	476,000
Mr. Vichit Vuthisombat	Independent Director/ Member of AC	1/1	8/9	6/7	-	-	-	361,000
Assoc.Prof. Jaruporn Viyanant	Independent Director/ Member of AC/ Chairman of CGSR Committee	1/1	9/9	7/7	-	4/4	-	524,000
Mr. Surong Bulakul <sup>2</sup>	Independent Director/ Chairman of RMC	1/1	9/9	-	-	-	3/4	377,399
Mr. Soichi Inoue	Director	-	-	-	-	-	-	200,000
Mr. Masayuki Inoue	Director	1/1	1/9	-	-	-	-	221,000
Mr. Thanong Leeissaranukul	Director	1/1	8/9	-	-	-	-	270,000
Mr. Apichart Leeissaranukul	Director	1/1	4/9	-	-	-	-	249,000
Mrs. Pornpip Sethiwan	Director	1/1	9/9	-	-	-	-	270,000
Mr. Kiyoharu Mizushima <sup>1</sup>	Director	-	-	-	-	-	-	73,224
Mr. Fumito Miyake <sup>2</sup>	Independent Director	-	-	-	-	-	-	30,055
Mr. Kazuo Sato <sup>3</sup>	Director	1/1	5/8	-	2/2	-	-	249,000
Mr. Eiichi Yano <sup>3</sup>	Member of EXCOM	-	-	-	5/5	-	-	-
Ms. Witchuda Kupongsak	Member of EXCOM and CGSR	1/1	-	-	7/7	4/4	-	28,000
Mr. Shigeyuki Hosokawa	Member of EXCOM and CGSR	1/1	-	-	6/7	-	-	7,000
Mr. Chaowalit Meethongkum <sup>3</sup>	Member of EXCOM and RMC	1/1	-	-	7/7	-	4/4	28,000
Mr. Suchart Kootiratrakarn	Member of EXCOM and RMC	1/1	-	-	7/7	-	3/4	21,000
Mr. Narongchai Rattanaekkawin	Member of EXCOM and RMC	1/1	-	-	6/7	-	4/4	28,000
Mr. Katsunori Ito	Member of EXCOM	1/1	-	-	7/7	-	-	-
Mr. Hirozo Mizuno	Member of EXCOM	-	-	-	-	-	-	-
Mr. Toshihiro Kuze <sup>4</sup>	Member of EXCOM	-	-	-	-	-	-	-
Mr. Hiroyuki Hibi <sup>4</sup>	Member of EXCOM	-	-	-	-	-	-	-
Mr. Jatupol Lawhachainam	Vice Chairman of CGSR Committee	-	-	-	-	4/4	-	28,000
Mr. Sommai Wandee	Member of CGSR	-	-	-	-	4/4	-	28,000
Mr. Banthorn Sriwongchant	Member of CGSR	-	-	-	-	4/4	-	28,000
Mr. Buncha Yutthaworakool	Member of RMC	-	-	-	-	-	4/4	28,000
Mr. Surachai Chaichalempong <sup>5</sup>	Member of RMC	-	-	-	-	-	2/2	14,000
Ms. Jaithip Choosatsatien choke	Member of RMC	1/1	-	-	-	-	3/4	21,000
<b>Total (Baht)</b>								<b>3,991,454</b>

Remark: \* Calculate from the actual payment in FY 2016

1 Mr. Kiyoharu Mizushima resigned from the BOD on February 11th, 2016 and Mr. Takenori Nakamoto replaced the position on February 12th, 2016.

2 Mr. Fumito Miyake resigned from the BOD on November 24th, 2015 and Mr. Surong Bulakul replaced the position on November 24th, 2015.

3 Mr. Kazuo Sato resigned from the EXCOM on February 11th, 2016 and Mr. Eiichi Yano replaced the position on February 12th, 2016.

4 Mr. Toshihiro Kuze resigned from the EXCOM on February 11th, 2016 and Mr. Hiroyuki Hibi replaced the position on February 12th, 2016.

5 Mr. Surachai Chaichalermpong was appointed to be the member of RMC on April 26th, 2016.

### Remuneration for Executives

During the fiscal year 2016, the Company paid the remuneration for the next 4 executives in line with the Securities and Exchange Commission's definition, totaling Baht 18.96 million in term of salary, bonus, provident fund, social security fund and other welfares.

### Personnel

As of September 30th, 2016, the Company and its subsidiaries had total employees which were classified by business units as follows;

Business Unit	Number of Employees (person)
Administrative and Control	161
Motorcycle Tire – Tube	832
Industrial Elastomer Parts	644
IRC (Asia) Research Co., Ltd.	113
Kinno Hoshi Engineering Co., Ltd.	32
<b>Total</b>	<b>1,782</b>

During the fiscal year 2016, the Company and its subsidiaries paid employees totaling Baht 730.39 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 fairness and non-discrimination. Moreover, this is in line with the employees' performance evaluation, labor market situation, and the Company's performance.

## Corporate Governance Policy

### Section 1 Right of Shareholders

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

### Shareholders' Meetings

The Company will conduct an annual general meeting of shareholders within 4 months since the last day of the Company's fiscal year. The Company might hold more meetings if it is necessary and appropriate. The Company secretary performs its duty of policy compliance of which shareholders' meetings are called and conducted as required by law and in accordance with the guidelines for shareholders' meetings as specified by the SET. The Company's auditor and a legal consultant who act as independent parties are allowed to attend the annual general meeting of shareholders to count and inspect the vote. To encourage the rights of shareholders, the Company opens the channel for qualified shareholders to propose an agenda/agendas for inclusion in the annual general meeting of shareholders during 1-31 October of each year so that the Company shall conclude the agenda before proposing to the Board of Directors' meeting. In addition, the Company support shareholders to send their questions related to the meeting's agendas at least 7 days prior to the meeting date via the Company's website and email: [ir@irc Thailand.com](mailto:ir@irc Thailand.com).

### Sending Invitation Letters and Shareholders Facilitation

The Company assigns Thailand Securities Depository Company Limited which acts as a securities registrar to deliver the invitation letter at least 21 days prior to the meeting date, including publish on the Company's website at least 30 days in advance. Therefore, the invitation letter will need to state the place, date, time, and agenda of the meeting with enough supporting information for each agenda to shareholders in order to allow shareholders enough time to study the information. The information includes objectives and reasons for each proposed agenda with comments of the Board of Directors on each agenda.

There shall be no hidden agenda or other agendas not stated in the invitation letter to the shareholders' meeting for the consideration and approval of the shareholders, except for urgent matters that are known after the invitation letter is sent. The Company will send an English version of the invitation letter and supporting documents to foreign shareholders. The Company also publishes the invitation letter together with supporting documents on the website prior to the meeting date. The invitation letter shall be announced via a Thai newspaper for 3 consecutive days before the meeting date.

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

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

### During and After Shareholders' Meeting

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

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

The 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

### The Use of Inside Information

The Company realizes the importance of the protection of inside information usage for their own or the other's benefits of directors, executives, and employees. Therefore, the Company has provided the guideline of the use of insider information and monitored feedback regularly which includes in a handbook of business morality and employee's code of conduct. The Board of Directors, executives and employees shall practice rules and regulations of the Office of the Securities and Exchange Commission and principles of good corporate governance. Important issues are summarized as follows:

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

- Abstain from selling/ buying/ transferring the Company's securities after the information disclosure to the public at least 24 hours or 48 hours in case of the complexity of the disclosed information so that shareholders shall have proper time to analyze such disclosed information.

### Protection of Minor Shareholders' Rights

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

### Conflict of Interest

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

### Report on Interests of Directors and Executives

Directors and executives have to submit the report on interests, including related persons for the first time of taking the position and every time after changing of interest. The Company Secretary will keep all reports. If the conflict of interest is found on the report, the Company Secretary has to report the Chairman of the Board and the Chairman of Audit Committee.

## 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 morality and employee's Code of Conduct and distributes to all executives and employees for their acknowledgement and compliance.

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

#### Corporate Social Responsibility: CSR

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

#### Complaint Report (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;

- Filing complaints by verbal to the Company's Chairman
- Comment boxes as placed in the Company
- Email: [listen@ircthailand.com](mailto:listen@ircthailand.com)
- Website: [www.ircthailand.com/en/investor/corporate/whistleblowing](http://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 taken respond in the whistle-blowing procedure and be protected without fear of fear of authority power to counter the action of the violation or complaint.

Penalty: If employees do not comply with Good Corporate Governance and Code of Conduct for Directors and Employees, they will be penalized in line with the Company's regulation.

#### Section 4 Disclosure and Transparency

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

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

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

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



## Section 5 Responsibilities of the Board

The Company has the Board of Directors, Audit Committee, Executive Committee, Corporate Good Governance and Social Responsibility Committee, and Risk Management Committee to scrutinize and study guidelines on supervision and management of the Company. All directors have independence to express opinions on the Company's operations to ensure that business is efficiently, accurately and transparently administered by the management.

### Qualification of Directors

#### Required qualifications of directors and the next four executives by following the definition of the notification of the Capital Market Supervisory Board

1. Qualifications mentioned under the notification of the Capital Market Supervisory Board;
2. Have a solid knowledge, expertise and experience considered beneficial to the Company;
3. Be determined and have an ethical mind in running business;
4. Must not be a director or a co-executive of a related company and/or organization, which is the rival business to the company;
5. Take a position of a director in not more than 5 listed companies and not more than 7 affiliated companies

#### Definition of Independent Directors

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

4. Not having nor having had any business relationship with the Company, its parent company, its associated company, or any potential conflicting person as might interface with his/her use of independent discretion, including not being nor having been a major shareholder, or a dependent director, of a person who has a business relationship with the Company, its parent company, its subsidiary company, its associated company or potential conflicting person except that he/she has no such characteristics for at least two years before the date of filing of the application with the Office. 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

The Board of Directors determines to have evaluating knowledge, skills, and specific experiences of the directors (Board Skill Matrix) which benefit to the Company's business. The Board self-assessment is conducted annually for the Board as a whole and an individual basis, including all sub-committees, in order to be a framework for evaluating performance of the Board of Directors and all sub-committees. Also, it is used to consider, review and combine opinions about the Board's function during the last year in order to improve and increase effectiveness. In addition, the assessment criteria is reviewed from the Board of Director's assessment guideline, the Stock Exchange of Thailand and the Committee's charter.

*Notice: The full version of Good Corporate Governance and Business Morality Handbook can be downloaded via [www.irc thailand.com / uploads / corporate%20governance/charter%20and%20important%20document / CG%20Handbook%20Propose%202016%20EN.pdf](http://www.irc thailand.com/uploads/corporate%20governance/charter%20and%20important%20document/CG%20Handbook%20Propose%202016%20EN.pdf)*

#### Remuneration for Auditor

##### Appointment of Auditor

The Annual General Meeting of Shareholders appoints the Company's and its subsidiaries' auditor and fixes the audit fee. The Audit Committee selects and proposes the potential auditor together with the audit fee to the Board of Directors before the Board forwards to the Annual General Meeting of Shareholders to appoint the auditor and fix the remuneration. The meeting of shareholders considers that the proposed auditor and the auditor's company are independent and have no conflict of interest with the Company, the management, major shareholders or related persons. In addition, the Company rotates the auditor aligned 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 2016 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 2016 as follows:

Company	Audit Fee (Baht)
Inoue Rubber (Thailand) Public Company Limited	1,164,270
IRC (Asia) Research Co., Ltd.	218,304
Kinno Hoshi Engineering Co., Ltd.	218,304
Audit Fee for Investment Promotion Certification	324,000
Out of Pocket Expenses	59,500
Other Fees	-None-
<b>Total</b>	<b>1,984,378</b>

# Risk Factors

Currently, since the business challenge increases continuously, the risk management becomes the key procedure of business operation and brings about a sustainable business growth. Thus, the Company has defined the integrated risk management framework in compliance with the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and has managed the risk following the ISO 14001: 2015 and ISO 9001:2015 standards. The key objectives are to mitigate the risk impact that might occur in the business operation and to respond to every group of stakeholder's expectation equitably.

In 2016, the Risk Management Committee has specified not only the Key Risk Indicators (KRIs) in each type of risks that covering 2 main business lines which are motorcycle tires & tubes, and industrial elastomer parts, but also the risk owners. In consequence, the employees have realized their roles and duties in managing the risk which finally becomes the risk culture in the organization. Besides, the risk owners also take responsibility for following up and reporting the result of the risk management to the executives and the Risk Management Committee in every quarter, or reporting immediately in case of emergency so that the risk management strategy could properly be set up in short, medium and long-terms.

## 1) Strategic Risk

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

Due to the lowering demand of new motorcycles corresponding to the economic situation, Thai motorcycle production drops slightly. To mitigate the possible risk, the Company strategizes the plan by dividing the market into 3 main groups. The first one is Original Equipment Market (OEM). In 2016, the Company focused on expanding the market to new customers e.g. ATV, Panther, Keeway, Benelli, etc. Though the total purchase orders were quite low in the earlier stage, the growth proportion was somehow in the pleasant stage. The second group is Replacement Market, which emphasizes on supporting and dealing with the domestic distributors as well as continuously launching the new product responding to the market demand. The last one is Export Market, which advantages from the Baht depreciation and the continuous new product launching in Japanese and European markets.

