



Inoue Rubber (Thailand) Public Company Limited

Annual Report 2014

Contents

02

MISSION

03

Financial Highlights

04

Message from Chairman

06

Audit Committee Report

08

Board of Directors and
Executive Committee

09

Details of Directors and
Executive Committee

20

Shareholding
Proportion and Dividend
Payment Policy

21

Development
and Alternation
for the Past 3 Years

22

Corporate
Social Responsibility

29

2014 Awards
and Recognition

31

Shareholder Structure

37

Risk Factors

39

Corporate Governance

60

Internal Control
and Risk Management

63

Connected Transactions

68

Management Discussion
and Analysis

70

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

71

Auditor's Report and
Financial Statements

MISSION 2014

“ Be the leading company in development and manufacturing of elastomer products and motorcycle tyres and tubes products in Asean on the 7 policies of ”

- Increasing workplace safety and environmental awareness
- Creating each high quality product with international quality system
- Elevating customer satisfaction in all dimensions of products and services

Price/Cost	(P) At the best competitive level
Quality	(Q) At the best level of quality criteria as specified by customers
Delivery	(D) At the best level of delivery criteria as specified by customers
Services/Solutions	(S) At the best level of effective services and solutions for customers at all times

- Providing competency-based professional development to all staff levels
- Continuous technical research and development of raw materials, process and products
- Generating strong financial status and attractive return to all shareholders
- Participation in community development

Financial Highlights

Inoue Rubber (Thailand) Public Company Limited and its subsidiaries

As at 30 September

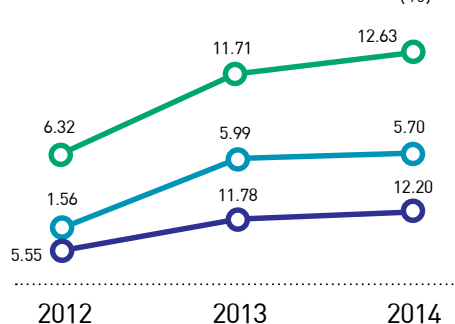
Thousand Baht

	2012	2013	2014
Statements of Comprehensive Income			
Total revenues	6,572,083	6,835,153	5,496,522
Costs of sales and services	6,139,008	5,986,953	4,789,439
Gross profit	360,542	799,184	665,520
Net profit for the year	102,532	409,098	313,470
Total assets	4,289,229	3,889,205	3,869,316
Total liabilities	2,261,084	1,492,982	1,319,496
Total shareholders' equity	2,028,145	2,396,223	2,549,820

Financial Ratio

Net Profit Margin (%)	1.56	5.99	5.70
Return on Equity (%)	5.02	18.49	12.68
Return on total Asset	2.57	10.00	8.08
D/E Ratio	1.11	0.62	0.52
Basic earnings per share (Baht)	0.51	2.05	1.57
Book Value per Share (Baht)	10.14	11.98	12.75

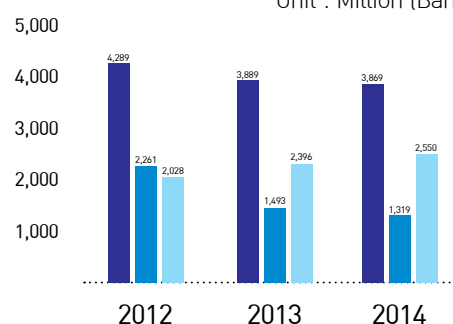
Net Profit Margin Ratio
[%]



● EBITDA Margin ● Net Profit Margin (%) ● Total assets

statement of financial position

Unit : Million (Baht)



■ Total shareholders' equity ■ Total liabilities ■ Total assets

Message from Chairman

To Shareholders of Inoue Rubber (Thailand) Public Company Limited

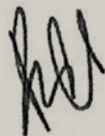
2014 was the year of fluctuations in global economics. Though American economics started to recover, Japanese, Chinese and European economics still decelerated. Thai economics also confronted uncertainty challenges, namely, politics, high household debt resulting in drop of purchasing power, and export enlargement being more slowly than expected. Therefore, the business sector relied on considerable expertise to build up high competitive potentiality during this year.

The automotive industry was affected directly in the year 2014. As for domestic market, automobile sales volume dropped by 47.31% and motorcycle sales volume decreased by 23.55% due to the effects of First Car Policy last year, Rice-Pledging Scheme crisis, the fall of natural rubber price and exportation, and strict credit control on hire-purchase agreement. In addition, export market expanded below estimation according to aforesaid global economics. Overall, car production reduced by 27.33% and motorcycle production dropped by 21.38% from the year 2013.

Inoue Rubber (Thailand) Public Company Limited was impacted directly by the mentioned sales volumes, thus, sales amount for the year 2014 was Baht 5,453.51 million or dropped by 19.62% from the year 2013. Unstable global economics also resulted in the fall in prices of natural rubber, oil and varied fundamental raw materials of the Company. The effectiveness of raw material cost control led to net profit on sales volume to 5 - 6% as same as last year.

The Board of Directors has placed emphasis on growing business and value for shareholders, following up Corporate Governance with concern, circumspection and responsibility to all stakeholders, abiding by Corporate Social, Community and Environmental Responsibility Policy solemnly and preparing concert energy management.

On behalf of the Board of Directors, I would like to thank you shareholders and business partners that have confidence in us and support IRCT's business operation, the government sector which is always a good impulsion, executives and employees for determinedly working to the utmost, and the Board of Directors who thoroughly attempts to make the Company go forward and operate business sustainably.



Mrs. Pimjai Leeissaranukul
(Chairman)



Audit Committee Report

To Shareholders of Inoue Rubber (Thailand) Public Company Limited

The Audit Committee consists of three independent directors, namely, Associate Professor Dr. Chesada Loha-unchit as Chairman and Mr. Vichit Vuthisombut and Ms. Chaovana Viwatpanachati as members, with Ms. Chaovana Viwatpanachati possessing the necessary knowledge and experience in reviewing the reliability of financial statements.

During the 2014 financial year, the Audit Committee performed its duty according to the functions and responsibilities as stated in the Audit Committee Charter 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 given freely and independently.

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 for the 2014 financial year before proposing them to the Board of Directors for approval in order to ensure that they were prepared in accordance with generally accepted accounting practices and principles including the disclosure of correct and adequate information. The Committee also held 2 meetings with the Company's external auditor without management participation in order to ascertain the efficiency of internal controls necessary for the preparation of financial statements, the appropriateness of accounting principles utilized, the independence of the auditor and the difficulties faced in performing the auditors duty.

Internal Audit, Internal Control and Good Corporate Governance

The Audit Committee approved the 2014 internal audit plan and appointed KPMG Phoomchai Tax Ltd. as the internal auditor for the year after reviewing its independence and resources allocated for the internal audit.

The Committee also reviewed the external auditor's report relating to the Company's internal control system and assessed this system utilizing the internal control assessment form of the Securities and Exchange Commission, resulting in recommendations for amending the Company's Code of Ethics to include the Company's regulations on best practices.

Conflict of Interest

The Audit Committee reviewed the appropriateness of connected party transactions as well as potential conflict of interest issues to ensure that they are in the best interest of the Company and do not violate any law and/or regulation of the Securities and Exchange Commission.

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 violations. The external auditor also did not report any suspicious circumstances in which a director, manager or other person 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 its independence, qualifications, performance and audit fee, the Audit Committee proposed PricewaterhouseCoopers ABAS Ltd. (PwC) as the Company's 2015 external auditor for the Board of Directors consent before forwarding it to shareholders for approval.

Audit Committee Self-Assessment

The Audit Committee conducted a self-assessment to review and evaluate its performance in 2014 including (1) the review of the Company's financial statements to ensure that they are presented accurately and adequately, (2) the review of the Company's internal control system to ensure that it is efficient and effective, (3) the review of the Company's compliance with the securities and exchange law, the Stock Exchange of Thailand regulations, and other laws related to the Company's business, (4) the selection and appointment of auditors, (5) the review of connected transactions and (6) the preparation of the Audit Committee report.

Overall Opinion on Compliance with 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 for the stakeholders' utmost benefits.

The Committee is also 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 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.



Assoc.Prof.Dr. Chesada Loha-unchit
Chairman of Audit Committee

Board of Directors



- 1 Mr. Masayuki Inoue
- 2 Mrs. Pimjai Leeissaranukul
- 3 Mrs. Porntip Sethiwan
- 4 Ms. Chaovana Viwatpanachati
- 5 Mr. Soichi Inoue
- 6 Mr. Apichart Leeissaranukul

- 7 Mr. Vichit Vuthisombut
- 8 Assoc.Prof.Dr. Chesada Loha-unchit
- 9 Mr. Kazuo Sato
- 10 Mr. Thanong Leeissaranukul
- 11 Mr. Kazuto Seida
- 12 Mr. Kiyoharu Mizushima

Details of Directors and Executive Committee



Mrs. Pimjai Leeissaranukul

Position Chairman/ Executive Committee/ Authorized Director

Age 53 years

Appointment Date 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 (CMA) : Capital Market Academy Leadership Program Class 10
- National Defense College (NDC) : NDC Course (JSPS), Class 26/2013

Past 5-year Working Experience

- 1989 - Present Director of Thai Stanley Electric PLC.
- 2007 - 2013 Director & President of Inoue Rubber (Thailand) PLC.
- 2013 - Present Chairman of Inoue Rubber (Thailand) PLC.
- 1993 - Present Director of Sopa-Kanok International Co., Ltd.
- 1995 - Present President of Toei-Inoac Co., Ltd.
- 1995 - Present Director of IRC (Asia) Research Co., Ltd.
- 1995 - Present Director of Sungold Holding Co., Ltd.
- 2001 - Present Director of Kinno Hoshi Engineering Co., Ltd.
- 2003 - Present Director of S.K. Rubber Co., Ltd.
- 2006 - Present Director of Daido Sittipol Co., Ltd.
- 2010 - Present Global Advisory Board Members of Babson College, MA, USA
- 2010 - 2014 Executive Board as External Advisory Expert of Faculty of Engineering, Chulalongkorn University
- 2012 - Present Director of Risk Management Club Thai Listed Companies Association Member of the Board and Deputy Secretary General, Public Relations The Federation of Thai Industries
- 2012 - Present Member of the Board of Thai Women Engineers, The Engineering Institute of Thailand



Mr. Kazuo Sato

Position President / President of Executive Committee / Authorized Director

Age 56 years

Appointment Date August 9, 2013

Shareholding Proportion None

Highest Education

Bachelor of Engineering, Nagoya Institute of Technology, Japan

Training from Thai Institute of Directors Association (IOD)

DAP Director Accreditation Program Class 108/2014

Past 5-year Working Experience

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



Mr. Soichi Inoue

Position Director
Age 85 years
Appointment Date 1993
Shareholding Proportion None

Highest Education

Bachelor's degree in Economics, Kobe University, Japan

Training from Thai Institute of Directors Association (IOD)

-

Past 5-year Working Experience

2010 - Present Director of Inoue Rubber (Thailand) PLC.
 1973 - Present President of Inoue Rubber Co., Ltd., Japan
 1975 - Present President of Inoac International Co., Ltd.
 1968 - Present President of Inoac Technical Center Co., Ltd.
 2000 - Present Chairman & CEO of Inoac Corporation Co., Ltd.