### *Industrial Elastomer Part Business Line:*

To maintain the market share and raise the opportunity of market expansion, the Company improves potentiality by diversifying products continuously. Together with the auto-maker, the Company creates and develops new products e.g. Hose Air Intake, Weather Strip Hood, Motorcycle Rubber Bush, Cover Steering Column Hole, etc. Moreover, the Company also develops the products to serve other industries e.g. the use of natural rubber in rail pad and sport track etc.

## 2) Operational Risk

One of the upcoming challenges in industrial production is adapting towards "Industrial Revolution 4.0". Many Innovations and smart technologies will play important roles in production process which bring about increasing level of competitiveness and efficacy as well as cost and time reduction. With these reasons, the Company realizes and thus nonstop researches and develops the production process to be ready for the possible change in the future.

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

The Company pays attention on enhancing the production efficacy by using modern and efficient machinery in production process and using manpower as few as possible. For example, the curing machine improvement, which is a part of the Tire2 production line, uses automation system throughout the process starting from the designing, powdering, curing and tire inspecting. Nevertheless, the new system will also expand to Tire1 production line in a year later as well. Additionally, in the production planning, the Company will use the IRC Smart Production (ISP) in the production planning and control to enhance production efficiency and to meet the customer's delivery requirement. For the tube production improvement, the Company uses the Auto Vacuum to raise the production ability and motorcycle tire quality inspection in order to continuously enhance the production level and bring about the increasing competitiveness ability.

### *Industrial Elastomer Part Business Line:*

Due to the present price competition, the Company intends to optimize the cost to raise the potentiality in quality improvement and production ability as well as to reduce the waste from the production process. This was done by set up the automation system in the production line. Furthermore, in 2016, the Company has used robots in the production line of Industrial Elastomer Parts. This, consequently, raises confidence and pleases customers about our quality and output control that well meet their requirements. By the way, the Company will consider to magnify towards other production processes afterwards.

Besides, the Company realizes about the significance of safety in work place and tries to reduce the risk that might occur from working. To be the work place with Zero-Accident, the Company not only cultivates employees to have a safety conscious mind through the safety policy, 5 Don't-5 Do principles, safety trainings and Safety Day Activity, but also prepares work plans and suggests safety measures for work as well. Accordingly, the Safety, Health and Environment Committee has well responded to the goal as the Company received the Silver level, 1st year 2016 Zero Accident Campaign Certificate from the Ministry of Labour.

However, the Company not only has the licenses to operate that are official documents from government offices, but also manages and improves production processes to go beyond specified standards and regulations in order to create the least impact on the nearby community. To operate the business righteously, the Company intends to sustain good relationship and understanding with the nearby community.

### 3) Financial Risk

According to the uncertainty of local and international economies, the Company also has the transactions of raw material import and product export that relate to the US dollar (USD), Japanese Yen (JPY) and Euro (EUR). These causes exchange rate fluctuation becoming the Company's key financial risk. Throughout the year 2016, the exchange rate encountered impacts from many situations e.g. the United Kingdom's Brexit referendum, the Quantitative Easing (QE) measures of the Bank of Japan (BOJ) and the European Central Bank (ECB) as well as the expectation of the interest rate increase of the US Federal Reserve (Fed). These lead to the capital movements which correspondingly affect the exchange rate fluctuation.

However, the Company closely follows up the movement of the exchange rate and any situation that might affect the money market as well as specifies the policy of undertaking forward contracts for foreign currency transactions in order to eliminate such a risk. The results are reported to executives and the Risk Management Committee for acknowledgement in every quarter.

For customers' credit risk, the Company specifies that the terms of account receivables are regularly reported to executives in order to monitor if there will be any suspicious transaction as well as to present in the quarterly financial report. Nevertheless, most of the Company's account receivables amount are current account receivable-- undue collection period --, thus, they do not cause concern over the Company's liquidity and financial status.

### 4) Compliance Risk

The Company realizes the importance of complying the laws, rules and regulations of production, safety, health and environmental operation along with other international standards that relate and involve with 2 business operations. Thus, the Company perfectly complies with them.

Notwithstanding, the changes of the related laws, rules and regulations or unprofessional personnel might benightedly cause risk. The Company, therefore, always provides both in-house and off-house trainings to inculcate knowledge and understanding of employees to fully comply with the change of laws, rules and regulations

Besides, the Company realizes that being the good Corporate Citizenship not only comply with the laws, rules and regulations, but also listen and respond equitably to the requirements and expectation of stakeholders. The Company has the Corporate Governance and Social Responsibility Committee to look after, listen and act as the intermediary of communication between the Company and stakeholders so that the Company can sustainably operate businesses together with the society.

Finally, the participation in Private Sector Collective Action Coalition Against Corruption (CAC) encourages the Risk Management Committee to strictly evaluate the risk impact and likelihood that might occur from the corruption apart from the Management control in order to assure that the Company acquires the proper internal control.

# Internal Control and Risk Management

The Board of Directors realizes the importance of risk management as a part of good corporate governance which is fundamental to achieving the Company's objectives. As a result, the Board of Directors had established the Risk Management Committee to push the systematic risk management process by formulating risk management policies and procedures covering the entire enterprise namely;

## 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 as the Company's culture and driving to value enhancement of the Company".

*This policy was announced  
in replacement of the old policy since April 26th, 2016.*



## Internal Control

Availability of a good internal control system is very important for ensuring the Company's operation meets purposes to be able to prevent and manage risks or reduce the possible losses/ damages caused by incidents taking place to the Company and stakeholders. 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 management together determine the Company's management structure, roles and duties of related persons, as well as the authority of approval in each issue so that the management is able to drive the Company's success in goals and objectives as set, under the good corporate governance principle.

The Company had determined the Good Corporate Governance and Business Morality Handbook, including Code of Conduct, in 2005, and it has been developed to align with changing in laws, rules and regulations, as well as circumstances— last revision was done on November 25th, 2016 –as approved by the Board. To establish this policy, directors, executives and employees at all levels are required to embrace and bring it into practice including the prohibition of any action which may bring about the conflict of interests with the Company. For the penalty, it shall be applied by the Company's employee regulation.

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, presentation to enhance understanding in the canteen, and arranging the activity "IRCT Stated the Power against Corruption", on September 2nd 2016. 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 2016, 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 2016, 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 time. 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 the special channel 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.

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.

#### Comment of the Audit Committee and The Board of Directors on the Company's Internal Control System

The management had conducted the internal control assessment form followed by the Securities and Exchange Commission "SEC" guideline, covering 5 topics as mentioned above. This evaluation was reviewed by the Audit Committee and given opinion by the Board of Directors.

Furthermore, the external auditors have agreed with the Audit Committee and the Board on the issue of adequate internal controls and the Company has no substantial internal control shortcoming. The ability to protect the Company's property and its subsidiaries from the executive or employees are used illegally or without authorization. Financial reporting is accurate and reliable in accordance with generally accepted accounting standards and financial reporting standards.

Most of connected transactions happened between the Company and parties related to the Company's business operations. The connected transactions were undertaken to facilitate normal business operating activities as well as to shrink the time spend required in accomplishing each business activity. To enter into each transaction, the Company always made a decision based on the utmost good faith for the Company's and shareholders' benefits without any conflict of interests.

The auditor presented connected transactions in the note no. 25 of financial statements and the connected transactions for the fiscal year 2016 were summarized in the table next page.

#### **Connected Transactions with Parties with Potential Conflict of Interest**

During the fiscal year 2016, 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 aforesaid transactions were engaged in accordance with the conditions mutually agreed between the Company and the related parties, which relied on the normal business conditions on the Arm's length basis and were disclosed in the note no. 25 of financial statements.

#### **Necessity and Appropriateness of Transactions**

Most of connected transactions between the Company and parties related to the Company's business operations were undertaken to facilitate business operating activities and led to sustainable development. To enter into each transaction, the Company made a decision based on stakeholders' benefits without any conflict of interests.

#### **Measures and Procedures of Connected Transaction Approval**

To enter into connected transactions or related party transactions with potential conflict of interest transparently and based on stakeholders' benefits, the Company had clearly stated the procedures of connected transaction approval in managerial authority of the company, aligned with the Security and Exchange Commission's regulations.

The Audit Committee had reviewed and proposed connected transactions of the fiscal year 2016 as shown in the table to the Board of Director for acknowledgement.

#### **Potential Connected Transactions in the Future**

Entering into each transaction will be based on trading terms which are possibly to refer to third parties' terms. The Company will also comply with Security and Exchange Act, regulations of the Stock Exchange of Thailand and rules of disclosure of information on connected transactions, and acquisition and disposal of assets.

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

**Summary of Related Company Transactions as to Holding Stock and / or Sharing Directors**  
**For Fiscal Year 2016 (1 October 2015 – 30 September 2016)**

	Connected Parties / Type of Relationship	Type of Transaction	Amount (Mill. Baht)		Type of Connected Transaction
			FY 2015	FY 2016	
1	Thai Inoac Component Co., Ltd. "TIC" - Be indirect shareholders - Have directors in common	Sales of assembly	1.60	-	Normal business transaction with the aim to determine TIC to assembly finished goods supplying to the Company under the cost-plus margin principle
		Assembly expenses	0.18	1.23	Normal business transaction with the aim to determine TIC to assembly finished goods supplying to the Company under the same practice as the price charged to other third parties
		Rental incomes	1.20	1.20	Short-term property rental contract Period 1 year. (Rental rate is not less than the fair price from 2 independent appraisers' estimation.)
		Service and Utility incomes	0.18	0.19	Service fee from external payment collection
2	Thai Stanley Public Co., Ltd. "STANLY"	Sales of finished goods	20.07	15.13	Normal business transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties
3	- Have a major shareholder— Sopa-Kanok International Co., Ltd. —in common - Have directors in common	Sales of finished goods	13.17	15.32	Normal business transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties
4	Inoue Rubber Co., Ltd."IRCJ" IRCJ is a major shareholders in IRC and has directors in	Technical assistance fee expenses	12.76	12.87	Normal business transaction under the contract price charged by the percentage of motorcycle tire and tube sales
		Sales of motorcycle tire and tube products	119.49	117.53	Normal business transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties
		Finished goods expenses	4.15	5.75	Normal business transaction by adopting the same practice as other third parties

	Connected Parties / Type of Relationship	Type of Transaction	Amount (Mill. Baht)		Type of Connected Transaction
			FY 2015	FY 2016	
5	Inoac Corporation Co., Ltd. "Inoac Corp" - Have a major shareholder- IRCJ – in common - Have directors in common	Technical assistance fee expenses	18.82	20.57	Normal business transaction under the contract price charged by the percentage of industrial elastomer parts' sales and being reduced in accordance with the number of selling years
6	Inoue Rubber (Vietnam) Co., Ltd. "IRV" IRCT's joint-venture by holding 8% of total shares with the major shareholder- IRCJ –and directors in common	Sales of finished goods	18.82	20.57	Normal business transaction under the contract price charged by the percentage of industrial elastomer parts' sales and being reduced in accordance with the number of selling years
7	Inoac Thailand Co., Ltd. "ITH" Be indirect shareholding	Professional service fee expenses	37.45	37.47	Professional service fee 1 year contract ITH provides the professional service fee in marketing and product quality control which the remuneration rule was set in accordance with the IRCT's group.
		Sales of finished goods	2.79	2.25	Normal business transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties
		Rental and service incomes	0.47	0.38	Short-term property rental contract, period 1 year. The contract price (Rental rate is not less than the 2 independent appraisers estimation.) Service fee is the average fixed cost as the Company usually paid and the fee is variable on usages.
8	Inoac Vietnam Co., Ltd. "IVC" Have indirect shareholders in common	Sales of finished goods	1.28	0.43	Normal business transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties



	Connected Parties / Type of Relationship	Type of Transaction	Amount (Mill. Baht)		Type of Connected Transaction
			FY 2015	FY 2016	
9	The Sittipol (1919) Co., Ltd."STP" Have a major shareholder– Sopa-Kanok International Co., Ltd. –and directors in common	Sales of finished goods	541.56	569.44	Normal business transaction which STP was appointed as the only distributor in domestic sales of motorcycle tires and tubes in Thailand The prices are determined by the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties.
		Advertising expenses	6.93	3.20	Normal business transaction with the aim to support and promote the selling activities of STP which is the only distributor in domestic sales of motorcycle tires and tubes in Thailand
10	Smart Sport Promotion Co., Ltd. Have an indirect shareholder– Sopa-Kanok International Co., Ltd. –and directors in common	Advertising expenses	0.25	0.28	Normal business transaction in advertising activities to increase agility in operation
11	Total Oil (Thailand) Co., Ltd."TOTAL" Have a major shareholder– Sopa-Kanok International Co., Ltd. –and directors in common	Material and spare part expenses	3.09	2.15	Normal business transaction by adopting the same practice as other third parties
12	Pacific Industries (Thailand) Co., Ltd."PACIFIC" Have a major shareholder– Sopa-Kanok International Co., Ltd. –and directors in common	Raw material expenses	73.89	68.00	Normal business transaction by adopting the same practice as other third parties
13	SK Rubber Product Co., Ltd."SKR" Have an indirect shareholder– Sopa-Kanok International Co., Ltd. –in common	Work in Process incomes	33.21	36.06	Normal business transaction by adopting the same practice as other third parties
		Purchase of goods	65.00	67.46	Normal business transaction by adopting the same practice as other third parties

	Connected Parties / Type of Relationship	Type of Transaction	Amount (Mill. Baht)		Type of Connected Transaction
			FY 2015	FY 2016	
14	Inoac International Co., Ltd. "IIC" Have a major shareholder Sopa-Kanok International Co., Ltd. –and directors in common	Sales of finished goods	139.05	150.48	Normal business transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties
		Material expenses	252.23	141.83	Normal business transaction by adopting the same practice as other third parties
15	Techno Foam Co., Ltd. Have an indirect shareholder– IRCJ –in common	Sales of finished goods	0.62	0.58	Normal business transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties
16	Inoac Industries (Thailand) Co.,Ltd. Have an indirect shareholder– IRCJ –in common	Sales of finished goods	0.09	0.06	Normal business transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties
17	Asian Rubber Parts Co., Ltd. "ARP" Have an indirect shareholder– IRCJ – and directors in common	Sales of finished goods	65.34	21.98	Normal business transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties
		Rental and service incomes	0.55	0.18	Short-term property rental contract, period 1 year. The contract price (Rental rate is not less than the 2 independent appraisers estimation.)
		Machine rental incomes	4.33	1.61	Machine rental, period 10 year started at April 2012, which were required unique technology and characteristics in production
18	Inoac Automotive (Thailand) Co.,Ltd. Have an indirect shareholder– IRCJ –in common	Sales of finished goods	1.29	4.07	Normal business transaction by having the same practice as the price charged to other third parties
		Raw material expenses	7.79	4.92	Normal business transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties
19	Bridgestone IRC Manufacturing Co., Ltd.	Sales of finished goods	70.18	140.23	Normal business transaction by having the same practice as the price charged to other third parties

Connected Parties / Type of Relationship	Type of Transaction	Amount (Mill. Baht)		Type of Connected Transaction
		FY 2015	FY 2016	
20 Inoac Tokai (Thailand) Co., Ltd.	Purchase of finished goods	152.45	188.90	Normal business transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties
	Sales of Work in Process goods	562.76	525.20	Normal business transaction under the market price or cost-plus margin determination by product type which is the same practice as the price charged to other third parties
	Service and professional service incomes	9.84	8.59	Professional service fee 1 year contract IRCT provides the professional service in accounting, finance, human resource, computer system, and other services under the average fixed cost of existing system and this service providing is able to maximize the capacity of the system.
	Building rental incomes	1.54	1.54	Short-term property rental contract, period 1 year. The contract price (Rental rate is not less than the 2 independent appraisers estimation.)

## The Automotive Industry Situation

During the fiscal year 2016 (October 1st 2015 – September 30th 2016), Thai economy expanded gradually from the promotion of many infrastructure projects; especially, transportation infrastructure projects and government's economic stimulation measures, which slightly recovered the overall economy.

## Car and Motorcycle Production in the Fiscal Year 2015-2016

	FY 2015 (1 OCT 14 – 30 Sep 15)	FY 2016 (1 OCT 15 – 30 Sep 16)	Change (%)
<b>Car Production (units)</b>	1,903,465	1,957,979	+2.86
- Domestic Sales (units)	797,585	767,226	-3.81
- Export Sales (units)	1,105,870	1,190,753	+7.68
<b>Motorcycle Production (units)</b>	1,839,712	1,787,057	-2.86
- Domestic Sales (units)	1,497,337	1,494,586	-0.18
- Export Sales (units)	342,375	292,201	-14.65

According to the data from the Federation of Thai Industries (FTI), Automobile production during October 2015 – September 2016 showed a good sign of recovery by grew approximately 2.88% or 1.96 million units. The main driven was export sales that expanded by 7.68% or 1.19 million units mostly came from Oceania, Asia and Middle-East markets; especially, the Oceania and Asia market that had growth rate up to 9.65% and 6.66% respectively comparing to the same period last year. However, domestic sales amounted to 0.77 million units, slightly contracted by 3.81% from the last year due to the 6% of pickup 1 ton contraction due to the slowdown of domestic demand and farmer income.

For the Motorcycle production in fiscal year 2016, it showed total production of 1.79 million units, which was classified into family model 1.36 million units and sport model 0.43 million units. Overall production contracted by 2.86% from the same period last year mainly due to the decreased demand of the key motorcycle users that caused a contraction of model 101-125 CC., which was the popular model for the domestic market. However, the motorcycle manufacturers have done the marketing campaigns and launched the new model continuously throughout the year to stimulate the demand in the market.

## Overview of the Company and its Subsidiaries Operation

For the FY 2016, the Company had the total revenues of 5,002.40 million Baht, declined by 183.85 million Baht or 3.54% from the last year. The revenues mainly came from the selling and services in 2 business lines as follows;

- **Tires & Tubes Business:** The sales proportion of Motorcycle Tires & Tubes was classified by channels of distribution which are Export, Original Equipment Manufacturer (OEM) and Replacement markets. As a result, the business expanded better than the last year around 2% due to the increasing proportion of motorcycle tire and tube exports following the market demand and the acceptance of product quality. The main market groups were ASEAN, Asia, Europe, etc.
- **Industrial Elastomer Parts Business:** It declined by approximately 8% relating to the decreasing production of pickup 1 ton. However, selling of industrial elastomer parts in other industries such as electronic industry and air conditioner had growth rate at 27% owing to the customer base expansion and new parts selling.

### The Company's performance in the FY 2016 (Ended September 30<sup>th</sup>, 2016)

(Unit: million Baht)	Q1 / 2016	Q2 / 2016	Q3 / 2016	Q4 / 2016	2015	2016	%YoY
<b>Total Revenues</b>	1,209.50	1,309.37	1,231.00	1,252.53	5,186.25	5,002.40	-3.54%
<b>Cost of Sales and Services</b>	999.45	1,043.84	981.80	1,003.15	4,330.72	4,028.24	-6.98%
<b>Selling and Administration</b>	80.35	83.61	82.78	75.65	307.16	322.39	4.96%
<b>EBIT</b>	124.96	160.80	176.46	164.27	527.79	626.49	18.70%
<b>Net Profit</b>	104.68	144.11	130.46	134.38	441.52	513.63	16.33%
<b>Basic Earnings per Share</b>	0.52	0.72	0.65	0.68	2.21	2.57	16.33%

Besides, the Company's other incomes were the dividend received from the investment in the Company's subsidiaries which was IRC (Asia) Research Company Limited "IAR"; the mainspring of Motorcycle Tires & Tubes and Industrial Elastomer parts businesses' research and development, and Kin No Hoshi Engineering Company Limited "KINNO"; mold production for automotive parts industry, with the amount of 26 million Baht and 10 million Baht respectively. However, the dividend income declined from the last year by 57.1 million Baht relating to the falling of sales and increasing in research and development investment.

The Company's cost of sales and services decreased by 6.98% due to the downturn of oil prices and commodities prices comparing to the last year, and efficient control of material costs. Consequently, EBIT increased to 18.70% and brought about net profit at 513.62 million Baht, increased by 72.11 million Baht or 16.33%.

#### Financial Position

As of September 30<sup>th</sup>, 2016, the Company had total assets with the amount of 4,272.37 million Baht, grew by 298.92 million Baht from September 30<sup>th</sup>, 2015. This mainly came from the increasing in cash and short-term investment with the amount of 466.90 million Baht, and the decreasing in inventories with the amount of 146.08 million Baht.

The Company had total liabilities with the amount of 1,071.56 million Baht, declined by 38.11 million Baht, mainly due to decreasing of trade and other payables with the amount of 83.64 million Baht following the decreasing of raw material prices. Notwithstanding, the Company remained the position without long-term debts.

Total equities amounted to 3,200.81 million Baht, rose by 337.03 million Baht, due to the increasing operating profits during the FY 2016 deducted by the allocation of net profit in 2015, with the amount of 0.883 Baht per share (from BOI-promoted operations 0.123 Baht per share and Non-BOI-promoted operations 0.760 Baht per share), totaling in dividend paid of 176.60 million Baht.

As of September 30<sup>th</sup>, 2016, the Company had capital structure regarding to debts to equities ration at 0.33 times.

#### Cash Flow

According to the consolidated financial statement as of September 30<sup>th</sup>, 2016, the Company had cash received from operating activities with the amount of 942.94 million Baht, increased by 117.64 million Baht, mainly came from the operating and interest incomes. The cash receiving from the investing activities amounted to 734.87 million Baht, decreased by 64.41 million Baht mainly due to investing in equipment, machines and technologies to enhance efficiency and effectiveness for sustainable production process. In addition, the cash flow from financing activities amounted to 182.49 million Baht, decreased by 23.87 million Baht, due to the fully loan paid to financial institutions of 72.00 million Baht.

As a result, the Company had cash and cash equivalent with the amount of 227.97 million Baht, expanded by 25.57 million Baht, and had short-term investment with the amount of 444.89 million Baht.



### **The Possible Impacts on Financial Position or Performance in the Future**

During the transition period of industry 3.0 to 4.0, there was a technological and innovative progress, which drove the economic fundamentals towards the “Value-Based Economy” and the “New S-Curve”. The Company has realized on these dimensions; therefore has continuously tried to cultivate the research and development of the production process and the new products responding to the structural reform of the market and the consumer demand. After all these times, the Company has brought the automation systems to apply in production lines to enhance the production efficacy and production cost control. This has created the customer’s confidence towards the quality of the products and the on-time delivery.

In the FY 2017, the Company will apply the IRC Smart Production (ISP) with the planning and control of Tire & Tube production, and will continuously adopt automatic machines in production lines following the mission of “Be the Leading Company in Innovation Development and the Smart Factory”.

The trend of the automotive industry shows the positive direction as the demand of new cars will present clear signal next year after the expiration of the “First Car Policy” condition that has begun since September 15th, 2016. Moreover, the new campaign of market stimulation and the new model launch from the car manufacturer as well as the recovering signal from the export will support the higher car production.

For the market of Industrial Elastomer part, the Company has produced and supplied to other industries which is first electric and electronic industry such as an air conditioner and compressor. The growth rate of this market in 2017 is estimated to alter following the season and the demand of the main export markets such as ASEAN, the U.S. and Japan. The next industry is agricultural machine, which is estimated to expand following the price of agricultural products. Nevertheless, the construction industry and railway projects have got advantage from the major infrastructure investment and the continuous government capital injection. However, the concerning factors are high level of household debts and increasing proportion of NPLs. This will cause the financial institutions to beware of making a loan and consequently pressure the consumers.

# 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, 2016 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, 2016.

On behalf of the Board of Directors  
Inoue Rubber (Thailand) Public Company Limited



(Mrs. Pimjai Leeissaranukul)  
Chairman



(Mr. Takenori Nakamoto)  
President

# Auditor's Report and Financial Statement

## AUDITOR'S REPORT

### To the Shareholders of Inoue Rubber (Thailand) Public Company Limited

I have audited the accompanying consolidated and company financial statements of Inoue Rubber (Thailand) Public Company Limited and its subsidiaries and of Inoue Rubber (Thailand) Public Company Limited, respectively, which comprise the consolidated and company statements of financial position as at 30 September 2016, and the related consolidated and company statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the consolidated and company financial statements referred to above present fairly, in all material respects, the consolidated and company financial position of Inoue Rubber (Thailand) Public Company Limited and its subsidiaries and of Inoue Rubber (Thailand) Public Company Limited, respectively, as at 30 September 2016, and its consolidated and company results of operations and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.



Nopanuch Apichatsatien  
Certified Public Accountant (Thailand) No. 5266  
PricewaterhouseCoopers ABAS Ltd.