Mr. Thanong Leeissaranukul

Position Director / Authorized Director
Age 54 years
Appointment Date 1993
Shareholding Proportion 1.70%

Highest Education

Bachelor's degree in Business Administration, Nansan University, Japan

Training from Thai Institute of Directors Association (IOD)

-

Past 5-year Working Experience

1983 - Present Director of Thai Stanley Electric PLC.
 1986 - Present - Managing Director of The Sittipol 1919 Co., Ltd.
 - Director of Inoue Rubber (Thailand) PLC
 1993 - Present Director of Sopa - Kanok International Co., Ltd.
 1995 - Present - Executive Director of Total Oil (Thailand) Co., Ltd.
 - Director of Toei-Inoac Co., Ltd.
 - Director of Sungold Holding Co., Ltd.
 - IRC (Asia) Research 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.
 1998 - Present Director of The Studio Production Co., Ltd.
 2001 - Present President of Smart Sport Promotion Co., Ltd.
 2003 - Present Director of S.K. Rubber Co., Ltd.
 2007 - Present President of Kanok-Sopa Foundation

**Mr. Apichart Leeissaranukul**

Position Director
Age 51 years
Appointment Date 1993
Shareholding Proportion 1.83%

Highest Education

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

Training from Thai Institute of Directors Association (IOD)

DCP Director Certification Program Class 8/2001

Past 5-year Working Experience

1991 - Present Director of Inoue Rubber (Thailand) PLC
 1992 - Present Director of Sopa-Kanok International Co., Ltd.
 1993 - Present - Director of Pacific Industry (Thailand) Co., Ltd.
 - Vice President of Thai Stanley Foundation
 1995 - Present Director of Sungold Holding Co., Ltd.
 1996 - Present Executive Vice President of Asian Stanley International Co., Ltd.
 1997 - Present - Director of Sirivit Stanley Co., Ltd.
 - Director of Daido Sittipol Co., Ltd.
 1999 - Present Chairman of Lao Stanley Co., Ltd.
 2000 - Present Director of Vietnam Stanley Electric Co., Ltd.
 2002 - Present Director of Investor Club Association
 2003 - Present Director of S.K. Rubber Co., Ltd.
 2004 - Present Executive Director of Investor Club Association
 2006 - Present - Director of Total Oil (Thailand) Co., Ltd.
 - Director of PT. Indonesia Stanley Electric
 2013 - Present Executive Chairman of Thai Stanley Electric PLC

**Mrs. Porntip Sethiwan**

Position Director
Age 47 years
Appointment Date 1993
Shareholding Proportion 2.04%

Highest Education

Bachelor's degree in Business Administration, Chulalongkorn University

Training from Thai Institute of Directors Association (IOD)

DAP Director Accreditation Program Class 5/2003

RCC Role of the Compensation Class 17/2013

Past 5-year Working Experience

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



Mr. Masayuki Inoue

Position Director / Authorized Director

Age 49 years

Appointment Date 1993

Shareholding Proportion None

Highest Education

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

Training from Thai Institute of Directors Association (IOD)

DAP Director Accreditation Program Class 65/2007

Past 5-year Working Experience

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



Assoc.Prof.Dr. Chesada Loha-unchit

Position Independent Director / Chairman of Audit Committee

Age 66 years

Appointment Date February 10, 2010

Shareholding Proportion None

Highest Education

Doctor of Philosophy in Economics, Princeton University, USA

Training from Thai Institute of Directors Association (IOD)

DAP Director Accreditation Program Class 82/2010

RNG Role of the Nomination and Governance Committee Class 5/2013

Past 5-year Working Experience

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



Mr. Vichit Vuthisombut

Position Independent Director/ Audit Committee
Age 73 years
Appointment Date September 21, 2004
Shareholding Proportion None

Highest Education

Bachelor's degree in Economics, Thammasat University

Training from Thai Institute of Directors Association (IOD)

DAP Director Accreditation Program Class 27/2004

DCP Director Certification Program Class 51/2004

Past 5-year Working Experience

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



Mr. Kiyoharu Mizushima

Position Director
Age 50 years
Appointment Date August 9, 2013
Shareholding Proportion None

Highest Education

Bachelor of Engineering, Department of Applied Chemistry, Yamagata University, Japan

Training from Thai Institute of Directors Association (IOD)

-

Past 5-year Working Experience

2009 - 2011	Managing Director of Dongguan Inoac Metal and Elastomer Co., Ltd., China
2011 - 2012	General Manager of Inoac Corporation
2012 - 2013	Managing Director of Rubber and Elastomer Division, Inoac Corporation
2013 - Present	Director of Inoue Rubber (Thailand) PLC.



Ms. Chaovana Viwatpanachati

Position Independent Director/ Audit Committee
Age 53 years
Appointment Date November 23, 1999
Shareholding Proportion None

Highest Education

Master of Management University of Wollongong,
NSW, Australia

Master's degree in Accounting Chulalongkorn University

Training from Thai Institute of Directors Association (IOD)

DAP Director Accreditation Program Class 2/2003

DCP Director Certification Program Class 58/2005

ACP Audit Committee Program Class 14/2006

Past 5-year Working Experience

1994 - Present	Director of Moore Stephens Asia Pacific Limited (Hong Kong)
1994 - Present	Director of Moore Stephens DIA Sevi Limited
2000 - Present	Independent Director and Audit Committee of Inoue Rubber (Thailand) PLC.
2008 - Present	<ul style="list-style-type: none"> - Auditing Standards Committee Member - Professional Ethics Subcommittee Member, Federation of Accounting Professions under the Royal Patronage of His Majesty the King - Committee of Alumni Association of The Faculty of Commerce and Accountancy, Chulalongkorn University Alumni Association
2011 - Present	Managing Director of Pitisevi Company Limited (A Member of Moore Stephens International Limited Group of Independent Firms)
2012 - Present	<ul style="list-style-type: none"> - Independent Director and Chairman of Audit Committee of Food and Drink PLC. - Member of the Subcommittee of Articles Drafting, Federation of Accounting Professions under the Royal Patronage of His Majesty the King - Member of the Subcommittee of Quality Control, Federation of Accounting Professions under the Royal Patronage of His Majesty the King
2014 - Present	Committee Member of Federation of Accounting Professions under the Royal Patronage of His Majesty the King



Mr. Kazuto Seida

Position Independent Director
Age 46 years
Appointment Date August 14, 2014
Shareholding Proportion None

Highest Education

Bachelor of Economics, Yokohama National University, Japan

Training from Thai Institute of Directors Association (IOD)

-

Past 5-year Working Experience

2007 - 2012	Manager, Bridgestone Europe, Tatabanya Plant, Production Planning & Administration
2012 - 2014	Manager, Global Production Planning Unit for Commercial Product
2014 - Present	General Manager, Global Production Planning Department
2014 - Present	Independent Director, Inoue Rubber (Thailand) PLC.

Details of Executive Committee



Mr. Takenori Nakamoto

Position Managing Director / Executive Committee /
President of Risk Management Committee

Age 52 years

Appointment Date August 9, 2013

Shareholding Proportion None

Highest Education

Bachelor of Management, Department of Economics,
Faculty of Economics, Gakushuin University

Past Working Experience

2006 - 2007	General Manager, Planning Section, Industrial Material Sales Division, Inoac Corporation
2007 - 2008	General Manager of Elastomer Division, Head Office, Inoac Corporation
2008 - 2009	- Executive Officer of Dongguan Inoac Metal and Elastomer Co., Ltd., China - Manager of Sales Division, Inoac Corporation
2010 - 2013	Sales Manager of Inoac Vietnam Co., Ltd., Vietnam
2013 - Present	Managing Director and Executive Committee Member, Inoue Rubber (Thailand) PLC.



Mr. Jatupol Lawhachainam

Position Executive Director of IED Business Unit /
Executive Committee / Risk Management
Committee

Age 55 years

Appointment Date February 10, 2010

Shareholding Proportion 0.001%

Highest Education

Bachelor's Degree in Management, Bangkok University

Training

FSD Financial Statements for Directors Class 18/2012
Thai Institute of Directors Association (IOD)

Past Working Experience

1992 - 1996	Marketing Manager, Inoue Rubber (Thailand) PLC.
1996 - 2010	Deputy Executive Director of IED Business Unit, Inoue Rubber (Thailand) PLC.
2010 - Present	Executive Director of IED Business Unit and Executive Committee Member, Inoue Rubber (Thailand) PLC.



Ms. Witchuda Kupongsak

Position Deputy Executive Director of Administrative & Control Unit / Executive Committee / Risk Management Committee

Age 50 years

Appointment Date January 29, 2013

Shareholding Proportion 0.024%

Highest Education

Master of Business Administration, Thammasat University

Training

SFE Successful Formulation & Execution of Strategy Class 28/2013
Thai Institute of Directors Association (IOD)

CEDI - Babson Entrepreneurial Leadership Program
Babson College

Past Working Experience

1992 - 1993	Manager of MIS Department, Inoue Rubber (Thailand) PLC.
1993 - 1996	Manager of Cost Accounting Department, Inoue Rubber (Thailand) PLC.
1996 - 1997	Manager of Finance Division, Inoue Rubber (Thailand) PLC.
1997 - 1998	Manager of Business Development Division, Inoue Rubber (Thailand) PLC.
1998 - 2010	Manager of Purchasing Division, Inoue Rubber (Thailand) PLC.
1998 - Present	Board Member of Inoue Rubber (Vietnam) Co., Ltd.
2010 - Present	Deputy Executive Director of Administrative & Control Unit, Inoue Rubber (Thailand) PLC.
2013 - Present	Executive Committee Member, Inoue Rubber (Thailand) PLC.



Mr. Suchart Kootiratrakarn

Position Deputy Executive Director of Tire-Tube Business Unit/ Executive Committee / Risk Management Committee

Age 45 years

Appointment Date August 9, 2013

Shareholding Proportion 0.0005%

Highest Education

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

Training

FSD Financial Statements for Directors Class 18/2012
Thai Institute of Directors Association (IOD)

RMP Risk Management Committee Program Class 5/2014
Thai Institute of Directors Association (IOD)

CEDI - Babson Entrepreneurial Leadership Program
Babson College

Past Working Experience

2003 - 2009	Senior Manager of Sale and Marketing, Inoue Rubber (Thailand) PLC.
2003 - 2009	R&D Senior Manager, IRC (Asia) Research Ltd.
2009 - Present	Division Manager of Sale and Marketing, Inoue Rubber (Thailand) PLC.
2009 - Present	R&D Division Manager, IRC (Asia) Research Ltd.
2013 - Present	Executive Committee Member, Inoue Rubber (Thailand) PLC.



Mr. Shigeyuki Hosokawa

Position Executive Director of Tire-Tube Business Unit/ Executive Committee

Age 46 years

Appointment Date November 24, 2014

Shareholding Proportion None

Highest Education

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

Training

—

Past Working Experience

2004 - 2012	Assistant Manager, Industrial Engineering Division Bridgestone IRC Manufacturing Co., Ltd.
2012 - 2013	Assistant Manager, Quality Assurance Section, Inoue Rubber Co., Ltd. (Japan)
2013 - Present	Executive Director of Tire-Tube Business Unit, Inoue Rubber (Thailand) PLC.
2014 - Present	Executive Committee Member, Inoue Rubber (Thailand) PLC.



Mr. Katsunori Ito

Position Executive Director of IED Business Unit / Executive Committee

Age 52 years

Appointment Date November 24, 2014

Shareholding Proportion None

Highest Education

Bachelor of Engineering, Department of Applied Chemistry,
Shizuoka University

Training

—

Past Working Experience

2004 - 2009	Manager, Rubber and Elastomer Division, Inoac Corporation Co., Ltd.
2009	Manager, Procurement Division, Inoac Corporation Co., Ltd.
2009 - 2011	Managing Director, Inoac Vietnam Co., Ltd.
2011 - 2013	Manager, Rubber and Elastomer Division, Inoac Corporation Co., Ltd.
2013 - Present	Executive Director of IED Business Unit, Inoue Rubber (Thailand) PLC.
2014 - Present	Executive Committee Member, Inoue Rubber (Thailand) PLC.



Mr. Hirozo Mizuno

Position Executive Committee
Age 59 years
Appointment Date November 22, 2012
Shareholding Proportion None

Highest Education

Bachelor of Industrial Engineering, Shibaura Institute of Technology

Training

-

Past Working Experience

2012 - Present Executive Committee Member Inoue Rubber (Thailand) PLC.



Mr. Toshihiro Kuze

Position Executive Committee
Age 45 years
Appointment Date November 24, 2014
Shareholding Proportion None

Highest Education

Bachelor of Economics , Nanzan University

Training

-

Past Working Experience

2008 - 2009 Assistant Manager, Accounting and Finance Division, Head Office Inoac Corporation Co.,Ltd.
 2009 - 2009 Accounting and Finance Division, Anjo Plant, Aichi, Inoac Corporation Co.,Ltd.
 2010 - Present Manager, Accounting and Finance Division, Head Office Inoac Corporation Co.,Ltd.
 2014 - Present Executive Committee Member, Inoue Rubber (Thailand) Plc.



Mr. Narongchai Rattanaekkawin

Position Executive Committee
Age 44 years
Appointment Date November 24, 2014
Shareholding Proportion 0.00025%

Highest Education

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

Training

FSD Financial Statements for Directors Class 18/2012
 Thai Institute of Directors Association (IOD)

RMP Risk Management Committee Program Class 5/2014 Thai Institute of Directors Association (IOD)

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 Audit, Robere & Associates

Past Working Experience

2000 - 2007 R&D Manager, IRC (Asia) Research Ltd.