Bangkok  
24 November 2016

Inoue Rubber (Thailand) Public Company Limited  
Statements of Financial Position  
As at 30 September 2016

	Notes	Consolidated		Company	
		2016 Baht	2015 Baht	2016 Baht	2015 Baht
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	5	227,970,278	205,975,838	222,839,301	181,870,196
Short-term investments	6	964,603,692	519,713,833	930,662,487	484,509,120
Trade and other receivables, net	7	884,517,831	861,609,509	884,130,776	859,396,198
Inventories, net	8	454,710,742	600,792,553	451,433,227	593,013,428
Other current assets		16,849,304	15,877,523	15,629,068	15,200,766
<b>Total current assets</b>		<b>2,548,651,847</b>	<b>2,203,969,256</b>	<b>2,504,694,859</b>	<b>2,133,989,708</b>
<b>Non-current assets</b>					
Investments in subsidiaries	9	-	-	20,049,230	20,049,230
Other long-term investment	10	30,781,799	30,781,799	30,781,799	30,781,799
Investment property, net	11	9,825,579	9,913,921	10,630,797	10,765,224
Property, plant and equipment, net	12	1,599,508,645	1,637,816,314	1,526,635,663	1,567,440,173
Computer software, net	13	37,206,132	38,128,439	30,382,664	32,335,936
Deferred tax assets	14	25,546,507	18,924,205	25,063,574	18,481,738
Other non-current assets		20,846,884	33,914,010	20,846,883	33,914,010
<b>Total non-current assets</b>		<b>1,723,715,546</b>	<b>1,769,478,688</b>	<b>1,664,390,610</b>	<b>1,713,768,110</b>
<b>Total assets</b>		<b>4,272,367,393</b>	<b>3,973,447,944</b>	<b>4,169,085,469</b>	<b>3,847,757,818</b>

Director \_\_\_\_\_

Director \_\_\_\_\_

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

	Notes	Consolidated		Company	
		2016 Baht	2015 Baht	2016 Baht	2015 Baht
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Bank overdrafts	15	-	3,577,578	-	3,577,578
Trade and other payables	16	677,747,762	761,393,007	696,348,160	788,008,128
Current portion of finance lease liabilities	15	4,693,491	5,891,782	4,693,491	5,891,782
Income tax payable		60,350,407	35,598,122	60,937,837	35,585,646
Accrued expenses	17	146,599,286	134,886,707	129,908,349	120,832,539
Other current liabilities		1,918,337	1,741,708	194,054	186,298
<b>Total current liabilities</b>		<b>891,309,283</b>	<b>943,088,904</b>	<b>892,081,891</b>	<b>954,081,971</b>
<b>Non-current liabilities</b>					
Employee benefit obligations	18	158,454,178	140,319,577	143,016,106	126,700,706
Finance lease liabilities	15	20,548,658	25,242,149	20,548,658	25,242,149
Deferred tax liabilities	14	1,246,786	1,018,078	-	-
<b>Total non-current liabilities</b>		<b>180,249,622</b>	<b>166,579,804</b>	<b>163,564,764</b>	<b>151,942,855</b>
<b>Total liabilities</b>		<b>1,071,558,905</b>	<b>1,109,668,708</b>	<b>1,055,646,655</b>	<b>1,106,024,826</b>

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 2016

	Notes	Consolidated		Company	
		2016 Baht	2015 Baht	2016 Baht	2015 Baht
<b>Liabilities and shareholders' equity (Cont'd)</b>					
<b>Shareholders' equity</b>					
Share capital	19				
Authorised share capital					
Ordinary shares, 200 million shares of par 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 at Baht 1 each		200,000,000	200,000,000	200,000,000	200,000,000
Share premium	19	298,000,000	298,000,000	298,000,000	298,000,000
Retained earnings					
Appropriated - legal reserve	20	20,000,000	20,000,000	20,000,000	20,000,000
Unappropriated		2,681,214,880	2,344,184,666	2,591,278,534	2,219,572,712
Other components of equity		<u>1,587,371</u>	<u>1,587,371</u>	<u>4,160,280</u>	<u>4,160,280</u>
<b>Total parent's shareholders' equity</b>		<u>3,200,802,251</u>	<u>2,863,772,037</u>	<u>3,113,438,814</u>	<u>2,741,732,992</u>
Non-controlling interests		<u>6,237</u>	<u>7,199</u>	<u>-</u>	<u>-</u>
<b>Total shareholders' equity</b>		<u>3,200,808,488</u>	<u>2,863,779,236</u>	<u>3,113,438,814</u>	<u>2,741,732,992</u>
<b>Total liabilities and shareholders' equity</b>		<u>4,272,367,393</u>	<u>3,973,447,944</u>	<u>4,169,085,469</u>	<u>3,847,757,818</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 2016

	Notes	Consolidated		Company	
		2016 Baht	2015 Baht	2016 Baht	2015 Baht
<b>Revenues</b>					
Sales and service income	25	4,954,767,572	5,126,279,768	4,954,572,158	5,125,293,435
Dividend income	9	-	-	35,999,239	93,100,732
Other income		47,628,584	59,970,934	49,907,646	61,777,758
<b>Total revenues</b>		<u>5,002,396,156</u>	<u>5,186,250,702</u>	<u>5,040,479,043</u>	<u>5,280,171,925</u>
<b>Expenses</b>					
Costs of sales and services	25	4,028,243,415	4,330,718,709	4,041,875,797	4,369,482,718
Selling expenses		87,961,758	86,340,512	87,961,757	86,340,512
Administrative expenses		234,426,750	220,821,341	224,494,362	212,097,780
Other expenses		25,272,144	20,579,698	25,269,433	20,568,138
<b>Total expenses</b>	21	<u>4,375,904,067</u>	<u>4,658,460,260</u>	<u>4,379,601,349</u>	<u>4,688,489,148</u>
<b>Profit before finance costs and income tax</b>					
		626,492,089	527,790,442	660,877,694	591,682,777
Finance costs	22	<u>(1,743,567)</u>	<u>(3,085,655)</u>	<u>(1,661,486)</u>	<u>(3,047,133)</u>
<b>Profit before income tax</b>		624,748,522	524,704,787	659,216,208	588,635,644
Income tax expense	23	<u>(111,118,509)</u>	<u>(83,183,594)</u>	<u>(110,910,386)</u>	<u>(81,301,831)</u>
<b>Net profit for the year</b>		513,630,013	441,521,193	548,305,822	507,333,813
<b>Other comprehensive income (expense)</b>					
Total items that will not be reclassified subsequently to profit or loss:					
Actuarial gains on employee benefit obligations					
		-	(2,383,091)	-	(438,607)
Deferred tax relating to actuarial gains on employee benefit obligations					
		-	205,042	-	70,842
Items that will not be reclassified subsequently to profit or loss					
		-	(2,178,049)	-	(367,765)
<b>Total comprehensive income for the year - net of tax</b>		<u>513,630,013</u>	<u>439,343,144</u>	<u>548,305,822</u>	<u>506,966,048</u>

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

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 2016

	Note	Consolidated		Company	
		2016 Baht	2015 Baht	2016 Baht	2015 Baht
<b>Profit attributable to:</b>					
Equity holders of the parent		513,630,214	441,520,628	548,305,822	507,333,813
Non-controlling interests		(201)	565	-	-
		<u>513,630,013</u>	<u>441,521,193</u>	<u>548,305,822</u>	<u>507,333,813</u>
<b>Total comprehensive income attributable to:</b>					
Equity holder of the parent		513,630,214	439,342,599	548,305,822	506,966,048
Non-controlling interests		(201)	545	-	-
		<u>513,630,013</u>	<u>439,343,144</u>	<u>548,305,822</u>	<u>506,966,048</u>
<b>Earnings per share</b>					
Basic earnings per share (Baht)	24	2.57	2.21	2.74	2.54

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

# Inoue Rubber (Thailand) Public Company Limited

## Statement of Changes in Shareholders' Equity

### For the year ended 30 September 2016

Consolidated												
Total Equity Attributable to Owners of the Parent												
Note	Issued and fully paid-up share capital	Share premium	Retained earnings		Other comprehensive income			Total equity attributable to owners of the parent		Non-controlling interests		Total shareholders' equity
			Legal reserve	Unappropriated retained earnings	Actuarial gains on employee benefit obligations	Other components of equity	Baht	Baht	Baht	Baht	Baht	
	200,000,000	298,000,000	20,000,000	2,028,043,473	3,765,965	3,765,965	3,765,965	2,549,809,438	10,322	2,549,819,760		2,549,819,760
	-	-	-	441,521,193	(2,178,594)	(2,178,594)	(2,178,594)	439,342,599	545	439,343,144		439,343,144
29	-	-	-	(125,380,000)	-	-	-	(125,380,000)	(3,668)	(125,383,668)		(125,383,668)
	200,000,000	298,000,000	20,000,000	2,344,184,666	1,587,371	1,587,371	1,587,371	2,863,772,037	7,199	2,863,779,236		2,863,779,236
	200,000,000	298,000,000	20,000,000	2,344,184,666	1,587,371	1,587,371	1,587,371	2,863,772,037	7,199	2,863,779,236		2,863,779,236
	-	-	-	513,630,214	-	-	-	513,630,214	(201)	513,630,013		513,630,013
29	-	-	-	(176,600,000)	-	-	-	(176,600,000)	(761)	(176,600,761)		(176,600,761)
	200,000,000	298,000,000	20,000,000	2,681,214,880	1,587,371	1,587,371	1,587,371	3,200,802,251	6,237	3,200,808,488		3,200,808,488
	200,000,000	298,000,000	20,000,000	2,681,214,880	1,587,371	1,587,371	1,587,371	3,200,802,251	6,237	3,200,808,488		3,200,808,488

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

Inoue Rubber (Thailand) Public Company Limited  
Statement of Changes in Shareholders' Equity  
For the year ended 30 September 2016

Note	Company									
	Issued and fully paid-up share capital	Share premium	Retained earnings		Other components of equity			Total components of equity	Total equity shareholders' equity	Baht
			Legal reserve	Unappropriated retained earnings	Other comprehensive income		Total other components of equity			
					Share premium	Legal reserve				
Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	
	200,000,000	298,000,000	20,000,000	1,837,618,899	4,528,045	4,528,045	2,360,146,944			
<b>Balance as at 30 September 2014</b>										
Total comprehensive income for the year	-	-	-	507,333,813	(367,765)	(367,765)	506,966,048			
Dividends paid	-	-	-	(125,380,000)	-	-	(125,380,000)			
	200,000,000	298,000,000	20,000,000	2,219,572,712	4,160,280	4,160,280	2,741,732,992			
<b>Balance as at 30 September 2015</b>										
Total comprehensive income for the year	200,000,000	298,000,000	20,000,000	2,219,572,712	4,160,280	4,160,280	2,741,732,992			
Dividends paid	-	-	-	548,305,822	-	-	548,305,822			
	-	-	-	(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	3,113,438,814			
<b>Balance as at 30 September 2016</b>										

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

Inoue Rubber (Thailand) Public Company Limited  
Statement of Changes in Shareholders' Equity  
For the year ended 30 September 2016

	Notes	Consolidated		Company	
		2016 Baht	2015 Baht	2016 Baht	2015 Baht
<b>Cash flows from operating activities</b>					
Profit before income tax		624,748,522	524,704,787	659,216,208	588,635,644
Adjustments for:					
Depreciation	11,12	323,361,445	325,687,094	310,828,807	311,933,644
Amortisation	13	5,244,510	3,443,661	3,890,041	2,390,240
Reversal of allowance for obsolete inventories	8	(548,526)	(2,040,220)	(548,526)	(2,040,220)
Gain on disposals of property, plant and equipment		2,751,646	8,063,382	2,489,722	8,063,381
Unrealised (gain) loss on exchange rate		(4,294,347)	11,549,313	(4,294,347)	11,549,313
Dividend income	9	-	-	(35,999,239)	(93,100,732)
Interest income		(11,704,612)	(4,487,188)	(11,136,320)	(3,466,701)
Interest expenses	22	1,419,579	2,837,690	1,405,492	2,836,421
Employee benefit obligations	18	19,309,775	1,154,346	17,490,574	704,484
Changes in operating assets and liabilities					
Trade and other receivables		(24,021,827)	168,772,155	(25,843,758)	168,992,301
Inventories		146,630,337	(13,025,674)	142,128,727	(14,158,009)
Other current assets		(971,781)	10,497,823	(428,302)	10,327,352
Other non-current assets		13,067,126	27,218,946	13,067,126	27,218,946
Trade and other payables		(79,666,630)	(157,761,678)	(78,147,674)	(155,604,445)
Other current liabilities and accrued expenses		9,215,038	(5,337,790)	7,014,266	(5,553,360)
Employee benefit obligations paid	18	(1,175,174)	(7,271,628)	(1,175,174)	(5,596,332)
<b>Net cash receipts from operating activities</b>		<b>1,023,365,081</b>	<b>894,005,019</b>	<b>999,957,623</b>	<b>853,131,927</b>
Interest received		11,078,193	3,116,331	10,505,575	2,149,218
Interest paid		(1,419,579)	(3,910,588)	(1,405,492)	(3,909,319)
Income tax paid		(90,085,650)	(67,907,500)	(90,070,730)	(68,765,858)
<b>Net cash flows from operating activities</b>		<b>942,938,045</b>	<b>825,303,262</b>	<b>918,986,976</b>	<b>782,605,968</b>

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



Inoue Rubber (Thailand) Public Company Limited  
Statement of Changes in Shareholders' Equity  
For the year ended 30 September 2016

	Notes	Consolidated		Company	
		2016 Baht	2015 Baht	2016 Baht	2015 Baht
<b>Cash flows from investing activities</b>					
Short-term investments	6	(444,889,859)	(519,713,833)	(446,153,367)	(484,509,120)
Purchases of property, plant and equipment		(287,676,986)	(259,373,662)	(281,744,260)	(254,396,190)
Purchases of intangible assets	13	(4,322,202)	(23,243,449)	(1,936,769)	(21,812,779)
Proceeds from disposals of property, plant and equipment		2,015,562	3,052,978	1,886,646	3,052,978
Dividend received		-	-	35,999,239	93,100,732
<b>Net cash flows from investing activities</b>		<b>(734,873,485)</b>	<b>(799,277,966)</b>	<b>(691,948,511)</b>	<b>(664,564,379)</b>
<b>Cash flows from financing activities</b>					
Repayments of long-term loans from financial institutions		-	(72,000,000)	-	(72,000,000)
Finance lease payments	15	(5,891,782)	(8,979,397)	(5,891,782)	(8,979,397)
Dividends paid	29	(176,600,760)	(125,383,668)	(176,600,000)	(125,380,000)
<b>Net cash flows from financing activities</b>		<b>(182,492,542)</b>	<b>(206,363,065)</b>	<b>(182,491,782)</b>	<b>(206,359,397)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>25,572,018</b>	<b>(180,337,769)</b>	<b>44,546,683</b>	<b>(88,317,808)</b>
Cash and cash equivalents at the beginning of the year		202,398,260	382,736,029	178,292,618	266,610,426
<b>Cash and cash equivalents at the end of the year</b>		<b>227,970,278</b>	<b>202,398,260</b>	<b>222,839,301</b>	<b>178,292,618</b>
Cash and cash equivalents include the following for the purposes of the statement of cash flows:					
Cash and cash equivalents		227,970,278	205,975,838	222,839,301	181,870,196
Bank overdraft		-	(3,577,578)	-	(3,577,578)
<b>Total cash and cash equivalents</b>		<b>227,970,278</b>	<b>202,398,260</b>	<b>222,839,301</b>	<b>178,292,618</b>

**Non-cash transactions**

Significant non-cash transactions for the years ended 30 September 2016 and 2015 comprised the following:

- Accounts payable					
- Property, plant and equipment		45,614,945	43,559,288	55,106,182	62,584,204

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

## 1 General information

Inoue Rubber (Thailand) Public Company Limited (“the Company”) is a public limited company 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:

### Head office:

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

### Factory:

No. 157, Moo 5, Phahoyothin Road, Lamsai, Wangnoi, Ayutthaya.

The Company is listed in the Stock Exchange of Thailand. 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 motorcycle 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 company financial statements were authorised for issue by the Board of Directors on 24 November 2016.

## 2 Accounting policies

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

### 2.1 Basis for preparation

The consolidated and company 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 company 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 3.

An English version of the consolidated and company 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.

**2 Accounting policies (Cont'd)****2.2 New financial reporting standards and revised financial reporting standards**

1) New financial reporting standards and revised accounting standards, revised financial reporting standards are effective on 1 January 2015. These standards are relevant to the Group.

a) Financial reporting standards with major changes:

TAS 1 (revised 2014)	Presentation of financial statements
TAS 16 (revised 2014)	Property, plant and equipment
TAS 19 (revised 2014)	Employee benefits
TAS 27 (revised 2014)	Separate financial statements
TAS 34 (revised 2014)	Interim financial reporting
TFRS 10	Consolidated financial statements
TFRS 12	Disclosure of interests in other entities
TFRS 13	Fair value measurement

TAS 1 (revised 2014), 'Presentation of financial statements' the main change is that a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

TAS 16 (revised 2014), 'Property, plant and equipment' indicates that spare part, stand-by equipment and servicing equipment are recognised as PPE when they meet the definition of PPE. Otherwise, such items are classified as inventory. This standard has no impact to the Group.

TAS 19 (revised 2014), 'Employee benefits' the key changes are (a) actuarial gains and losses are renamed 'remeasurements' and will be recognised immediately in 'other comprehensive income' (OCI). Actuarial gains and losses will no longer be deferred using the corridor approach or recognised in profit or loss; and (b) past-service costs will be recognised in the period of a plan amendment; unvested benefits will no longer be spread over a future-service period. This standard has no impact to the Group.

TAS 27 (revised 2014), 'Separate financial statements' provide the requirements relating to separate financial statements.

TAS 34, 'Interim financial reporting' (revised 2014), the key change is the disclosure requirements for operating segment. An entity shall disclose information of a measure of total assets and liabilities for a particular reportable segment if such amounts are regularly provided to the chief operating decision maker and if there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

TFRS 10, 'Consolidated financial statements' has a single definition of control and supersedes the principles of control and consolidation included within the original TAS 27, 'Consolidated and separate financial statements'. The standard sets out the requirements for when an entity should prepare consolidated financial statements, defines the principles of control, explains how to apply the principles of control and explains the accounting requirements for preparing consolidated financial statements. The key principle in the new standard is that control exists, and consolidation is required, only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. This standard has no impact to the Group.

**2 Accounting policies (Cont'd)****2.2 New financial reporting standards and revised financial reporting standards (Cont'd)**

- 1) New financial reporting standards and revised accounting standards, revised financial reporting standards are effective on 1 January 2015. These standards are relevant to the Group. (Cont'd)

a) Financial reporting standards with major changes: (Cont'd)

TFRS 12, 'Disclosure of interests in other entities' require entities to disclose information that helps readers of financial statements to evaluate the nature of risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. This standard has no impact to the Group.

TFRS 13, 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across TFRSs. This standard has no impact to the Group, except for disclosures.

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

TAS 2 (revised 2014)	Inventories
TAS 7 (revised 2014)	Statement of cash flows
TAS 8 (revised 2014)	Accounting policies, changes in accounting estimates and errors
TAS 10 (revised 2014)	Events after the reporting period
TAS 11 (revised 2014)	Construction contracts
TAS 12 (revised 2014)	Income taxes
TAS 17 (revised 2014)	Leases
TAS 18 (revised 2014)	Revenue
TAS 20 (revised 2014)	Accounting for government grants and disclosure of government assistance
TAS 21 (revised 2014)	The effects of changes in foreign exchange rates
TAS 23 (revised 2014)	Borrowing costs
TAS 24 (revised 2014)	Related party disclosures
TAS 26 (revised 2014)	Accounting and reporting by retirement benefit plans
TAS 29 (revised 2014)	Financial reporting in hyperinflationary economies
TAS 33 (revised 2014)	Earnings per share
TAS 36 (revised 2014)	Impairment of assets
TAS 37 (revised 2014)	Provisions, contingent liabilities and contingent assets
TAS 38 (revised 2014)	Intangible assets
TAS 40 (revised 2014)	Investment property
TFRS 2 (revised 2014)	Share-based payment
TFRS 3 (revised 2014)	Business combinations
TFRS 5 (revised 2014)	Non-current assets held for sale and discontinued operations
TFRS 6 (revised 2014)	Exploration for and evaluation of mineral resources
TFRS 8 (revised 2014)	Operating segments
TSIC 10 (revised 2014)	Government assistance - No specific relation to operating activities
TSIC 15 (revised 2014)	Operating leases - Incentives
TSIC 25 (revised 2014)	Income taxes - changes in the tax status of an entity or its shareholders
TSIC 27 (revised 2014)	Evaluating the substance of transactions involving the legal form of a lease
TSIC 29 (revised 2014)	Service concession arrangements: Disclosures
TSIC 31 (revised 2014)	Revenue - barter transactions involving advertising

**2 Accounting policies (Cont'd)****2.2 New financial reporting standards and revised financial reporting standards (Cont'd)**

1) New financial reporting standards and revised accounting standards, revised financial reporting standards are effective on 1 January 2015. These standards 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: (Cont'd)

TSIC 32 (revised 2014)	Intangible assets - Web site costs
TFRIC 1 (revised 2014)	Changes in existing decommissioning, restoration and similar liabilities
TFRIC 4 (revised 2014)	Determining whether an arrangement contains a lease
TFRIC 5 (revised 2014)	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
TFRIC 7 (revised 2014)	Applying the restatement approach under TAS29
TFRIC 10 (revised 2014)	Financial reporting in hyperinflationary economies
TFRIC 12 (revised 2014)	Interim financial reporting and impairment
TFRIC 13 (revised 2014)	Service concession arrangements
TFRIC 15 (revised 2014)	Customer loyalty programmes
TFRIC 17 (revised 2014)	Agreements for the construction of real estate
TFRIC 18 (revised 2014)	Distributions of non-cash assets to owners
	Transfers of assets from customers

2) New financial reporting standards, revised accounting standards and revised financial reporting standards are effective on 1 January 2016. These standards are relevant to the Group and are not early adopted:

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.

**2 Accounting policies (Cont'd)****2.2 New financial reporting standards and revised financial reporting standards (Cont'd)**

- 2) New financial reporting standards, revised accounting standards and revised financial reporting standards are effective on 1 January 2016. These standards are relevant to the Group and are not early adopted: (Cont'd)

- a) Financial reporting standards with major changes: (Cont'd)

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.

TFRS10 (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 (when announced) or IFRS 9 (when announced).

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.

- b) Revised financial reporting standards and interpretations 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



**2 Accounting policies (Cont'd)****2.2 New financial reporting standards and revised financial reporting standards (Cont'd)**

2) New financial reporting standards, revised accounting standards and revised financial reporting standards are effective on 1 January 2016. These standards are relevant to the Group and are not early adopted: (Cont'd)

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

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 TAS29 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

## 2 Accounting policies (Cont'd)

### 2.3 Group Accounting - Investments in subsidiaries

#### (1) Subsidiaries

Subsidiaries are all entities (including special purpose 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.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intercompany transactions, balances and unrealised gains or loss on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 principal subsidiaries is set out in Note 9.

### 2.4 Other long-term investment

The Group has classified its investments other than investments in subsidiaries as other long-term investment which is investment in non-marketable equity securities. Investment in other company which the Group classified as non-current assets, are stated at cost less 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 the statement of comprehensive income.

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 Company'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 Accounting policies (Cont'd)

### 2.5 Foreign currency translation (Cont'd)

#### (a) 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 consolidated financial statements are presented in Thai Baht, which is the Group's functional and presentation currency.

#### (b) 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 remeasured. 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 the profit or loss.

When a gain or loss on a 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 and loss, any exchange component of that gain or loss is recognised in profit and loss.

### 2.6 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 30.

### 2.7 Cash and cash equivalents

In the consolidated and company 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 the consolidated and company statements of financial position, bank overdrafts are shown within borrowings under current liabilities.

### 2.8 Trade accounts receivable

Trade accounts receivable are recognised initially at the original invoice amount and subsequently measured at the remaining amount less 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 Accounting policies (Cont'd)****2.9 Inventories**

Inventories are stated at the lower of cost or 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 raw materials, direct labour, other direct costs and related production overheads (based on normal operation capacity). It excluded borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

**2.10 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 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 improvement	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 asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 Accounting policies (Cont'd)****2.11 Intangible assets**

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development costs of new product recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditure is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight line basis over their expected benefit useful lives of 5 years.

**2.12 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. 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.

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

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

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.

## 2 Accounting policies (Cont'd)

### 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 which 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.

### 2.14 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 to the principal and to the finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding 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 and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

### 2.15 Leases - where the Group is a lessor

Assets leased out under operating leases are included in investment property in the statements 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.

### 2.16 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's subsidiaries and associates 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.



## 2 Accounting policies (Cont'd)

### 2.16 Current and deferred income taxes (Cont'd)

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from depreciation of property, plant and equipment, allowance for doubtful accounts and obsolete and defective inventories and employee benefit obligations, 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.

### 2.17 Employee benefits

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension 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 period. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent 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 pension plans is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised past-service costs. 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 pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

## 2 Accounting policies (Cont'd)

### 2.18 Provisions

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.

### 2.19 Revenue recognition

Revenue comprised 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 for the consolidated financial statements.

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.

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 Segment reporting

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

Segment information is presented by business segment of the Group's operations in Note 27.

## 3 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.

### a) Investment property, plant and equipment and intangible assets

Management determines the estimated useful lives and residual values for the Group's investment 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.

**3 Critical accounting estimates, assumptions and judgements (Cont'd)****b) 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 in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions will have an impact on the carrying amount of pension 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 pension obligations are based in part on current market conditions. Additional information is disclosed in Note 18.

**4 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.

**5 Cash and cash equivalents**

	Consolidated		Company	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Cash on hand	65,000	46,066	50,000	31,066
Bank deposits - Saving deposits	64,757,815	90,041,767	63,303,218	70,099,659
- Current deposits	13,147,463	5,888,005	9,486,083	1,739,471
- Fixed deposits	150,000,000	110,000,000	150,000,000	110,000,000
Total cash and cash equivalents	<u>227,970,278</u>	<u>205,975,838</u>	<u>222,839,301</u>	<u>181,870,196</u>

The interest rates on saving deposits ranged between 0.10 - 0.5% per annum (2015: 0.10 - 0.50% per annum).