2008 - Present R&D Division Manager, IRC (Asia) Research Ltd.

2008 - Present Engineering Division Manager, Inoue Rubber (Thailand) PLC.

2012 - Present Production Division Manager, Inoue Rubber (Thailand) PLC.

2014 - Present Executive Committee Member, Inoue Rubber (Thailand) PLC.

Company Secretary

Ms. Jaithip Choosatitsatienchoke

Position Company Secretary
Age 43 years
Appointment Date August 9, 2013
Shareholding Proportion None

Highest Education

Bachelor of Business Administration, Finance and Banking, Ramkhamhaeng University

Training

CSP Company Secretary Program Class 10/2005, Thai Institute of Directors Association (IOD)

EMT Effective Minute Taking Class 2/2006, Thai Institute of Directors Association (IOD)

EMT Effective Minute Taking Class 26/2013, Thai Institute of Directors Association (IOD)

BRP Board Reporting Program Class 13/2014, Thai Institute of Directors Association (IOD)

Executive Financial Management Certificate Program, Faculty of Economics, Chulalongkorn University

Basic Accounting / Cash Flow Management

The Impact of New Accounting Standard on Financial Statement of Listed Companies

Internal Control and the Company Value Added

Corporate Secretary Development Program, Thai Listed Companies Association

The 7 Habits of Highly Effective People Pac Rim Group

Past Working Experience

2005 - 2013 Manager, Finance Department, Inoue Rubber (Thailand) PLC.

2013 - 2014 Senior Manager, Finance Department, Inoue Rubber (Thailand) PLC.

2013 - Present Company Secretary, Inoue Rubber (Thailand) PLC.

Shareholding Proportion of Board of Directors, Executive Committee and Top Management¹

Name	Position	Amount of Shares		Trading during the fiscal year 2014	Shareholding Proportion (%)
		1 OCT 2013	30 SEP 2014		
Mrs. Pimjai Leeissaranukul ³	Chairman	4,771,275	4,881,075	109,800	2.44
Mr. Kazuo Sato	President	-	-	-	-
Mr. Soichi Inoue ²	Director	-	-	-	-
Mr. Masayuki Inoue ²	Director	-	-	-	-
Mr. Thanong Leeissaranukul ³	Director	3,408,000	3,408,000	-	1.70
Mr. Apichart Leeissaranukul ³	Director	3,662,700	3,653,700	-	1.83
Mrs. Porntip Sethiwan ³	Director	3,955,675	4,254,475	298,800	2.13
Assoc.Prof.Dr. Chesada Loha-unchit	Independent Director / Chairman of Audit Committee	-	-	-	-
Mr. Vichit Vuthisombat	Independent Director / Audit Committee	-	-	-	-
Ms. Chaovana Viwatpanachati	Independent Director / Audit Committee	-	-	-	-
Mr. Kiyoharu Mizushima	Director	-	-	-	-
Mr. Kazuto Seida	Independent Director	-	-	-	-
Mr. Takenori Nakamoto	Executive Committee	-	-	-	-
Mr. Jatupol Lawhachainam	Executive Committee	2,500	2,500	-	0.001
Ms. Witchuda Kupongsak	Executive Committee	47,800	47,800	-	0.24
Mr. Suchart Kootiratrakarn	Executive Committee	24,500	1,000	(23,500)	0.00005
Mr. Hirozo Mizuno	Executive Committee	-	-	-	-

Remark ¹ Amount of shares includes holding by spouse and minor children

² Major shareholders: Inoue Rubber Co., Ltd. (Japan)

³ Major shareholders: Leeissaranukul Family Group

Development and Alternation in the past 3 years

For the past 3 years, the Company did not changed shareholding structure, management, nature of business and managerial authority significantly.

Year 2012	<ul style="list-style-type: none"> - Appointed Risk Management Committee to support Management Team and decision making of the Board of Directors - Appointed CSR Committee to comply with the Company's policy in taking responsibility towards society earnestly. - Certification Awarded ISO 9001: 2008 from Bureau Veritas and ISO/TS16949 : 2009 for Industrial Elastomer Division - Certificate for Industrial Establishment in Line with Environmental Governance from Ministry of Industry - Certificate of Green Industry Level 2: Green Activities from Ministry of Industry - Outstanding Establishment on Occupational Safety, Health and Environment Award - Champion Trophy of QCC Kaizen Southeast Asia Competition 2012 from Inoac (Thailand) Co.,Ltd - Certificate for Sponsor of 1st Creating Volunteering Hired-motorcyclists to Decrease Accidents in Community Project from Ministry of Interior - Trophy for Sponsoring and Participating in Management of Municipal Solid Waste for Sustainable Development from Rangsit Municipality - Award of Establishment Participating in Blood Donation Regularly From Pra Nakhon Sri Ayutthaya Red Cross Society - J.I.T. Service Parts Performance Award from Toyota - Silver Award from Hino - BRONZE AWARD FOR EXCELLENT COOPERATION IN YEAR 2011 from KUBOTA
Year 2013	<ul style="list-style-type: none"> - Tire-Tube Business Unit obtained CCC Mark from China - Certificate of Accreditation Laboratory ISO/IEC 17025: 2005 from Thai Industrial Standards Institute from Ministry of Industry to IRC (Asia) Research Limited, Rangsit site - Award of Industrial Establishment in Line with Environmental Governance from Ministry of Industry - Certificate of Standard on Prevention and Solution to Drug Problems in an Establishment - Honorable Certification of Best Social Activity according to be an outstanding volunteer that performed duty with strength, sacrifice and benefit to society and country from Minster of Social Development and Human Security - Certificate of Green Industry Level 2: Green Activities - 2nd place in QCC Kaizen Competition among Inoac Group - 1st place in Quality Control Competition among Inoac Group (International) at Japan
Year 2014	<ul style="list-style-type: none"> - Received Delivery Award for the year 2013/2014 at Quality, Cost and Delivery Awards Announcement of Thai Honda Manufacturing Co., Ltd - IRCT Rangsit Site granted Zero Accident Award from Ministry of Labor for 3.1 million hour without a lost time injury - Obtained Outstanding Award for Labor Relations and Welfare of the year 2014 (4 consecutive years) from Ministry of Labour - Gained Honorable Trophy for Establishment Model of Patumthani, due to participate in Integrated Management on Promoting Occupational Safety and Disease Prevention for the Employees in the Establishment Project

Corporate Social Responsibility

1. Fair Enterprising

The Company supports the management system to be effective, transparent and auditable; supports operating the enterprise fairly and with no monopoly; and has no policy to conduct trade competition by any means to obtain rivals information unethically and illegally. Besides, the Company respects the legitimate intellectual property rights.

2. Anti-corruption Policy

For anti-corruption success, the Company states the anti-corruption policy in a Handbook of Good Corporate Governance and Business Morality and the Company's compliance with the policy is summed up as follows:

- Every employee shall report offensive-to-regulation / suspected to be offensive-to-regulation or illegal behaviors in office to his/her immediate superior or via the provided channels. The employees who report shall be protected.
- The Company shall investigate the events suspected to be illegal, offensive-to-regulation or unethical. If suspicions are true, the offenders shall be disciplined.
- Each section executive shall monitor and assess risks to which the corruption risk shall be included.
- The Company's anti-corruption policy shall stipulate the practices and prohibitions, for example the prohibition on gift receipt and offer, the suggestion on party-going, the practice on the co-operation with business counterpart etc.
- Every year the executives at all levels shall carefully, reasonably and openly sign in the interest conflict report form to eliminate the interest conflict problems.

3. Sustainable Enterprising

The Company is committed to operate the enterprise with good governance as the start of sustainable development and productive operation including to establish policies, business plans and operation plans with their regular monitoring to be conducted by responsible units and committees for IRTC's development to proceed firmly and effectively.

3.1 Fair Labor Handling

Personnel Promotion and Development

The Company is committed to all level personnel development to enhance their work performances. As eventual, the investment for human resource development is crucial focusing on developments to which not only knowledge and skill but the personal attribute is also included for adapting the employees behaviors and attitudes to correspond with organizational culture. According to policy, the personnel development is a systematic process beginning from

the orientation stage onward. New employees are to be in touch with learning in the productivity training and education center which encompasses all the Company's main sides including safety which shall be learned by simulation for employees to be aware and understand the machinery's basic operating system and risks avoidance. After initial training will be OJT which will be monitored by the HR section to evaluate the new employees readiness for work, work performance and adaptation to organization.

Seeing the importance of continuous working potential development, the Company provides the knowledge and skill review training twice yearly to ensure employees at all levels are always capable correspondingly with their work standards. The Company also launches the individual development plan for employees strong and weak points analysis and employees functional competency assessments by the employees themselves and superiors to find out the points for improvement and development. The process enables the employees developments to be direct to points and working behavior changes are clearly seen after training. The information from analysis will be used to select the training courses to fulfill each employees development need by in-house training which focuses on work execution basics and employee promotion and off-house training which focuses on specific work position potential development.

In addition, opportunities for the scholarships for trainings in Japan by the Association for Overseas Technical Scholarship (AOTS)s and Inoue Rubber Company Limited (Japan)'s co-operation for OJT, direct working experience improvement and working system development to apply after training are provided to employees. The training period is 6-12 months.

In year 2014, totally 98.48% of all employees participated trainings. The employees average training hour is 19.88 hrs.

Fair Recruitments, Employments and Work Positions

Recruitments are conducted in accordance with the recruitment plan with the applicant's qualifications, knowledge and skills considered to correspond with work positions. Development potentials are also considered to ensure the development readiness.

Applicant's virtues, knowledge, skills, intentions and work profiles shall be considered with no discriminations to race, religion, sex, age or physical defect.

Incentive and Wage

The Company specifies the employees' scopes of work in accordance with their work positions and responsibilities to be fair with wages and promotions. To be clear and correspond with standards, the Company shall conduct surveys to compare the employees' revenues and incentives with labor market and the changing cost of living to ensure they are suitable.

3.2 Health and Safety

Safety, Occupational Health and Environment in Workplace Promotion

The Company established a safety, occupational health and environment in workplace section to develop the policy and practices on security, safety and environment. Good health care, safe working environment and work accident prevention had been launched and promoted.

Recently, the Rangsit Factory received Zero Accident Award for 3,106,945 hours without a lost time injury. In addition, the Company sets the zero accident target at 5,000,000 hours without a lost time injury and continuously communications to employees.

Work Safety Promotion

The Company has prioritized the work safety since start as a daily life safety culture promotion as well as provided the workplace, infrastructure and PPE sufficient for work.

Employees and Their Families Health Promotion

Employees' and their families' good health leads to good life quality as the outcome. The Company provides the employees', their children's and spouses' medical expense and annual health check welfare including the low cost health check service opportunities to the employees' families and vaccines at outbreaks.

The Company was certified ASO Thailand Silver Class for AIDS and tuberculosis prevention and management standard in enterprise by the Ministry of Labors Department of Labor Welfare and Protection and the Ministry of Health's Department of Disease Control.

3.3 Environment and Energy

The Company's management system and operation guideline prioritize the enterprise operations which follow the environmental code and the other standards involved and concern on environmental impacts by constantly applying the environmental ISO 14001 to their sites. The Company also prioritizes the efficient resources utilization and environmental management for emergent impacts prevention and reduction encompassing the water resource treatment and management and the air and dust management.

Water, Air and Dust Quality Control

The Company had installed efficient chemical vapor and dust arresters and web scrubbers which operate on air, dust and water counter flows. Measurements by the agency registered with the Department of Industrial Works found the vapor from arrester parameter value is within standard.

For water quality control, the Company had installed the wastewater treatment system for all the plant's wastewaters. Wastewater after treatment is retained in reserve water pond for emergency use and other uses in plant. Quality measurements find the treated wastewater meets the standard. Samples quality check is also conducted by the outsourced licensed agency.

Manufacturing Wastes Management

To respond to global warming and the restricted available resources situation including to campaign for effective resources use, the Company sells the manufacturing process wastes to TPI Polene Plc. to convert to substitution fuel to reduce fossil fuels use as much as possible. Part of the waste rubber is sold to waste rubber processing plant for recycling. Environmental conservation and global warming effect reduction are now the main responsibilities of the Company.