The interest rate on fixed deposits is at 1.225% per annum. The deposits have maturity within 7 days (2015: 1.30% per annum).

**6 Short-term investments**

Short-term investments consist of 4 - 5 months fixed deposits with financial institution. The interest rates on short-term investments ranged between 1.20 - 1.65% per annum (2015: 1.88 - 2.00% per annum).

**7 Trade and other receivables, net**

	Consolidated		Company	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Trade accounts receivable - related companies (Note 25)	343,629,339	336,805,383	342,662,127	335,777,296
Trade accounts receivable - other companies	532,456,338	516,639,404	532,456,338	516,639,404
<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>
Trade accounts receivable, net	873,917,902	851,277,012	872,950,690	850,248,925
Prepaid expenses	7,411,488	7,413,174	6,418,884	6,097,972
Accrued income	2,189,644	1,453,365	1,970,891	1,344,688
Amount due from related parties (Note 25)	933,708	1,319,415	2,725,222	1,559,340
Other receivables	65,089	146,543	65,089	145,273
Trade and other receivables, net	<u>884,517,831</u>	<u>861,609,509</u>	<u>884,130,776</u>	<u>859,396,198</u>

As at 30 September, the balances of accounts receivable, as classified by aging, were as follows:

	Consolidated		Company	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
<b><u>Related companies</u></b>				
Current	343,486,339	336,574,108	342,519,127	335,546,021
Overdue not over 3 months	-	88,275	-	88,275
Overdue 3 - 6 months	-	-	-	-
Overdue 6 - 12 months	-	-	-	-
Overdue more than 12 months	143,000	143,000	143,000	143,000
	<u>343,629,339</u>	<u>336,805,383</u>	<u>342,662,127</u>	<u>335,777,296</u>
<b><u>Other companies</u></b>				
Current	522,867,103	511,156,975	522,867,103	511,156,975
Overdue not over 3 months	7,435,491	3,267,660	7,435,491	3,267,660
Overdue 3 - 6 months	-	28,923	-	28,923
Overdue 6 - 12 months	-	16,638	-	16,638
Overdue more than 12 months	2,153,744	2,169,208	2,153,744	2,169,208
Total	532,456,338	516,639,404	532,456,338	516,639,404
<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>530,288,563</u>	<u>514,471,629</u>	<u>530,288,563</u>	<u>514,471,629</u>
Total trade accounts receivable, net	<u>873,917,902</u>	<u>851,277,012</u>	<u>872,950,690</u>	<u>850,248,925</u>

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## 8 Inventories, net

	Consolidated		Company	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Raw materials	171,551,432	278,176,853	171,466,912	278,072,966
Work in process	89,194,022	97,345,454	87,839,813	92,366,391
Finished goods	112,698,809	127,816,522	112,698,809	127,816,522
Supplies and spare parts	50,890,983	54,102,553	49,052,197	51,406,378
Inventories in transit	34,899,946	48,424,147	34,899,946	48,424,147
	459,235,192	605,865,529	455,957,677	598,086,404
<u>Less</u> Allowance for inventories obsolescence - raw materials	(2,097,359)	(1,680,552)	(2,097,359)	(1,680,552)
Allowance for inventories obsolescence - finished goods	(2,427,091)	(3,392,424)	(2,427,091)	(3,392,424)
Total inventories, net	<u>454,710,742</u>	<u>600,792,553</u>	<u>451,433,227</u>	<u>593,013,428</u>

During 2016, 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 company statements of comprehensive income amounting to Baht 548,526 (2015: reversal amounting to Baht 2,040,220).

## 9 Investments in subsidiaries

As at 30 September, the Company had investments in subsidiaries, incorporated in Thailand, as follows:

Company	Type of business	Country of incorporation	Company 30 September 2016		
			Registered capital Baht	Percentage of holding %	Investment Baht
IRC (Asia) Research Ltd.	Research and development of products	Thailand	10,050,000	99.99	10,049,930
Kin No Hoshi Engineering Co., Ltd.	Manufacture and repair of molds	Thailand	10,000,000	99.99	9,999,300
Investments in subsidiaries, net					<u>20,049,230</u>

Company	Type of business	Country of incorporation	Company 30 September 2015		
			Registered capital Baht	Percentage of holding %	Investment Baht
IRC (Asia) Research Ltd.	Research and development of products	Thailand	10,050,000	99.99	10,049,930
Kin No Hoshi Engineering Co., Ltd.	Manufacture and repair of molds	Thailand	10,000,000	99.99	9,999,300
Investments in subsidiaries, net					<u>20,049,230</u>

**9 Investments in subsidiaries (Cont'd)**

At the Annual General Meeting of shareholders of IRC (Asia) Research Ltd. 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 (from BOI-promoted operations Baht 5.62 per share and non-BOI promoted operations Baht 3.05 per share) totaling Baht 26 million. The dividends were distributed on 29 February 2016.

At the Annual General Meeting of shareholders of Kin No Hoshi Engineering Co., Ltd. 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), totaling Baht 10 million. The dividends were distributed on 29 February 2016.

**10 Other long-term investment**

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

Company	Type of business	Country of incorporation	Consolidated and Company		
			30 September 2016 and 2015		
			Registered capital	Percentage of holding %	Investment Baht
Inoue Rubber Vietnam Co., Ltd.	Manufacturing of tires and tubes of motorcycles and elastomer parts	Vietnam	US\$ 12.5 Million	8	30,781,799
Total					<u>30,781,799</u>



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## 11 Investment property, net

	Consolidated		
	Land and land improvements Baht	Building and building improvements Baht	Total Baht
<b>As at 30 September 2014</b>			
Cost	9,020,819	11,404,673	20,425,492
<u>Less</u> Accumulated depreciation	-	(10,235,167)	(10,235,167)
Net book amount	9,020,819	1,169,506	10,190,325
Fair value	18,373,500	18,672,680	37,046,180
<b>For the year ended 30 September 2015</b>			
Opening net book amount	9,020,819	1,169,506	10,190,325
Depreciation charges	-	(276,404)	(276,404)
Closing net book amount	9,020,819	893,102	9,913,921
<b>As at 30 September 2015</b>			
Cost	9,020,819	11,404,673	20,425,492
<u>Less</u> Accumulated depreciation	-	(10,511,571)	(10,511,571)
Net book amount	9,020,819	893,102	9,913,921
Fair value	22,665,000	12,914,532	35,579,532
<b>For the year ended 30 September 2016</b>			
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	9,020,819	804,760	9,825,579
<b>As at 30 September 2016</b>			
Cost	9,020,819	11,371,497	20,392,316
<u>Less</u> Accumulated depreciation	-	(10,566,737)	(10,566,737)
Net book amount	9,020,819	804,760	9,825,579
Fair value	21,675,000	16,494,880	38,169,880

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

	<b>Company</b>		<b>Total Baht</b>
	<b>Land and land improvements Baht</b>	<b>Building and building improvements Baht</b>	
<b>As at 30 September 2014</b>			
Cost	9,564,949	21,285,683	30,850,632
<u>Less</u> Accumulated depreciation	-	(19,554,456)	(19,554,456)
Net book amount	9,564,949	1,731,227	11,296,176
Fair value	28,649,500	28,438,072	57,087,572
<b>For the year ended 30 September 2015</b>			
Opening net book amount	9,564,949	1,731,227	11,296,176
Depreciation charges	-	(530,952)	(530,952)
Closing net book amount	9,564,949	1,200,275	10,765,224
<b>As at 30 September 2015</b>			
Cost	9,564,949	21,285,683	30,850,632
<u>Less</u> Accumulated depreciation	-	(20,085,408)	(20,085,408)
Net book amount	9,564,949	1,200,275	10,765,224
Fair value	38,075,000	19,161,132	47,236,132
<b>For the year ended 30 September 2016</b>			
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	9,564,949	1,065,848	10,630,797
<b>As at 30 September 2016</b>			
Cost	9,564,949	21,252,507	30,817,456
<u>Less</u> Accumulated depreciation	-	(20,186,659)	(20,186,659)
Net book amount	9,564,949	1,065,848	10,630,797
Fair value	37,085,000	22,530,800	59,615,800

Fair values of investment property as at 30 September 2016 were appraised by independently professional qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of such investment properties.

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

	<b>Consolidated</b>		<b>Company</b>	
	<b>2016 Baht</b>	<b>2015 Baht</b>	<b>2016 Baht</b>	<b>2015 Baht</b>
Rental income	1,505,100	1,683,300	4,384,200	4,562,400
Direct operating expenses arising from investment property that generated rental income	-	-	-	-
	1,505,100	1,683,300	4,384,200	4,562,400

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## 12 Property, plant and equipment, net

	Consolidated							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	
<b>As at 30 September 2014</b>								
Cost	187,400,866	809,701,867	2,361,405,480	1,628,917,912	109,360,559	47,827,312	79,208,521	5,223,822,517
Less Accumulated depreciation	(29,600,258)	(510,025,049)	(1,520,963,697)	(1,344,452,590)	(81,078,384)	(29,961,215)	-	(3,516,081,193)
Net book amount	157,800,608	299,676,818	840,441,783	284,465,322	28,282,175	17,866,097	79,208,521	1,707,741,324
<b>For the year ended 30 September 2015</b>								
Opening net book amount	157,800,608	299,676,818	840,441,783	284,465,322	28,282,175	17,866,097	79,208,521	1,707,741,324
Additions	9,206,098	29,283,961	52,789,445	71,975,773	7,204,600	5,889,735	90,252,427	266,602,039
Disposals	(1)	(668,432)	(6,555,671)	(3,774,681)	(67,389)	(50,185)	-	(11,116,359)
Transfers	-	688,754	29,649,010	8,981,121	1,921,700	-	(41,240,585)	-
Depreciation charges	(6,392,928)	(38,543,793)	(143,223,253)	(117,495,530)	(12,134,169)	(7,621,017)	-	(325,410,690)
Closing 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
<b>As at 30 September 2015</b>								
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
Less 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
<b>For the year ended 30 September 2016</b>								
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	-	(599,518)	(2,180,819)	(1,801,836)	(157,090)	(14,374)	-	(4,753,637)
Transfers	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
<b>As at 30 September 2016</b>								
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
Less 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

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

	Company							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	
<b>As at 30 September 2014</b>								
Cost	186,856,737	788,898,393	2,185,121,226	1,595,024,904	88,086,971	46,308,240	77,057,441	4,967,353,912
Less: Accumulated depreciation	(29,600,258)	(493,920,217)	(1,407,247,564)	(1,314,835,747)	(61,500,334)	(29,196,489)	-	(3,336,300,609)
Net book amount	157,256,479	294,978,176	777,873,662	280,189,157	26,586,637	17,111,751	77,057,441	1,631,053,303
<b>Year ended 30 September 2015</b>								
Opening net book amount	157,256,479	294,978,176	777,873,662	280,189,157	26,586,637	17,111,751	77,057,441	1,631,053,303
Additions	9,206,098	28,655,250	52,252,245	70,765,570	6,380,343	5,643,000	86,003,415	258,905,921
Disposals	(1)	(668,432)	(6,555,671)	(3,774,681)	(67,389)	(50,185)	-	(11,116,359)
Transfers	-	688,754	29,649,010	8,981,121	1,921,700	-	(41,240,585)	-
Depreciation charges	(6,392,928)	(36,967,742)	(133,753,249)	(115,665,983)	(11,299,202)	(7,323,588)	-	(311,402,692)
Closing 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
<b>As at 30 September 2015</b>								
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
Less: 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
<b>Year ended 30 September 2016</b>								
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	-	(599,518)	(1,808,137)	(1,801,832)	(138,934)	(14,374)	-	(4,362,795)
Transfers	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
<b>As at 30 September 2016</b>								
Cost	202,828,645	845,318,140	2,392,842,682	1,729,490,552	96,608,910	53,746,285	64,531,948	5,385,367,162
Less: Accumulated depreciation	(42,609,605)	(560,728,227)	(1,622,350,905)	(1,515,930,449)	(78,039,847)	(39,072,466)	-	(3,858,731,499)
Net book amount	160,219,040	284,589,913	770,491,777	213,560,103	18,569,063	14,673,819	64,531,948	1,526,635,663

**12 Property, plant and equipment, net (Cont'd)**

Depreciation expense of Baht 304,880,418 (2015: Baht 305,940,563) was included in the costs of sales and services, Baht 18,406,257 (2015: Baht 19,470,127) in administrative expenses for the consolidated financial statements.

Depreciation expense of Baht 293,222,168 (2015: Baht 292,779,902) was included in the costs of sales and services, Baht 17,485,784 (2015: Baht 18,622,790) in administrative expenses for the company financial statements.