Wastes and Excess Materials Disposal

The Company implements the pre-disposal waste separation campaign for systematic wastes management to utilize and manage them suitably and correctly. Hazardous wastes are delivered to reliable licensed plant for treatment / disposal whereas recyclable wastes are sold to recycling plants and general wastes are disposed by municipality.

Energy Management

Since the 2535 B.E. Energy Conservation Promotion Act imposition, the Company and all employees have been aware of energy conservation and adhered to the Act including had run energy conservation campaigns both to public and in company for mutual electrical and fuel energies and water uses reduction success. In year 2005, the Company received the distinguished factory of energy conservation award (chemical compound factory-type) and continuously has reduced the electrical energy and fuels consumption. This year, 3% energy consumption is reduced compared with the previous year.

The Company also looks into future by establishing a unit specifically to be responsible for energy conservation for continuous and sustainable operation which includes machinery development designs and mechanization with hi-tech for work time efficiency, productivity and full efficacy with work accidents and minimum 460 T/year carbon dioxide release to atmosphere reductions via projects such as the over 500 fluorescence and metal halide lamps replacement with LED lamps, zoning electrical air pressure regulator valve installations in shut down / no-operation areas, dense roofs replacement with transparent roofs in manufacturing plants for lamp lighting reduction at daytime projects etc.

3.4 Responsibility to Consumers

Innovative Manufacturing

Mainly on regard to users' safety and the environmental concern, IRCT was the first company in Thailand that manufactured motorcycle tires to the standard same with Europe by not using the raw materials which contain the polycyclic aromatic hydrocarbon compound carcinogen.

IRCT carries on the product efficacies and rubber compound formulas developments to manufacture the products suitable for Thailand's weather, durable for use and fuel-saving.

Product Standards and Qualities Preservation

To preserve product quality standards, create products and consumers satisfactions, provide sufficient and correct products information and maintain the product qualities and standards as said the Company has imposed the IRCT-Quality Spirit Policy as follows:

- Quality first, delivery on time and customer satisfactions
- Always keep our rules and our standards
- Promoting the built-in quality in each section
- President/ MD fully support QA-decision



New "Lightning" tread pattern with stylish and modern design is for currently popular 14" size automatic motorcycles such as Honda-Click, Air Blade, Scoopy I, Icon, Yamaha-Mio, Fino, Suzuki-Step Drive, Jelato etc. Tire structure is specially designed for driving balance and easy control for both straight and curved roads. A special compound results to road-gripping excellence. The alternate inclining threads increase driving balance.



A developed high grade racing tire is exclusively for racers with special component for road gripping and eventual excellent racing performance. The excellence is more enhanced with aramid fiber for premium racing performance confidence.



A compound tire with its structure is designed for high speed performance and excellent road gripping during driving. The tire is for Honda CBR 150, all 14" size sport motorcycles, and furnished automatic motorcycles. 12" size is available for mini bikes.

The Global Warming Reduction Campaign

The Company co-operates with Sitthiphol 1919 Company Limited, the supply agent in the replacement market, to run campaign to the motorcyclists who use IRC inner tubes to help reduce global warming by returning IRC inner tube cases via repair / supply agent stores for their correct disposal.

IRC Ride for Life Project

The project is implemented every year and to every region in Thailand by the Company for motorcyclists to be knowledgeable both theoretically and practically promotion and participated by police and the Motorcyclists Association of Thailand's experts. Achievements from the project can be applied in daily life to prevent and reduce road accidents and their effects to life and property.



3.5 Society, Education and Community

Give Career, Give Life Project (the Projects Progress)

The Company launched the Give Career, Give Life Project in April, 2013. The project is the prototype of the co-operation between government sector by the Department of Corrections and private sector by Inoue Rubber (Thailand) Plc.

In the project, the government and private sectors collaborates with each other to establish an organization for joint co-operation on the consultancies by experts in various areas. The Give Career, Give Life Project focuses on developing potentials of the Thanyaburi Prison's female inmates who participate in the project by providing theoretical and practical, discipline, efficacy and quality, thinking and moral training.

The Project's Progress

Guideline of the Give Career, Give Life Project implementation

- 1) Work / career training
 - Safety and working awareness training (KYT : Kiken Yoshi training) To train for hazards awareness and prevention.
 - 3 concepts (orderliness, convenience and cleanliness) Theoretical and practical trainings for basics and discipline of the factory's high standard production process.
 - Documented working instructions.
 - Product quality realization
 - Buddhism realization and concept developments and practices training for morality.
- 2) Potential improvement
 - The inmates' mindfulness and spiritual development training increase.
 - The inmates' nerve and brain capacities development opportunity increase.
 - Occupational skill development.

Education, Community and Social Activities



Scholarship Endowment

To promote learning quality and education to students within the nearby community, the Company has endowed scholarships continually.



Safety Helmet Donation to Nan Military District

In accordance to encourage military forces to comply with traffic regulations and reduce road accident, the Company donated safety helmets to troops, sergeants, employees and government officers.



Vocational Education Support

IRCT supported IRC Eco Run Tire to Panjavidhya Technological College's team which won Honda Soichiro Cup Honda Eco Mileage Challenge, Japan and shot Thailand to fame.



Factory Visit of Professors and Students

The project encouraged students to put learned knowledge into practice; learn and understand the practical part which is impossible to be done in a classroom and a laboratory; gain real working experience in the organization which is able to use in further studying and working; and get opportunity to learn and understand business.

2014 Awards and Recognition



Quality Awards from Customers

QCD Award for best delivery of the year 2013/2014 from Thai Honda Manufacturing Co., Ltd., Quality, Cost and Delivery Contest



GM Supplier Quality Excellence Award for delivery with good corporation and no claim



The Winner of Group 4 TCC-QCC Final Presentation Contest 2014 from Toyota Co-Operation Club for enhancing line production standard



The Winner of QCC Contest Activity Group 4 from Hino Co-Operation Club, QCC activity for improving work piece standard



Outstanding Award for Labor Relations and Welfare of the year 2014 (4 consecutive years)

To receive this award from Department of Labor Protection and Welfare, Ministry of Labor, the Company has complied with labor law, promoted compatibility within the organization, enhanced comprehension between the employer and the employee and conducted employment accurately and fairly for 4 consecutive years.



Zero Accident Award

According to Zero Accident Campaign, Ministry of Labor granted Zero Accident Award to IRCT Rangsit Site for 3.1 million hour without a lost time injury.



Outstanding Award in Occupational Health, Safety and Environment for the year 2014,

granted by Occupational Health, Safety and Environment Subcommittee for 5 consecutive years



Honorable Trophy for Establishment Model of Patumthani,

due to participate in Integrated Management on Promoting Occupational Safety and Disease Prevention for the Employees in the Establishment Project

Certificate on Encouraging and Developing Water Management in Industry Phase 3, Upper Central Provinces Group

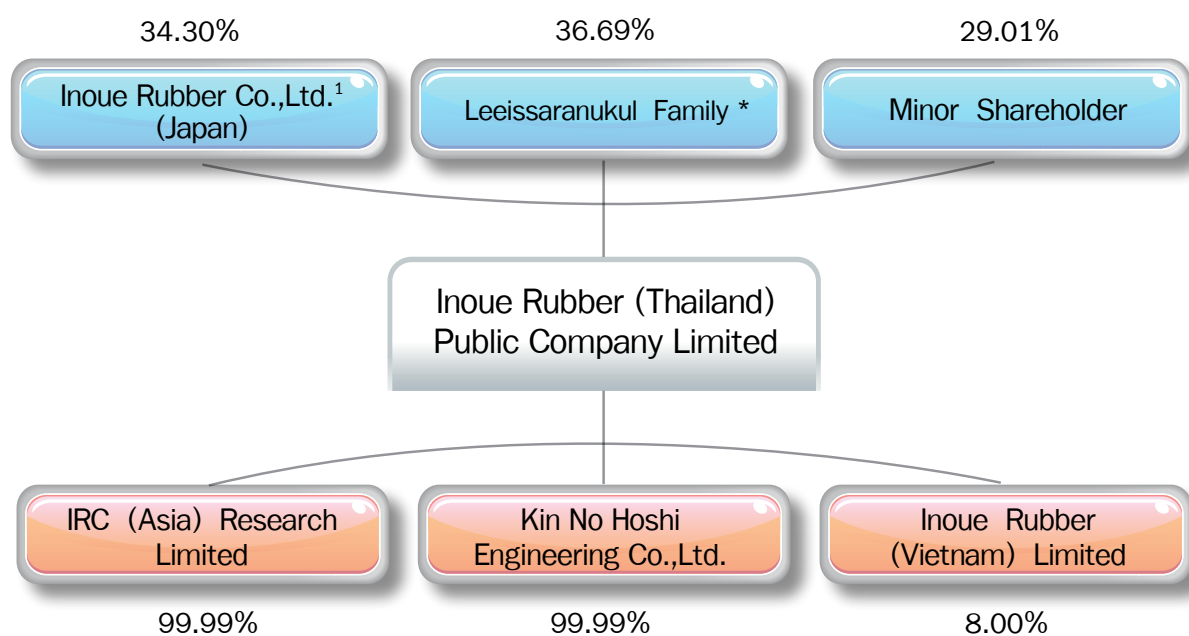
The project aimed to decrease water consumption and wastewater in industries, to maintain wastewater quality in line with Ministry of Industry's standard and to encourage industries to reclaim treated wastewater.

Certificate on Establishment Model with Outstanding 100%-Helmet-Wearing Countermeasure

Due to 100% Helmet Wearing Project, The Company was an establishment model with the excellent countermeasure on wearing helmet 100 percent.

Shareholder Structure

As at 12 December 2014



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

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

Subsidiaries and Joint Ventures 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 years performance.

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 Tuber
Website	www.ircthailand.com
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	1,296 shareholder (as of December 12, 2014)
% Free Float	29.01
Investor Relation	ir@ircthailand.com

Subsidiaries

IRC (Asia) Research 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 develop raw materials and products of the Company mainly

Registered Capital : 30 million baht paid-up capital 10.05 million baht, Percentage of Investment 99.99%

Kinno Hoshi Engineering Co.,Ltd

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

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

Registered Capital : 10 million baht paid-up capital 10 million baht, Percentage of Investment 99.99%

Reference Persons

Security Registrar	Thailand Securities Depository Company Limited 62 The Stock Exchange of Thailand Building, 7 th Floor, Ratchadapisek Road, Klongtoey, Klongtoey, Bangkok 10110 Tel. (66) 2229 2800 Fax (66) 2359 1259
Auditor	Mrs. Nattaporn Phan-Udom Certified Public Accountant (Thailand) 3430 Pricewaterhouse Coopers ABAS Ltd. Bangkok City Tower 15 th Floor 179/74-80 South Sathorn Road Bangkok, 10120 Thailand Tel (66) 2 286 9999 Fax (66) 2 286 5050
Legal Consultant	Tilleke & Gibbins International Ltd. Bangkok, Thailand Supalai Grand Tower, 26 th Floor 1011 Rama 3 Road, Chongnonsi, Yannawa Bangkok, Thailand 10120 Tel (66) 2 653 5555 Fax (66) 2 653 5678

Directors of Subsidiaries

Director		IAR	KIN	IRV
Mrs.Pimjai	Leeissaranukul	/ , //, X	/ , //, X	-
Mr.Kazuo	Sato	/ , //, X	-	-
Mr.Thanong	Leeissaranukul	/	-	-
Mrs.Porntip	Sethiwan	/	-	-
Mr.Takenori	Nakamoto	-	/ , //, X	-
Ms.Witchuda	Kupongsak	-	-	/
Mr.Kazuhisa	Usami	-	/	-
Mr.Toshinobu	Kuwahara	-	/	-
Mr.Chaowalit	Meethongkum	-	/	-
Mr.Nareothai	Boothong	-	/	-
Mr.Narongchai	Rattanaekkawin	/	-	-

As of 30 September 2014

Symbols indicate positions

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

IRCT = INOUE RUBBER (THAILAND) PUBLIC COMPANY LIMITED

IAR = IRC (ASIA) RESEARCH LIMITED

KIN = KINNO HOSHI ENGINEERING COMPANY LIMITED

IRV = INOUE RUBBER VIETNAM COMPANY LIMITED

The Companys revenue structure in the past 3 fiscal years as follows:

	Fiscal year 2013		Fiscal year 2012		Fiscal year 2011	
	Million Baht	%	Million Baht	%	Million Baht	%
<u>Industrial elastomer parts</u>						
- Local sale	2,361.97	43.31	3,160.87	46.59	2,508.82	38.62
- Export	559.10	10.25	662.56	9.77	548.84	8.45
<u>Motorcycle tires and tubes</u>						
- Local sale	1,718.47	31.51	2,124.30	31.31	2,559.46	39.40
- Export	813.97	14.93	836.81	12.33	879.34	13.54
Total	5,453.51	100.00	6,784.54	100.00	6,496.46	100.00

Product Features

Industrial Elastomer Parts

Industrial elastomer parts come from complicated elastomer formulas R&D and modern-technology manufacture processes for special qualities requirement to meet different application demands. The Companys industrial elastomer parts include 2 main groups: for automobile industry such as rubber gaskets, engine mountings, door sponges, bumper rubbers, floatable rubber gauges, weather strip, etc.; and for other industries such as hose water inlets, multi-purpose engine seals, rubber cushions for electrical appliance, pipe insulting tapes, etc.