**13 Computer software, net**

	<b>Consolidated Baht</b>	<b>Company Baht</b>
<b>As at 30 September 2014</b>		
Cost	66,613,960	41,908,741
<u>Less</u> Accumulated amortisation	<u>(48,285,309)</u>	<u>(28,995,344)</u>
Net book amount	<u>18,328,651</u>	<u>12,913,397</u>
<b>For the year ended 30 September 2015</b>		
Opening net book amount	18,328,651	12,913,397
Additions	23,243,449	21,812,779
Amortisation charges	<u>(3,443,661)</u>	<u>(2,390,240)</u>
Closing net book amount	<u>38,128,439</u>	<u>32,335,936</u>
<b>As at 30 September 2015</b>		
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>
<b>For the year ended 30 September 2016</b>		
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>
<b>As at 30 September 2016</b>		
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>

Amortisation expense of Baht 595,237 (2015: Baht 345,394) was included in the costs of sales and services and Baht 4,649,273 (2015: Baht 3,098,267) in administrative expenses for the consolidated financial statements.

Amortisation expense of Baht 3,890,041 (2015: Baht 2,390,240) was included in the administrative expenses for the company financial statements.

## 14 Deferred income taxes

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

	Consolidated		Company	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
<b>a) Entity and subsidiary with net deferred tax asset position</b>				
<b>Deferred tax assets:</b>				
Deferred tax assets to be recovered within 12 months	2,913,143	3,289,382	2,346,886	2,759,199
Deferred tax assets to be recovered after 12 months	<u>30,029,673</u>	<u>23,598,018</u>	<u>30,029,673</u>	<u>23,598,018</u>
	<u>32,942,816</u>	<u>26,887,400</u>	<u>32,376,559</u>	<u>26,357,217</u>
<b>Deferred tax liabilities:</b>				
Deferred tax liabilities to be settled within 12 months	(305,975)	(199,150)	(305,975)	(199,150)
Deferred tax liabilities to be settled after 12 months	<u>(7,090,334)</u>	<u>(7,764,045)</u>	<u>(7,007,010)</u>	<u>(7,676,329)</u>
	<u>(7,396,309)</u>	<u>(7,963,195)</u>	<u>(7,312,985)</u>	<u>(7,875,479)</u>
<b>Net deferred taxes (assets)</b>	<u>25,546,507</u>	<u>18,924,205</u>	<u>25,063,574</u>	<u>18,481,738</u>
<b>b) Subsidiary with net deferred tax liability position</b>				
<b>Deferred tax assets:</b>				
Deferred tax assets to be recovered within 12 months	291,382	338,496	-	-
Deferred tax assets to be recovered after 12 months	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>291,382</u>	<u>338,496</u>	<u>-</u>	<u>-</u>
<b>Deferred tax liabilities:</b>				
Deferred tax liabilities to be settled within 12 months	-	-	-	-
Deferred tax liabilities to be settled after 12 months	<u>(1,538,168)</u>	<u>(1,356,574)</u>	<u>-</u>	<u>-</u>
	<u>(1,538,168)</u>	<u>(1,356,574)</u>	<u>-</u>	<u>-</u>
<b>Net deferred taxes (liabilities)</b>	<u>(1,246,786)</u>	<u>(1,018,078)</u>	<u>-</u>	<u>-</u>



**14 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 Company and subsidiaries. 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		Company	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
<b>Net deferred taxes (assets):</b>				
Opening balance	18,924,205	19,116,459	18,481,738	18,748,245
Credited (charged) to profit or loss	6,622,302	(366,340)	6,581,836	(337,349)
Tax charged directly to equity	-	174,086	-	70,842
Ending balance	<u>25,546,507</u>	<u>18,924,205</u>	<u>25,063,574</u>	<u>18,481,738</u>
<b>Net deferred taxes (liabilities)</b>				
Opening balance	(1,018,078)	(548,346)	-	-
Credited to profit or loss	(228,708)	(500,687)	-	-
Tax charged directly to equity	-	30,955	-	-
Ending balance	<u>(1,246,786)</u>	<u>(1,018,078)</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 are summarised below:

	Consolidated			2016 Baht
	2015 Baht	Credited (charged) to profit or loss Baht	Other comprehensive income (expenses) Baht	
<b>Deferred tax assets</b>				
Intangible assets	55,593	(29,625)	-	25,968
Accounts 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>
<b>Deferred tax liabilities</b>				
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>
<b>Net deferred taxation</b>	<u>17,906,127</u>	<u>6,393,594</u>	<u>-</u>	<u>24,299,721</u>

**14 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 are summarised below: (Cont'd)

	<b>Company</b>			<b>2016 Baht</b>
	<b>2015 Baht</b>	<b>Credited (charged) to profit or loss Baht</b>	<b>Other comprehensive income (expenses) Baht</b>	
<b>Deferred tax assets</b>				
Intangible assets	55,592	(29,625)	-	25,967
Accounts 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>
<b>Deferred tax liabilities</b>				
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>
<b>Net deferred taxation</b>	<u>18,481,738</u>	<u>6,581,836</u>	<u>-</u>	<u>25,063,574</u>

As at 30 September 2016, 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 Group's operations and the timings of the tax loss carried forward. 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 2016, the Group has no tax loss carried forward.

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

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## 15 Borrowings

### 15.1 Bank overdrafts

	Consolidated		Company	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
<b>Current</b>				
Bank overdrafts	-	3,577,578	-	3,577,578
<b>Total borrowings from financial institutions</b>	<b>-</b>	<b>3,577,578</b>	<b>-</b>	<b>3,577,578</b>

### 15.2 Finance lease liabilities

	Consolidated		Company	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Finance lease liabilities				
Not later than 1 year	6,257,021	7,794,477	6,257,021	7,794,477
Later than 1 year	25,044,939	31,301,961	25,044,939	31,301,961
	31,301,960	39,096,438	31,301,960	39,096,438
<u>Less</u> Future finance charges on finance leases	<u>(6,059,811)</u>	<u>(7,962,507)</u>	<u>(6,059,811)</u>	<u>(7,962,507)</u>
Present value of finance lease liabilities	<u>25,242,149</u>	<u>31,133,931</u>	<u>25,242,149</u>	<u>31,133,931</u>
Representing lease liabilities:				
- Current	4,693,491	5,891,782	4,693,491	5,891,782
- Non-current	20,548,658	25,242,149	20,548,658	25,242,149
	<u>25,242,149</u>	<u>31,133,931</u>	<u>25,242,149</u>	<u>31,133,931</u>

Movements in finance lease liabilities for the year ended 30 September 2016 were as follows:

	Consolidated Baht	Company Baht
Opening balance	31,133,931	31,133,931
Repayments	(5,891,782)	(5,891,782)
Closing balance	<u>25,242,149</u>	<u>25,242,149</u>

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

	Consolidated		Company	
	2016 %	2015 %	2016 %	2015 %
Bank overdrafts	-	9.88	-	9.88
Finance leases liabilities	4.46 - 5.50	4.46 - 5.50	4.46 - 5.50	4.46 - 5.50

**16 Trade and other payables**

	Consolidated		Company	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Trade accounts payable				
- related companies (Note 25)	164,370,553	197,318,900	165,193,464	197,859,250
Trade accounts payable - other companies	415,359,531	474,695,439	411,868,370	467,455,806
Amount due to related parties (Note 25)	12,219,742	4,136,975	34,044,480	39,101,537
Down payments received from customers	6,312,736	5,962,526	6,312,736	5,962,527
Other payables	79,485,200	79,279,167	78,929,110	77,629,008
<b>Total trade and other payables</b>	<b>677,747,762</b>	<b>761,393,007</b>	<b>696,348,160</b>	<b>788,008,128</b>

**17 Accrued expenses**

	Consolidated		Company	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Accrued bonuses	117,595,115	110,250,437	105,571,098	99,688,234
Accrued employee income taxes	7,766,731	7,478,260	6,175,221	6,313,031
Accrued refundable annual leave	4,264,659	5,254,056	4,264,659	5,254,056
Other accruals	16,972,781	11,903,954	13,897,371	9,577,218
<b>Total accrued expenses</b>	<b>146,599,286</b>	<b>134,886,707</b>	<b>129,908,349</b>	<b>120,832,539</b>

**18 Employee benefit obligations**

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

	Consolidated		Company	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Present value of unfunded obligations	158,454,178	157,325,899	143,016,106	144,570,220
Unrealised past service cost	-	(19,389,413)	-	(18,308,121)
Actuarial loss	-	2,383,091	-	438,607
<b>Liabilities in the statements of financial position</b>	<b>158,454,178</b>	<b>140,319,577</b>	<b>143,016,106</b>	<b>126,700,706</b>

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

	Consolidated		Company	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Opening balance	140,319,577	144,053,768	126,700,706	131,153,947
Current service cost	14,178,888	15,291,273	12,836,347	14,183,897
Interest cost	5,130,887	5,252,486	4,654,227	4,828,708
Recognition of past service cost	-	(19,389,413)	-	(18,308,121)
Actuarial loss	-	2,383,091	-	438,607
Benefits paid	(1,175,174)	(7,271,628)	(1,175,174)	(5,596,332)
<b>Ending balance</b>	<b>158,454,178</b>	<b>140,319,577</b>	<b>143,016,106</b>	<b>126,700,706</b>

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## 18 Employee benefit obligations (Cont'd)

The amounts recognised in the statements of comprehensive income were as follows:

	Consolidated		Company	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Current service cost	14,178,888	15,291,273	12,836,347	14,183,897
Interest cost	5,130,887	5,252,486	4,654,227	4,828,708
Past service cost	-	(19,389,413)	-	(18,308,121)
<b>Total</b>	<b>19,309,775</b>	<b>1,154,346</b>	<b>17,490,574</b>	<b>704,484</b>

Expense of Baht 16,036,016 (2015: Baht 1,024,086) was included in the costs of sales and services, Baht 3,273,759 (2015: Baht 130,260) was included in administrative expenses for the consolidated financial statements.

Expense of Baht 14,216,815 (2015: Baht 574,225) was included in the costs of sales and services, Baht 3,273,759 (2015: Baht 130,259) was included in administrative expenses for the company financial statements.

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

	2016	2015
Discount rate	3.5%	3.5%
Inflation rate	3%	3%
Future salary increase rates	4% - 7%	4% - 7%
Retirement age	58 years old	58 years old

	Impact on employee benefit obligations	
	Change in assumptions	Change in the obligations
Discount rate	Increased by 0.50%	Decreased by 9%
	Decreased by 0.50%	Increased by 6%
Salary growth rate	Increased by 1%	Increased by 10%
	Decreased by 1%	Decreased by 10%

The above sensitivity analyses are 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) has been applied as when calculating the pension liability recognised within the statements of financial position.

The weighted average duration of the defined benefit obligation is 17 years.

Expected maturity analysis of undiscounted retirement benefits:

	Consolidated				Total Baht
	Less than a year Baht	Between 1-2 years Baht	Between 2-5 years Baht	Over 5 years Baht	
At 30 September 2016					
Retirement benefits	-	-	15,266,507	231,729,312	246,995,819
<b>Total</b>	<b>-</b>	<b>-</b>	<b>15,266,507</b>	<b>231,729,312</b>	<b>246,995,819</b>

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

Expected maturity analysis of undiscounted retirement benefits: (Cont'd)

	Company				Total Baht
	Less than a year Baht	Between 1-2 years Baht	Between 2-5 years Baht	Over 5 years Baht	
At 30 September 2016					
Retirement benefits	-	-	15,266,507	205,757,109	221,023,616
Total	-	-	15,266,507	205,757,109	221,023,616

**19 Share capital and share premium**

	Consolidated and Company			Total Baht
	Number of shares	Ordinary shares Baht	Share premium Baht	
As at 30 September 2015	200,000,000	200,000,000	298,000,000	498,000,000
As at 30 September 2016	200,000,000	200,000,000	298,000,000	498,000,000

As at 30 September 2016, the total number of registered ordinary shares was 200 million shares (2015: 200 million shares) with a par value of Baht 1 per share (2015: Baht 1 per share). All issued shares are fully paid-up.