Main Customer Groups

1) Original Equipment Manufacturer (OEM)

The Company's elastomer parts supply is for the OEM's manufacturing and to be the spare parts for service for both local and export markets (readily equipped to export automobiles).

2) Sub Automotive

Sub-automotive group is the parts manufacturers to support the OEM group directly. The group includes the first-tier suppliers which supply parts to OEM directly and the second-tier suppliers which sub-contract to supply parts to first-tier suppliers.

3) Non-Automotive

The group includes many industries such as the agricultural equipment and engine industry, air-conditioner industry, water valve industry etc.

Motorcycle Tires and Tubes

IRC was the motorcycle tires and tubes market pioneer in Thailand. The Company's quality products manufacturing and supply potential has been relied and utilized by motorcycle manufacturers in Thailand such as Honda, Yamaha, Suzuki, Kawasaki etc. enabling the Company's top most motorcycle assembly industry market share success. For more, the Company focuses on regular new product R&Ds to supply to customers' different demands on style, size, qualification or performance. At present various products can be manufactured to suit to operation, for example on-road tires, off-road tires, scooter tires, heavy-duty tires, snow tires, etc.

Main Customer Groups

Local market - Products are supplied to 2 main customer groups.

- Direct supply to motorcycle OEMs.
- Supply to Sitthiphol 1919 Co., Ltd. as the replacement market.

Export market - Products are supplied via several channels.

- Direct supplies to motorcycle OEMs in countries.
- Supplies via Inoue Rubber (Japan) Co., Ltd. Direct and via agent supplies are also included.

The Automobile Industry Situation

The automobile industry in overall continues its recess from the previous year due to economic slow-down. Political problem, rice pledging scheme's payment delay and household debts also deliver effects to the local purchasing power directly even though export signals an improvement sign but that would not compensate the local recess.

In Year 2014 (October 1, 2013 – September 30, 2014), the total automobile production decreased as compared with the previous year. The total production was 1,935,948 units, 27.20% decrease, 822,680 units for local supply, 47.31% decrease, and 1,113,268 units for export, 1.29% increase. The motorcycles situation was in the direction same as automobiles.

Competition in the Industrial Elastomer Parts Industry

This years automobile market still recedes from estimation, particularly the local market in which continuous recess takes place due to effect of the first car scheme which had drawn part of the purchasing power earlier as readily mentioned above. The automobile production decrease causes effect to the parts industry which is the Company's main market. Even though automobile companies launched promotions to stimulate the local market but they were not successful as should be. Despite, automobile manufacturers have efforted pushing the export and have been responded better than previous years to which the Company will also benefit from the export automobile parts involved.

From economic recovery which started in the year 2014's end and will help drive Thailand's automobile market to recovery, the Company has prepared to be ready for new car series launch in collaboration with car manufacturers and assemblers in the automobile elastomer parts and elastomer parts manufacturing and design developments

project including the co-ordination to increase market share. The Company in the same time is studying the marketing channel variety potential such as the agricultural machinery, air-conditioner and equipment, products transport system, electrical appliance market potentials etc.

Competition in the Motorcycle Tires and Tubes industry

Local market

In this year, the Company's total motorcycle tires and tubes sale decreased as compared with the previous year. The Company's market includes 2 main sectors. To the motorcycle OEMs sector, due to the total new motorcycle production continuously decreased since the year 2013's end from non-facilitative local economic situation unlike the former years resulted to the local motorcycle sale to be at 1.53 million units, 23.5% decrease from the previous years 2.32 million unit sale. This year effect was due to several factors of the political unrest, rice pledging scheme payments delay and low natural rubber price problems and uncertain global economic situation directly having impact to local consumers purchasing power in overall. Moreover, as trend of the global economic problem still was not clear the motorcycle export also was directly affected to decrease.

The local replacement market was also severely affected same as the OEM market, particularly the consumers in agricultural sector whose purchasing power obviously decreased.

However, the Company continuously has launched sale promotion programs which are well co-operated by local sale agents. The programs are such as the tube cases return to reduce global warming program, continuous new products launch program focusing on quality, high performance but reasonable-price products to supply to high quality and modern tire demand groups, etc. The program activities are such as the popular new NR77u-IRC wings x 12" size mini bike tire launch and on-time products delivery: the outstanding service standard the Company maintains to ensure customers top satisfactions.

Export Market

Fluctuation of the global economic situation in overall is still high directly affecting currency exchange rates and the Company's sale strategies planning as the eventual result. However, the Company has been tuning the sale plans and promotions all the time, particularly in ASEAN countries in which the market share is highest as well as has launched sale promotions in Southern Africa countries in which continuous sale growths are achieved. New products designs and productions for oversea markets also have been conducted and well contribute to the Company's market share sustenance in European countries and Japan. With continuous joint-sale promotion programs with sale agents in countries, the markets are still sustained and expanding.

Risk Factors

Risk Management Policy “IRCT continuously eliminates the causes of interruption in the achievement of our management policies. In the occurrence of an emergency, we make effort to minimize the impact on stakeholders as much as possible. And also we properly implement measures to prevent recurrences”

Risk management is a significant process that the Company places emphasis on in order to make the organization grow sustainably. The Company superintended by the Top Management and Risk Management Committee monitors the operation to be consistent with the plan, analyzes and manages risks including objectives and strategies to ensure that internal and external risks are managed efficiently and controlled within the acceptable and effective level. It is in accordance with the Company’s policy that gives priority to managing risks timeously and in line with more changeable and complex trends.

1. Risks Relating to Economic Slowdown

● Automotive Industrial Risk

Previously, Thai economics had encountered fluctuation and pressure according to domestic and oversea factors. Global economic overview recovering slowly affected exportation. Domestic political unrest, the governments budget reimbursement off the target, rice-pledging scheme problem and household debt continually influenced on the deceleration of public consumption and entrepreneurs’ investment. Those factors impacted the automotive industry and the Company’s business plan and operation.

Risk Management Guideline

The Company focuses on research and development and study of diversified product development in order to expand to non-automotive market and extensive target-customer group. The Company also concentrates on innovative invention satisfying automotive and motorcycle manufacturers’ future demands in order to raise long-term competency. Besides, business plan is compiled to boost exportation capability.

In addition, the Executive Committee conducts the meeting monthly to follow up the operating result including marketing strategies, competitive condition, trends, raw material prices, operation costs and progressions in order to set up possible management plan promptly.

● Higher Minimum Wage Risk Impacting Production Cost

The Company runs manufacturing business which uses labor at a certain level. Therefore, high minimum wage affects cost of production and service directly.

Risk Management Guideline

To control effectiveness and efficiency of cost of sales is a significant factor in continually operating business in line with business strategic plan. Thus, manpower-saving machine and development of manufacturing technology are used together with skill development for an increase in productive labors.

● Cost of Demand / Supply and Fluctuation of Main Raw Material Price Risk

Economic factors and demand / supply alternation affect prices of main raw materials used in manufacturing process which have both positive and negative influence on business.

Risk Management Guideline

The Company has set a systematic policy of supplying raw materials and monitoring and assessing management of raw material usage. Purchase Committee's meeting is also held quarterly to evaluate and follow up the factor movement which has both direct and indirect influences. The Committee performs duty with Production Planning Division in controlling purchase quantity, raw material usage and warehouse management by software. Therefore, volume of usage and purchasing order is anticipated promptly and R&D team is able to find raw material replacements.

● Foreign Exchange Risk

Domestic and overseas risk factors result in fluctuation of exchange rate. Uncertain global economics, Quantitative Easing used by central banks and QE reduced by US Federal Reserve are involved. Meanwhile, a deceleration signal sent out by Thai economics since the beginning of the year and unsteady political situation are domestic factors.

The Company has account payable and receivable transactions using foreign currencies such as US Dollar, Japanese Yen and Euro. Therefore, the Company could encounter possible foreign exchange risk.

Risk Management Guideline

The Company closely follows up variation of factors which affect foreign exchange rate, so that evaluation and analysis can be achieved. The Company decides to manage the risk by enter into a forward contract. Thus, the mentioned risk is reduced.

2. Occupational Safety and Environmental Risk

The Company intensively realizes and places emphasis on occupational safety and environment which is regarded as a significant factor that affects the Company's long-term sustainable development. Thus, the policy is set to be the management guideline for executives and employees of all levels.

Risk Management Guideline

The Company insists on making employees comprehend safety policy, 5S policy and environment policy to build up awareness and enable them to put the foresaid policies into practice explicitly. The Company also follows a policy of promoting and campaigning for safety corporate culture building to employees to make a sustainable safety workplace continually. For example, machines and workspace are improved, equipment is maintained on schedule to ensure that it can be used efficiently all the time, and a safety plan is set up.

As for the environment, the Company places emphasis on running business in line with the enforced regulations of the Environmental Law and the principles of ISO 14001: 2004. The Company controls and checks water and air

quality regularly and sends the report to Department of Industrial Works, and allows the external institutes to inspect.

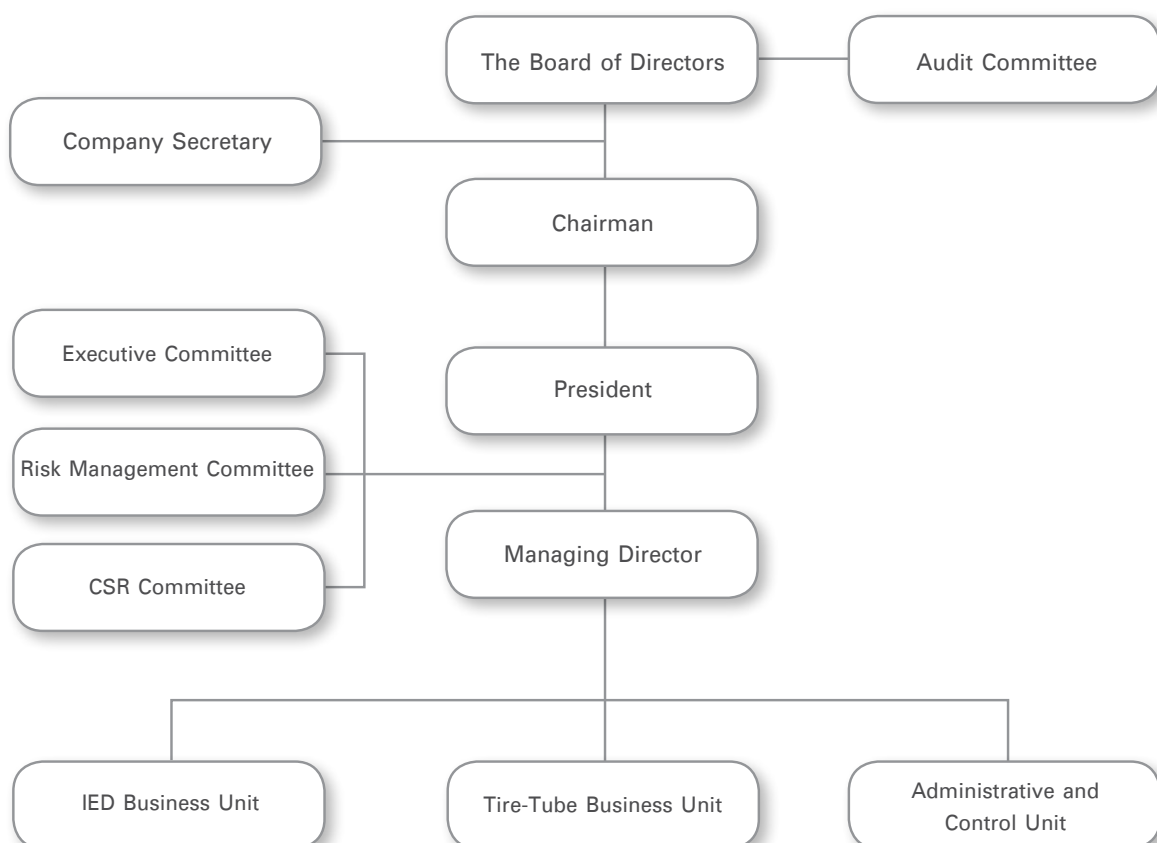
3. Related Rules, Regulations and Law Compliance Risk

Currently, rules, regulations, laws and coverages related to business operation trend to be stricter. The Company cooperates in and emphasizes on stiffened compliance. New enforced laws and regulations associated with the organization's business running are also followed up and studied.

Previously, there was no noncompliance with laws and regulations related to business operation found on the Company and its subsidiaries.

Corporate Governance

The company has the Board of Directors, Independent Directors, Audit Committee, Executive Committee, Risk Management Committee, Corporate Social Responsibility Committee, Company Secretary and Internal Audit Department 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:



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 number of board members, at least one-third and no fewer than three persons must be independent directors.

As of September 30, 2014, the Boards of Directors consisted of 12 members including:

- 9 non-executive directors (4 independent directors)
- 4 executive directors

(Remark: Names of Board of Directors and number of meeting attendance are disclosed in Item 8.8, Director Remuneration)

Authorized Directors

Authorized Directors, namely Mrs. Pimjai Leeissaranukul or Mr. Thanong Leeissaranukul co-signs with Mr. Kazuo Sato or Mr. Masayuki Inoue together with the Company's seal.

Roles, Duties and Responsibilities of the Board of Director

- To undertake the duties in accordance with laws, objectives and requirements of the company and resolutions of the shareholders with due care and integrity and to look after the interest of the company.
- To set the business policies and direct the operations of the company 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.
- To arrange a reliable accounting system, financial reports and auditing by settle internal control procedures and suitable internal audit system with consistent follow-up.
- To approve the quarterly and annually financial reports and the annual investment budget and to monitor the operating results of the company, including the major progress in various aspects.
- To provide advices/suggestions and make a decision with due care on the agenda proposed in the board of directors meeting.
- To appoint/remove the subcommittee on specific matters as deemed suitable.
- An independent director is able to provide their independent judgment 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.
- To arrange a good corporate governance, business morality and employees 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.
- 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.
- 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.

- To suspend sale or purchase of shares of the company one month prior to public disclosure of the financial reports.
- To report any shareholding by himself/herself and his/her spouse and children in the board of director meeting quarterly and to immediately inform the company if there is any purchase or sale of shares (securities) of the company.
- To arrange a self-assessment of the director annually.
- To manage and supervise company's intellectual property.

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 director's 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 quarters 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 September 2014, Audit Committee composed of 3 members, namely:

Name of Audit Committee	Position
Assoc.Prof.Dr. Chesada Loha-unchit	Chairman of Audit Committee/ Independent Director
Mr. Vichit Vuthisombut	Audit Committee/ Independent Director
Ms. Chaovana Viwatpanachati	Audit Committee/ Independent Director

Ms. Chaovana Viwatpanachati is the Audit Committee Member who possesses considerable knowledge and experience in verifying the reliability of the financial statements of the Company.

Ms. Jaithip Choosatsitienchoke acts as Secretary of Audit Committee.

Roles, Duties and Responsibilities of Audit Committee

Roles, duties and responsibilities of Audit Committee are set up in line with the Stock Exchange of Thailand's regulations as follows:

- To verify in assuring that the company's financial report is correct and accurate and sufficiently disclosed.
- To verify in assuring that the company shall have the appropriated effective internal control and internal audit systems on cooperation with the internal auditor and internal controller and to consider the independence of the internal audit agency as well as to provide the approval for the appointment, transfer, termination of the chief of the internal audit agency or any other agencies responsible for the internal audit.
- To verify in assuring that the company has acted in compliance with the law on Securities and Exchange, requirements of the Stock Exchange and the laws relating to the company's business.
- To consider, select, propose to appoint the independent person or persons to perform the duty as the company's auditor and to propose the remuneration for such person/persons, considering the reliability, resources adequacy, workloads and personnel's experiences as well as participating in the meeting with the auditor without the involvement of the management for at least once a year.
- To consider the related items or the items that would have the conflict of interest to meet the requirement of law or the provision of the Stock Exchange to assure that such items are reasonable and resulted in the maximum benefit to the company.
- To prepare the report of the audit committee's activities, consisting of the opinions about the preparation process and the disclosure of the company's accurate, complete and reliable financial report, including the opinions relating to the adequacy of the company's internal control system by disclosing it in the company's annual report. Such report must be signed by the chairman of the audit committee and must consist of at least the following information:
 - The opinions about the accuracy, completion and reliability of the company's financial report.
 - The opinions about the adequacy of the company's internal control system.
 - The opinions about the act in compliance with law on Securities and Stock Exchange, provisions of Stock Exchange or the laws relating to the company's business.
 - The opinions about the appropriateness of the auditor.
 - The opinions about the items that may post the conflict of interest.
 - The number of the meeting of the audit committee and each member's meeting participation.
 - The overall opinions or the observations obtained by the audit committee from the operation as required in the charter.
 - Other items as deemed to be known by shareholders and general investors under the scope and responsibility assigned to them by the company's board of directors.
- Any other operations as assigned by the company's board of directors with the approval of the audit committee who directly responsible for the company's board of directors who shall remain to be responsible for the company's operation against the third party.
- To verify and amend the audit committee charter to be up to date and to suit with the company's environmental conditions and circumstances.

Office Holding Period

- The chairman of the audit committee shall hold the office term for the period of no longer than 3 years each.
- The audit committee members shall hold the office term for the period of no longer than 2 years each or equal to the number of years remaining in the office of the company's board of directors. The retired director may be elected to hold office for another term.

Executive Committee

As of November 21, 2014, the Board of Directors passed the resolution to appoint new members of Executive Committee replaced the resigned ones. Names of Executive Committee are as follows:

Name Surname		Position
Mr. Kazuo	Sato	President
Mrs. Pimjai	Leeissaranukul	Executive Committee
Mr. Takenori	Nakamoto	Executive Committee
Ms. Witchuda	Kupongsak	Executive Committee
Mr. Jatupol	Lawhachainam	Executive Committee
Mr. Suchart	Kootiratrakarn	Executive Committee
Mr. Hirozo	Mizuno	Executive Committee
Mr. Narongchai	Rattanaekkawin	Executive Committee
Mr. Shigeyugi	Hosokawa	Executive Committee
Mr. Toshihiro	Kuze	Executive Committee

Roles, Duties and Responsibilities of Executive Committee

- To conduct and/or manage the daily business operation in accordance with policies, action plans, targets, Articles of Association 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 Director 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 sale or purchase of shares of the Company one month prior to public disclosure of the financial reports.
- 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.

Risk Management Committee

As of September 30, 2014, Risk Management Committee consisted of 8 members, namely:

Name Surname		Position
Mr. Takenori	Nakamoto	President of Committee
Ms. Witchuda	Kupongsak	Committee Member
Mr. Narongchai	Rattanaekkawin	Committee Member
Mr. Suchart	Kootiratrakarn	Committee Member
Mr. Bunthorn	Sriwongchant	Committee Member
Mr. Buncha	Yutthaworakool	Committee Member
Ms. Praewphan	Songhong	Committee Member
Ms. Jaithip	Choosatsatienchoke	Committee Member
Ms. Kornkanok	Kosit	Secretary

Roles, Duties and Responsibilities of Risk Management Committee

Risk Management Committee manages risk in operation and business opportunities in the present and the future. The committee also evaluates measurement, accessibility, prevention, systematic and transparent management of risk in order to support management team's operation and the Board of Directors' decision making.

CSR Committee

As of September 30, 2014, CSR Committee comprised of 7 members, namely:

Name - Surname		Position
Mr. Jatupol	Lawhachainam	President of Committee
Mr. Monchai	Mekanuwongsa	Committee Member
Mr. Tratham	Wattana	Committee Member
Mr. Chaiyasit	Mitbamroong	Committee Member
Mr. Sommai	Wandee	Committee Member
Ms. Rungtiwa	Tongprapaisaeng	Committee Member
Mr. Sunan	Lachareon	Committee Member
Ms. Sirikhawn	Seangkong	Secretary

Roles, Duties and Responsibilities of CSR Committee

The Committee is committed to social responsibility which results in developing and distributing quality products, keeping standard systems sustainably and saving energy continuously and systematically for appropriate social benefits, and proposes CSR report to the Board of Directors for acknowledgement regularly.

Executives

As of September 30, 2014, the Company's first four executives in line with Capital Market Supervisory Board's definition, namely:

Name Surname		Position
Mr. Kazuo	Sato	President
Mr. Takenori	Nakamoto	Managing Director
Mr. Katsunori	Ito	Executive Director
Mr. Shigeyugi	Hosokawa	Executive Director
Mr. Jatupol	Lawhachainam	Executive Director
Ms. Witchuda	Kupongsak	Deputy Executive Director

Roles, Duties and Responsibilities of Executives

- 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 director 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 sale or purchase of shares of the company one month prior to public disclosure of the financial reports.
- 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.

Company Secretary

The Board of Directors pass the resolution to appoint Ms. Jaithip Choosatisatienchoke as Company Secretary since August 9, 2013 (her qualification is per enclosure 1). 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

- Prepare and file the director's directory, the invitation letters to the Board of Directors' Meetings, the minutes of the Board of Directors' Meetings, the invitation letters to the shareholders' meetings and the minutes of the shareholders' meetings.
- Prepare document and supporting data for the Board of Directors' and shareholders' meetings.
- Prepare the Annual Report
- File the reports on interest of directors or executive
- Perform any duties in line with the Capital Market Supervisory Board's regulations.

Remuneration for Directors and Executives

Remuneration for Directors

On the Annual General Meeting of Shareholders No. 1/ 2014, held on January 29, 2014, the Board of Directors proposed the shareholders' meeting to approve remuneration for directors in line with their positions including annual remuneration and transportation allowance at Baht 7,000/ person/ meeting (which increased from last year at Baht 5,000/ person/ meeting). No other benefit was granted.

● Executive Directors	80,000	Baht/ person/ year
● Non-executive Committee	120,000	Baht/ person/ year
● Chairman of Audit Committee	300,000	Baht/ person/ year
● Audit Committee	220,000	Baht/ person/ year

During fiscal year 2014, there were one shareholders' meeting, 6 Board of Directors' Meetings and 7 Audit Committee's Meetings.

Name of Director	Position	Number of Meeting Attendance			Director Remuneration (Baht)
		Shareholders	Board of Directors	Audit Committee	
Mrs. Pimjai Leeissaranukul	Chairman	1	6		119,000
Mr. Kazuo Sato	President	1	6		119,000
Assoc.Prof.Dr. Chesada Loha-unchit	Chairman of Audit Committee/ Independent Director	1	6	7	378,000
Mr. Vichit Vuthisombut	Audit Committee/ Independent Director	1	6	7	298,000
Ms. Chaovana Viwatpanachati	Audit Committee/ Independent Director	1	5	6	294,000
Mr. Soichi Inoue	Director	-	-		120,000
Mr. Masayuki Inoue	Director	-	1		122,000
Mr. Thanong Leeissaranukul	Director	1	5		152,000
Mr. Apichart Leeissaranukul	Director	1	3		143,000
Mrs. Porntip Sethiwan	Director	1	6		159,000
Mr. Kiyoharu Mizushima	Director	-	-		80,000
Mr. Kazuto Seida ¹	Independent Director	-	-		15,410
Mr. Tadashi Itamoto ¹	Independent Director	-	-		60,085
Mr. Makoto Hashimoto ¹	Independent Director	-	-		44,505
Total					2,104,000

¹Mr. Makoto Hashimoto resigned on February 12, 2014 and Mr. Tadashi Itamoto resigned on August 14, 2014

Remuneration for Executives

During the fiscal year 2014, the Company paid the executives in line with the Securities and Exchange Commission's definition, totaling Baht 35.69 million in term of salary, bonus, provident fund, social security fund and other welfares.