**20 Legal reserve**

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



Notes to the Consolidated and Company Financial Statements  
For the year ended 30 September 2016

## 21 Expenses by nature

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

	Consolidated		Company	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Raw materials and consumables used	2,069,134,558	2,311,715,178	2,056,144,443	2,289,785,948
Changes in inventories of finished goods and work in progress	(23,269,146)	(20,192,922)	(19,644,292)	(18,251,497)
Depreciation charges (Notes 11 and 12)	323,361,445	325,687,094	310,828,807	311,933,644
Staff costs	730,394,004	698,289,849	661,949,503	638,167,034
Advertising and promotion expenses	18,480,641	16,720,921	18,480,641	16,720,921
Amotisation charges (Note 13)	5,244,510	3,443,661	3,890,041	2,390,240
Rental expenses	2,605,616	1,990,722	2,605,616	1,990,722

## 22 Finance costs

	Consolidated		Company	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Interest expenses	1,419,579	2,837,690	1,405,492	2,836,421
Bank charges	323,988	247,965	255,994	210,712
Total finance costs	<u>1,743,567</u>	<u>3,085,655</u>	<u>1,661,486</u>	<u>3,047,133</u>

## 23 Income taxes

	Consolidated		Company	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Taxation				
Current taxes	117,512,103	82,316,567	117,492,222	80,964,482
Deferred taxation				
Origination and reversal of temporary differences	(6,393,594)	867,027	(6,581,836)	337,349
Income tax expenses	<u>111,118,509</u>	<u>83,183,594</u>	<u>110,910,386</u>	<u>81,301,831</u>

**23 Income taxes (Cont'd)**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the home country of the company as follows:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Profit before taxes	624,748,522	524,704,787	659,216,208	588,635,644
Income taxation at statutory tax rates of 20%	124,949,704	104,940,957	131,843,242	117,727,129
Tax effect of:				
Expenses not deductible for tax purpose	6,707,831	4,060,821	5,866,662	3,063,713
Revenues that are granted income tax exemption or expenses that are deductible at a greater amount	(16,287,132)	(4,580,030)	(10,370,964)	(24,465,533)
Income tax benefit from promotional privileges	(4,251,894)	(21,238,154)	(16,428,554)	(15,023,478)
Income tax expenses	111,118,509	83,183,594	110,910,386	81,301,831

**24 Basic earnings per share**

Basic earnings per share are calculated by dividing the net profit attributable to Shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	<b>Consolidated</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Net profit attributable to equity holders of the parent (Baht)	513,630,214	441,520,628	548,305,822	507,333,813
Weighted average of issued ordinary shares outstanding (Shares)	200,000,000	200,000,000	200,000,000	200,000,000
Basic earnings per share (Baht per share)	2.57	2.21	2.74	2.54

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

**25 Related party transactions**

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

	<b>Terms and basis</b>
Sales of goods	Market price or cost plus margin according to type of products
Service income	Cost plus margin
Rental income	Contract price valued by independent appraiser and is 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
Finance lease interest	Interest rates as agreed in the contract
Technical assistance fee expenses	Prices as agreed in the contract which based on percentage of sales
Advertising expenses	Prices which approximate to the price charged to a third party
Utility expenses	Price as agreed to the price charged by a third party
Rental expenses	Price as agreed in the contract

The significant related party transactions for the years ended 30 September are summarised as follows:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<b>Sales of goods</b>				
Related parties	<u>1,659,031,526</u>	<u>1,619,068,608</u>	<u>1,659,031,526</u>	<u>1,619,068,608</u>
<b>Service and other income</b>				
Related parties	<u>9,026,387</u>	<u>10,562,836</u>	<u>9,026,387</u>	<u>10,562,836</u>
<b>Rental income</b>				
Subsidiaries	-	-	2,879,100	2,879,100
Related parties	<u>1,505,100</u>	<u>1,683,300</u>	<u>1,505,100</u>	<u>1,683,300</u>
	<u>1,505,100</u>	<u>1,683,300</u>	<u>4,384,200</u>	<u>4,562,400</u>
<b>Dividend income</b>				
Subsidiary	-	-	35,999,239	93,100,732
<b>Purchases of raw materials</b>				
Related parties	<u>478,993,329</u>	<u>558,583,453</u>	<u>478,993,329</u>	<u>558,583,453</u>
<b>Purchases of molds</b>				
Subsidiaries	-	-	39,600,225	60,296,833
<b>Research and development expense</b>				
Subsidiaries	-	-	90,477,211	86,029,285
Related parties	<u>9,814,786</u>	<u>196,891</u>	-	-
	<u>9,814,786</u>	<u>196,891</u>	<u>90,477,211</u>	<u>86,029,285</u>

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

The significant related party transactions for the years ended 30 September are summarised as follows: (Cont'd)

	Consolidated		Company	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
<b>Technical assistance fee expenses</b>				
Related parties	<u>70,916,930</u>	<u>71,759,660</u>	<u>70,916,930</u>	<u>69,028,960</u>
<b>Advertising expenses</b>				
Related parties	<u>3,479,000</u>	<u>7,180,000</u>	<u>3,479,000</u>	<u>7,180,000</u>
<b>Finance lease interest</b>				
Related parties	<u>440,763</u>	<u>1,420,398</u>	<u>440,763</u>	<u>1,420,398</u>
<b>Utility expenses</b>				
Related parties	<u>370,433</u>	<u>536,324</u>	<u>370,433</u>	<u>536,324</u>
<b>Rental expenses</b>				
Related parties	<u>1,536,000</u>	<u>1,280,000</u>	<u>1,536,000</u>	<u>1,280,000</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 cost plus margin.

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 Company entered into a finance lease agreement of machinery and equipment under a 10 years term with a related company at total annual rental fee of approximately Baht 4.33 million. During the year, this related company changed its shareholders' structure. Therefore, it is not considered related party of the Group any more.

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## 25 Related party transactions (Cont'd)

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

	Consolidated		Company	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
<b>Trade accounts receivable</b>				
Subsidiaries	-	-	-	-
Related companies	343,629,339	336,805,383	342,662,127	335,777,296
<b>Total trade accounts receivable</b>	<u>343,629,339</u>	<u>336,805,383</u>	<u>342,662,127</u>	<u>335,777,296</u>
<b>Amounts due from related companies</b>				
Subsidiaries	-	-	-	239,925
Related companies	933,708	1,319,415	2,725,222	1,319,415
<b>Total amounts due from related companies</b>	<u>933,708</u>	<u>1,319,415</u>	<u>2,725,222</u>	<u>1,559,340</u>
<b>Trade accounts payable</b>				
Related companies	182,183,410	197,318,900	165,193,464	197,318,900
<b>Total trade accounts payable</b>	<u>182,183,410</u>	<u>197,318,900</u>	<u>165,193,464</u>	<u>197,318,900</u>
<b>Amounts due to related parties</b>				
Subsidiaries	-	-	26,278,950	36,021,395
Related companies	12,219,742	4,136,975	7,765,530	3,080,142
<b>Total amounts due to related companies</b>	<u>12,219,742</u>	<u>4,136,975</u>	<u>34,044,480</u>	<u>39,101,537</u>

## Directors' and management's remuneration

The Company and its subsidiaries have the compensation paid or payable to their key directors and management for the years ended 30 September 2016 and 2015 as follows:

	Consolidated		Company	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Salaries and short-term employee benefits	41,869,780	41,330,252	41,869,780	41,330,252
Post-employee benefits	587,023	576,630	587,023	576,630
Other long-term employee benefits	531,384	542,944	531,384	542,944
	<u>42,988,187</u>	<u>42,449,826</u>	<u>42,988,187</u>	<u>42,449,826</u>

## 26 Commitments

As at 30 September 2016, there were outstanding bank guarantees of approximately Baht 20.97 million (2015: Baht 20.99 million) issued by banks to the Provincial Electricity Authority for electricity consumption on behalf of the Company.

**27 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 2016 and 2015 classified by market are presented as follows:

	<b>Consolidated</b>		
	<b>Local Baht</b>	<b>Export Baht</b>	<b>Total Baht</b>
<b>For the year ended 30 September 2016</b>			
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			(87,961,757)
Administrative expenses			(234,426,750)
Other expenses			(25,272,144)
Financial costs			(1,743,567)
Income tax expense			(111,118,510)
<b>Net profit for the year</b>			<u>513,630,013</u>
<b>For the year ended 30 September 2015</b>			
Sales and service income	3,789,991,010	1,336,288,758	5,126,279,768
Costs of sales and services	(3,300,030,394)	(1,030,688,315)	(4,330,718,709)
Gross margin	<u>489,960,616</u>	<u>305,600,443</u>	795,561,059
Other income			59,970,934
Selling expenses			(86,340,512)
Administrative expenses			(220,821,341)
Other expenses			(20,579,698)
Financial costs			(3,085,655)
Income tax expense			(83,183,594)
<b>Net profit for the year</b>			<u>441,521,193</u>



Notes to the Consolidated and Company Financial Statements  
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**Inoue Rubber (Thailand) Public Company Limited**  
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**28 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	1211(4)/2548 16 March 2005
2. Promotional privileges for	Manufacturing of tire products	Manufacturing of molds and repairing of its own manufactured molds	Research and development of products
3. The significant privileges are	8 years	8 years	8 years
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.	Granted	Granted	Granted
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
3.3 Exemption/Reduction of import duty on machinery as approved by the Board.	Granted	Granted	None
3.4 Exemption of import duty on raw materials and significant supplies used in export production from the first import date.	Granted	None	None
4. Date of first earning operating income	1 October 2012	31 May 2010	31 October 2010

**28 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					
	BOI		non-BOI		Total	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Sales						
Export	112,519,762	323,284,442	1,238,521,066	1,013,004,316	1,351,040,828	1,336,288,758
Local	115,212,469	427,261,486	3,488,514,275	3,362,729,524	3,603,726,744	3,789,991,010
	<u>227,732,231</u>	<u>750,545,928</u>	<u>4,727,035,341</u>	<u>4,375,733,840</u>	<u>4,954,767,572</u>	<u>5,126,279,768</u>

	Company					
	BOI		non - BOI		Total	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Sales						
Export	112,519,762	323,284,442	1,238,521,066	1,012,711,043	1,351,040,828	1,335,995,485
Local	115,212,469	427,261,486	3,488,318,861	3,362,036,464	3,603,531,330	3,789,297,950
	<u>227,732,231</u>	<u>750,545,928</u>	<u>4,726,839,926</u>	<u>4,374,747,507</u>	<u>4,954,572,158</u>	<u>5,125,293,435</u>

**29 Dividends paid**

At the Annual General Meeting of shareholders 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), totaling Baht 176.60 million. The dividends were distributed on 23 February 2016.

At the Annual General Meeting of shareholders held on 29 January 2015, the shareholders passed a resolution approving dividend payment from its operating results for 2014 at Baht 0.6269 per share (Baht 0.4950 per share from BOI-promoted operations and Baht 0.1319 per share from non-BOI promoted operations), totaling Baht 125.38 million. The dividends were distributed on 19 February 2015.

**30 Financial instruments**

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange forward contracts to hedge certain exposures.

In order to minimise potential effects on the unpredictability fluctuations of financial markets, the Group makes use of the following derivative financial instruments:

**Foreign exchange risk**

Foreign exchange forward contracts were entered into to manage exposure to fluctuations in foreign currency exchange rates for specific transactions.

Foreign exchange forward contracts outstanding at 30 September are summarised as follows:

Foreign currency	2016		2015	
	Sold amount Million	Bought amount Million	Sold amount Million	Bought amount Million
US Dollars	1.02	1.95	0.83	1.75
Japanese Yen	117.90	91.96	290.13	56.96
Euro	-	0.16	-	0.25

**Net fair values**

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

	Consolidated	
	2016 Baht	2015 Baht
Favourable forward foreign exchange contracts	941,964	6,767,062
Unfavourable forward foreign exchange contracts	(966,151)	(1,409,052)
Net	(24,187)	5,358,010

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, the Group had outstanding foreign currency assets and liabilities as follows:

	Consolidated		Company	
	2016 Million	2015 Million	2016 Million	2015 Million
<b>Assets</b>				
US Dollars	1.76	1.53	1.76	1.53
Japanese Yen	81.36	54.60	81.36	54.60
Euro	1.65	0.28	1.65	0.28
<b>Liabilities</b>				
US Dollars	1.54	1.13	1.54	1.13
Japanese Yen	125.35	317.25	125.35	317.25

### 30 Financial instruments (Cont'd)

#### 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, bank overdrafts and finance lease liabilities. However, the Company also has certain finance lease liabilities with fixed interest rates. The majority of these financial assets are short-term and financial liabilities 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.

#### 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.

#### Fair values

The carrying amounts of the following financial assets approximate to their fair values: cash and cash equivalents, trade accounts receivable, amounts due from related companies and some items of other current assets.

The carrying amounts of the following financial liabilities approximate to their fair values: bank overdrafts carrying variable rates of interest, trade accounts payable, amounts due to related companies, accrued expenses and some items of other current liabilities. Loans from financial institutions carrying rates of interest which are close to the market rate; the carrying amounts approximate to their fair values.

### 31 Subsequent events

On 24 November 2016, the Board of Directors' Meeting of the Company No.9/2016 passed a resolution approving the proposed dividend payment from its operating results for 2016 at Baht 1.0273 per share (from BOI-promoted operations Baht 0.2330 per share and non-BOI promoted operations Baht 0.7943 per share), totaling Baht 205.46 million. The dividend payment will later be proposed for approval in the Annual General Meeting of the Company's shareholders.

## 1 General information

Inoue Rubber (Thailand) Public Company Limited (“the Company”) is a public limited company 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:

### Head office:

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

### Factory:

No. 157, Moo 5, Phahoyothin Road, Lamsai, Wangnoi, Ayutthaya.

The Company is listed in the Stock Exchange of Thailand. 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 motorcycle 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 company financial statements were authorised for issue by the Board of Directors on 24 November 2016.

## 2 Accounting policies

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

### 2.1 Basis for preparation

The consolidated and company 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 company 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 3.

An English version of the consolidated and company 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.