Personnel

As of September 30, 2014, 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	170
Tire Tube	969
Industrial Elastomer Parts	758
IRC (Asia) Research Co., Ltd.	83
Kinno Hoshi Engineering Co., Ltd.	39
Total	2,019

During the fiscal year 2014, the Company and its subsidiaries paid employees totaling Baht 711.12 million in term of salary, bonus, provident fund, social security fund and other welfares.

In the past 3 years, the Company and its subsidiaries had no significant labor dispute.

Corporate Governance Policy

The Board of Directors realizes that Good Corporate Governance; the management system which includes discerning and responsible Board of Directors, subcommittee and executives; the control and balance mechanism to make transparent and verifiable administration; respecting equal rights of shareholders; and being responsible to stakeholders are the important factors in increasing value of sustainable growth and highest return to shareholders in the long run.

The Board of Directors reviewed the aforesaid policy regularly to ensure that it is suitable with the Company's condition and business operation. The policy was recently reviewed on November 21, 2014. (Information is shown on website: www.ircthailand.com)

Corporate Governance Policy covers 5 sections of Good Corporate Governance Principles as follows:

1. Right of Shareholder

The company emphasizes the rights of shareholders as the owners of the company. All groups of shareholders, either retail investors or institutional investors are encouraged to exercise their fundamental rights, e.g. receipt of adequate information either via the SET's or the company's websites 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, 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.

Invitation Letters and Shareholders Facilitation

The company assigns Thailand Securities Depository Company Limited which acts as a securities registrar to deliver the invitation letter, stating the place, date, time and agenda of the meeting with enough supporting information for each agenda to shareholders at least 7 days before the shareholders' meeting as required by law 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 agenda 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 before shareholders' meeting. The invitation letter shall be declared 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 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.

On and After Shareholder's Meeting

Before begin the meeting, the chairman of the meeting will introduce to the meeting the board of directors, the company secretary, the auditor and the legal consultant who acts 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 on every agenda item which requires vote casting for transparency and inspection can be made.

The minutes of meetings 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 to 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

2. Equitable Treatment of Shareholders

The Use of Inside Information

Directors and executives (including spouse and minor children) must report changes in securities holding 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. People who know inside information cannot sell and buy the company's securities a month before disclose the annual and quarterly financial statements.

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 a 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 of 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.

The Board of Directors complies with the policy of conflict of interest disclosure. The directors, Executive Committee and executives are required to report potential conflict of interest to the Company. Interested directors are forbidden to vote for the aforesaid matter.

Report on Conflict of Interest of Directors and Executives

Directors and executives have to submit the report on conflict of interest, including related person annually. 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 Chief Executive Officer.

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 and business partners, 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 sustained 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 (More detail is showed in Corporate Governance).

4. Disclosure and Transparency

The Company places emphasis on financial and non-financial information disclosure. The Company also realizes that the aforesaid information affects decision making of shareholders and stakeholders. The information should be disclosed accurately, adequately, timely, transparently and fairly. The Company publicizes information both Thai and English via the Stock Exchange of Thailand's system and the Company's website.

In addition, Investor Relations take responsibility in communicating beneficial information to shareholders and invertors through various channels. Interested persons can contact Investor Relations by phone: (66) 2996 0890 or by email: ir@ircrthailand.com

5. Board Responsibilities

The Board of Directors consists of directors possessing various qualifications in term of talent, knowledge, experience and expertise beneficial to the Company. The Board of Directors also includes non-executive directors who gain considerable experience related to the Company's business and industry.

Roles, duties and responsibilities of the Board of Directors and subcommittee aim for achieving targets and visions under laws and the Company's Articles of Association, and realizing corporate governance, business morality, directors' code of conduct and conflict of interest.

Board Meetings

The company will conduct the board meeting in order to follow-up the business operation and approve issues related to vision, mission, strategy, risk, plan of action, budget and other matters that affect the company. The company will also hold the board meeting not less than 6 times a year. The company secretary is assigned to set up the annual meeting plan in advance and propose to the board of directors' meeting on November of every year.

As for stipulation of meeting agendas, the company secretary is assigned to propose the draft of meeting agendas to Chairman and President to consider and make a decision on the agendas proposed in the Board of Directors' Meeting. They also have to ensure that important issues are included and give an opportunity to each director to independently present subjects which are beneficial to the company to be the agendas proposed in the meeting. After the meeting agendas are scrutinized, the company secretary has to deliver the board of directors' meeting invitation letter not less than 14 days and supporting documents not less than 7 days before the meeting day.

Quorum

To constitute the quorum, directors must attend the Board of Directors' Meeting not less than one half of all directors. The Chairman must allocate enough time to discuss important issues and encourage directors to debate circumspectly and pay attention to all meeting agendas, including corporate governance. Executive Committee should be invited to meet with the Board of Directors in order to give supporting data for consideration every time.

Annual Performance Evaluation of Board of Directors and Subcommittees

The performance evaluation submitted by the Board as a whole, the individual board members and the subcommittees are required by the Board of Directors annually. Thus, it will be used as a framework for assessing duty performing. After reviewing and collecting suggestions on last year performance, duty performing will be amended and effectiveness of duty performed by the Board of Directors and subcommittees will be enhanced. The assessments of the year 2014 are the following:

Board Performance Evaluation and Self-Assessment by Individual Board Members

The performance evaluation forms cover the following assessment items:

The Board as a Whole		Individual Board Member	
• Structure and Qualification of the Board	• Duty performing of Directors	• Strategic thoughts	• Corporate Governance
• Board Meeting	• Relationship with Management	• Competence	• Independence
• Self-development of Directors and Executives		• Preparedness as a Director	• Personal Attributes
• Roles, Duties and Responsibilities of the Board		• Awareness of Stakeholders	• Innovation

In summary, the results of Board performance evaluation and self-assessment by individual Board members are excellent.

Performance Evaluations of Subcommittees

Subcommittees conduct performance evaluation, so that their duty performing will be amended in line with roles, duties and responsibilities to the utmost. In 2014, subcommittees complied with roles, duties and responsibilities completely.

Directors and Executives Development

The Company has encouraged the Board of Directors, subcommittees and executives to attend courses related to duty performing from Thai Institute of Directors Association and other leading institutes with specific expertise. The Company will inform any courses beneficial to duty performing to the directors to the utmost.

As for newly appointed directors, the Company has collected related information for them, so that they will acknowledge roles, duties and responsibilities of the Board of Directors and subcommittees. The Company also grants them the annual report; a Handbook of Good Corporate Governance, Business Morality and Directors Code of Conduct; and Directors Handbook which beneficial information for directors of listed companies is gathered.

Recently, the Company has sent directors, subcommittees, executives and Company Secretary to attend courses of Thai Institute of Directors Association totaling 15 people.

Holding a Position of Director and Executive in other Companies

The Company has a policy of limiting number of companies that directors and executives can take the position in a Handbook of Good Corporate Governance, Item: Qualification of Directors. A director or an executive must not be a director or a co-executive of a related company and/or organization, which is the rival business to the company. Also, a director or an executive can take a position of a director in not more than 5 listed companies and not more than 7 affiliated companies of any listed companies.

Contact Board of Directors/ Complaint Report

A special or confidential channel has been arranged for all groups of stakeholders to keep those using the whistle-blower hotline safe when the information or clues about embezzlement, fraud or violation of rights has been informed via the following address:

Company Secretary

Inoue Rubber (Thailand) Public Company Limited

258 Soi Rangsit-Nakornnayok 49, Prachatipat, Thanyaburi, Pathumthani, 12130

All information will be verified. Petitioners can be assured that the company will keep their information confidential. Compliant will be amended, summarized the result and reported hierarchically and in accordance with managerial authority.

Subcommittees

Details of board structure, names of directors and subcommittees and member of Audit Committee who possesses knowledge and experience in reviewing financial statements are disclosed in Item: Organization Chart.

Directors and Top Managements Selection and Nomination Process

Though the Company has not yet formed up Nominating Committee, the Board of Directors considers and screens persons with proper qualifications based on knowledge, ability, experience, and good working background and then propose the Board of Directors' Meeting or the shareholders' meeting to consider appointment (as the case may be), aligned with regulations and procedures stated in the Company's Articles of Association as follows:

- At every annual general meeting, 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.
- The directors shall be elected by a shareholder meeting in accordance with the following rules and procedures:
 - Each shareholder shall have one vote per one share
 - Each shareholder may exercise up to all the votes he has in favour of any one or more candidates but may not be allowed to allot his votes to any candidate in any number.
 - The candidates shall be ranked in order descending from the highest number of votes received to the lowest, and shall be appointed as directors in that order until all of the director's positions are filled. Where the votes casted for candidates in descending order are tied, which would otherwise cause the number of directors to be exceeded, the Chairman shall have a casting vote.
- In the case of a vacancy in the board of directors for reasons other than the termination of the term of office, the Board of Directors shall elect a person who has the qualifications and is not being under any of the prohibitions under Section 68 of Public Company Limited Act BE 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.

- A shareholder meeting may pass a resolution removing any director from office prior to retirement, by a vote of not less than three quarters of the number of shareholders attending the meeting who have the right to vote and who have shares totaling not less than half of the number of shares held by the shareholders attending the meeting and having the right to vote.

Qualifications of Directors and Executives

The qualifications of directors and executives are under the notification of the Capital Market Supervisory Board, Section 68 of Public Company Limited Act and Securities and Exchange Act. Directors and executives also possess considerable knowledge, ability and expertise beneficial to the Company's business; are determined; and comply with business morality.

Qualification of Independent Directors

- Holding shares not exceeding one percent of the total number of voting rights of the Company, its parent company, subsidiary, affiliate, major shareholder or a controlling person of the Company, including the shares held by related persons of the independent director;
- Neither being nor having been an executive director, employee, staff, advisor who receives salary, or a controlling person of the Company, its parent company, subsidiary, affiliate, same-level subsidiary, major shareholder or controlling person of the Company unless the foregoing status has ended not less than two years prior to the date of application filing with the Office. Such disqualifications shall not apply to the case that an independent director used to be government officer or advisor of government office who is a major shareholder or controlling person of the Company;
- Not being a person related by blood or registration under laws, such as father, mother, spouse, sibling, and child, including spouse of the children, of executives, major shareholders, controlling persons, or persons to be nominated as executive or controlling persons of the Company or its subsidiary;
- Not having a business relationship with the Company, its parent company, subsidiary, affiliate, major shareholder, or controlling person, in the manner which may interfere with his independent judgment, and neither being nor having been a principle shareholder, or controlling person of any person having business relationship with the Company, its parent company, subsidiary, affiliate, major shareholder, or controlling person of the Company unless the foregoing relationship has ended not less than two years prior to the date of application filing with the Office.
- The term business transaction aforementioned under paragraph one includes any normal business transaction, rental or lease of immovable property, transaction relating to assets or services or grant or receipt of financial assistance through receiving or extending loans, guarantee, providing assets as collateral, including any other similar actions, which result in the Company or his counterpart being subject to indebtedness payable to the other party in the amount of three percent or more of the net tangible assets of the Company or twenty million Baht or more, whichever is lower. The amount of such indebtedness shall be calculated according to the calculation method for value of connected transactions under the 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 mutatis mutandis. The combination of such indebtedness shall include indebtedness taking place during the course of one year prior to the date on which the business relationship with the person commences;

- Neither being nor having been an auditor of the Company, its parent company, subsidiary, affiliate, major shareholder, or controlling person of the Company, and not being a principle shareholder, controlling person, or partner of an audit firm which employs auditors of the Company, its parent company, subsidiary, affiliate, major shareholder, or controlling person of the Company unless the foregoing relationship has ended not less than two years prior to the date of application filing with the Office;
- Not being nor having been any professional advisor including legal advisor or financial advisor who receives an annual service fee exceeding two million Baht from the Company, its parent company, subsidiary, affiliate, major shareholder, or controlling person of the Company, and not being a principle shareholder, controlling person, and partner of such professional advisor unless the foregoing relationship has ended not less than two years prior to the date of application filing with the Office;
- Not being a director who has been appointed as a representative of the Company's director, major shareholder, or shareholders who are related to the Company's major shareholder;
- Not having any characteristics which make him incapable of expressing independent opinions with regard to the Company's business affairs.

Succession Plan of Top Executives

Realizing importance of management, continual business operation leading to growth, stability and sustainable progression, the Company has set up the organization chart to support the aforesaid succession plan. Development program for people of the subsequent level is also prepared to ensure readiness and confidence in potential successors that they possess enough knowledge and ability to replace the important positions of the organization in the future.

Supervision of Subsidiaries and Joint Ventures

As for management policy of subsidiaries and joint ventures, the Company has appointed its executives to be directors and executives in order to allow the Company to closely participate in administrating; setting up the important policies and business strategies; and following up subsidiaries' operations to align them with the Company's policies. Subsidiaries and joint ventures use discretion for overall benefits and report business operation and progression quarterly.

The Use of Inside Information

The Company sets up the supervision of inside information policy to prohibit insiders and unauthorized people from reaching the information and using it for their own interests. Not only establish the policy of information security, authorized people to access information in line with necessary level are settled.

The Company also has the policy that directors and executives must report changes in security holding to the Company all the time. Also, directors and executives cannot trade the Company's stocks a month before disclosing financial statements by using inside information which is not disclosed to the public. In addition, the use of inside information policy includes in Directors and Employees' Code of Conduct. Directors and employees should not trade the Company's stocks a month before disclosing the Company's financial statements, financial status and other important information. Directors and employees should postpone stock trading at least 24 - 48 hours after disclosing the aforesaid information. Company Secretary is assigned to report the security holding of directors and executives quarterly. (Additional information is shown in Item: Internal Control and Risk Management)

Code of Conduct

Board of Directors, executives and employees comply with Good Corporate Governance Principles and Business Morality continually; operate business and manage the Company with responsibility; and place emphasis on the mentioned matters by adding it in on-going agenda of the Board of Directors' Meeting in order to review and make it appropriate and aligned with the best practice.

The Board of Directors recently reviewed the code of conduct in the Board of Directors' Meeting on November 21, 2014 which covered the following:

Business Morality	Directors and Employees Code of Conduct
<ul style="list-style-type: none"> ● Shareholders Policy ● Customer Practices and Product Quality Policy ● Supplier/ Creditors Policy ● Employees Policy ● Rivals Policy ● Employee Practice Policy ● Environment and Community Policy 	<ul style="list-style-type: none"> ● Self-conduct and Reaction to Colleagues ● Conflict of Interest ● Maintenance and Use of Properties of the Company ● Acceptance or Giveaway of Gift or Entertainment ● Purchase and Sale of Securities of the Company and Insider Information ● Controls and Internal Audit and Financial Reports ● Anti-Corruption Measures

Additional information is shown in www.irc thailand.com

Reporting on Offence against Ethics

The directors, managers and employees are required to report the act which may be in conflict with the ethics. If it is found in conflict with the ethics, it is required to be reported to the superiors or the executives or the internal audit division or the human resource division as applicable.

The company has a policy to keep such information confidential and to properly protect the reporter and the reporter will not be penalized if it is done with faithful intention.

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

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 2014 were reviewed and expressed an opinion by Mrs. Nattaporn Phan-Udom, Certified Public Accountant No. 3430 of PricewaterhouseCoopers ABAS Limited (PwC). The Company and its subsidiaries paid audit fee for the fiscal year 2014 as follows:

Company	Audit Fee
Inoue Rubber (Thailand) Public Company Limited	1,182,540
IRC (Asia) Research Co., Ltd.	221,730
Kinno Hoshi Engineering Co., Ltd.	221,730
Audit Fee for Investment Promotion Certification	324,000
Out of pocket expenses	79,155
Other fee	None
Total	2,029,155

Internal Control and Risk Management

Risk Management

The Company has appointed Risk Management Committee for managing risks in operations and business opportunities in the present and future; and assessing, measuring, accessing and handling risks systematically and transparently in order to support the managements operations and Board of Directors decisions.

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 is composed of 5 parts to correspond with COSO (The Committee of Sponsoring Organization of the Treadway Commission)s internal control system management guideline encompassing the following areas:

- Efficient and effective operations
- Correct, reliable financial reports
- Compliance with the Corporate Governance policy, rules and regulation and the codes involved
- A good control and protection to the Company's properties conducted

To conform to criteria, the internal audit section had conducted internal control assessment form for the year 2014 in order to review an adequacy of internal control of which was further considered and given opinions by Audit Committee and Board of Directors. The aforesaid assessment form and the Company's internal control are composed of the 5 following parts:

1) Control Environment

The Company had developed corporate governance and morality practice and policy based on and in regard to the justice to stakeholders and the Company's long-term benefit. The practices include prohibiting the Company's directors, executives and staff to conduct in a way to cause conflict of interest and the guideline for the acts to stakeholders. Practice offences, if any, can be reported by the channels provided.

The Companys organization facilitates for effective administration and operation. Command authorities and responsibilities are suitably designated for the organization to meet purpose under the Board's supervision.

The Company has the policy and practice to recruit, develop and preserve the suitable skilled-employees; has a process to review work policies and practices regularly; and has the key personnel succession plan.

2) Risk Assessment

Risk Management Committee is composed of the executives appointed to review risk management under the action framework; plan strategies; assess the risks which may deliver effect; and determine the methods to reduce risks to acceptable level.

Significant risks shall be reported to the management and the Board of Directors for their operations, assessments and decisions to be suitable based on the report information.

Risk management committee shall report significant risks to the Board of Directors quarterly.

3) Control Activities

The Company's operation policies and regulations are in writing; appropriately encompass the financial, procurement and administration processes; and specify the approval scopes, authorities and hierarchy clearly in accordance with the Company organization and managerial authority. Approval authorities are isolated from book-keeping, IT information records and properties caring and keeping for balance and counter checks.

Control activities are lodged through policies and work procedures for the imposed policies to be practical and able to manage risks to meet the Company's purpose. The control activities are followed by the Company's all levels.

4) Information and Communication System

The Company prepares and use relevant and quality information to support the internal control to proceed as specified for both internal and external information and to ensure information communications are correct and sufficient for the Board of Directors and executives.

For book keeping and documents filing, such are complete and grouped for transparency and to be used for audit. No shortcomings have been reported by auditor.

Audit Committee convenes meeting with auditor twice yearly to ensure the Company's accounting policy is in line with standard accounting procedure and suitable with the Company's enterprising including discloses information appropriately.

5) Follow-up System

The Company conducts the internal control follow-up and evaluation to ensure it is carried on completely and appropriately. Follow-ups and evaluations are continuously conducted by each line executive to ensure the internal control components still exist and function appropriately.

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 quarterly.

Summary of the Audit Committee's and Board of Directors' Meetings on the Internal Control

In Audit Committee's Meetings No. 2/2014, on May 9, 2014 and No. 6/2014, on November 14, 2014, the auditor attended to report the past audit. No substantial internal control shortcomings, corruptions and legal offences were found.

In Board of Directors' Meeting No. 5/2014, on November 14, 2014, the Board of Directors conducted internal control assessment form by Capital Market Supervisory Board, which was already considered by Audit Committee and found no substantial internal control shortcomings.

Internal Audit

The Audit Committee's Meeting No. 4/2014, on August 14, 2014, KPMG Phoomchai Tax Limited was appointed to be the Company's internal auditor and head of internal audit section for the year 2014 on the subject of Transfer Pricing. KPMG Phoomchai Tax Limited assigned Mr. Abhisit Pinmaneeekul and Miss Pimwadee Phandhumkomol, the executive directors, to be responsible for the Company's internal audit.

The assignees were qualification - checked by the Audit Committee to be suitable for their independence and long time audit experiences. The Company also appointed Miss Jaithip Choosatitsatienchoke, the Audit Committee's Secretary, to liaise with the internal auditor.

An appointment, removal or transfer of the Company's head of internal audit section shall have been approved by the Audit Committee (see the head of internal audit's qualification in enclosure 3).

The Company's internal audit section is an independent unit established to report internal audits directly to the Board of Directors and report the administration to Chairman and President. The section's responsibility includes co-ordinations, information furnishing and assisting internal auditor for audits. The section also audits and assesses internal control, risk management and corporate governance to ensure that the aforesaid systems of the Company and its subsidiaries are sufficient.

Connected Transactions

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. 23 of financial statements and the connected transactions for the fiscal year 2014 were summarized in the next page.

Connected Transactions with Parties with Potential Conflict of interest

During the fiscal year 2014, 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 Arms length basis and were disclosed in the note no. 23 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 considered and proposed connected transactions of the fiscal year 2014 as shown in Table 12.1 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 Transaction as to Holding Stock and/or Sharing Committee Fiscal Year 2014 (1 October 2013 - 30 September 2014)

Company	Relationship	Type of Transaction	Value/ Outstanding Balance (Unit : Million Baht)	Terms and Basis
IRC (Asia) Research Ltd.	Subsidiary	Research and development service	Value 83.58 Outstanding Balance 14.96	Cost plus margin
		Short-term property rental transaction	Value 1.75 Outstanding Balance 0.15	Contract price (Rental rate is higher than the rate the independent appraisers estimate)
Kin No Hoshi Engineering Co., Ltd.	Subsidiary	Purchase and repair of molds	Value 61.10 Outstanding Balance 37.24	Cost plus margin
		Short-term property rental transaction	Value 1.13 Outstanding Balance 0.09	Contract price (Rental rate is higher than the rate the independent appraisers estimate)
Inoac Corporation Co., Ltd.	- Have a major shareholder : IRCJ - Have directors in common	Technical Service fee	Value 19.32 Outstanding Balance 6.26	Prices as agreed in the contract which base on percentage of industrial elastomer parts' sales and are reduced following the number of selling year
Thai Stanley Public Co., Ltd.	- Have a major shareholder : Leeissaranukul Family - Have directors in common	Sale of goods	Value 25.60 Outstanding Balance 4.53	Market price or cost plus margin according to type of products which uses the same practice as the price charged to a third party
Toei Inoac Limited	- Have indirect shareholders in common - Have directors in common	Sale of goods	Value 5.25 Outstanding Balance 0.37	Cost plus margin
		Short-term property rental transaction	Value 1.20 Outstanding Balance 0.10	Contract price (Rental rate is higher than the rate the independent appraisers estimate and it is considered by Audit Committee and approved by the Board)
		Service fee	Value 0.22 Outstanding Balance 0.02	Cost plus margin

Company	Relationship	Type of Transaction	Value/ Outstanding Balance (Unit : Million Baht)	Terms and Basis
Inoue Rubber Co., Ltd. (Japan)	- Be a major shareholder - Have directors in common	Technical Service Fee	Value 13.21	Prices as agreed in the contract which base on percentage of motorcycle tire and tube's sales
		Purchase of goods	Outstanding Balance 4.31	Use the same practice as the price charged to a third party
		Sale of goods	Value 7.03	Market price or cost plus margin
			Outstanding Balance -	
			Value 108.70	
Inoac Thailand Co., Ltd.	- Be indirect shareholding	Professional service fee	Outstanding Balance 7.04	according to type of products which uses the same practice as the price charged to a third party
			Value 42.12	Contract price
		Short-term property rental transaction	Outstanding Balance 11.26	
			Value 0.32	Contract price (Rental rate is higher than the rate the independent appraisers estimate and it is considered by Audit Committee and approved by the Board)
			Outstanding Balance 0.15	
		Sale of goods	Value 5.62	Market price or cost plus margin
			Outstanding Balance 0.78	according to type of products which uses the same practice as the price charged to a third party
		Service fee	Value 0.35	Cost plus margin
			Outstanding Balance	
		Sale of goods	Value 403.01	Market price or cost plus margin
The Sittipol (1919) Co., Ltd.	- Have a major shareholder : Leeissaranukul Family in common - Have directors in common		Outstanding Balance 97.68	according to type of products which uses the same practice as the price charged to a third party
		Advertising fee	Value 6.03	
			Outstanding Balance -	
		Sale of goods	Value 11.18	Market price or cost plus margin
			Outstanding Balance 2.17	according to type of products which uses the same practice as the price charged to a third party
Sirivit-Stanley Co., Ltd.	- Have directors in common			

Company	Relationship	Type of Transaction	Value/ Outstanding Balance (Unit : Million Baht)		Terms and Basis
Techno Foam Co., Ltd.	- Have directors in common	Sale of goods	Value	0.73	Market price or cost plus margin
			Outstanding Balance	0.02	according to type of products which uses the same practice as the price charged to a third party
Inoue Rubber Vietnam Co., Ltd.	- The Company holds 8% of share - Have major shareholders in common	Sale of goods	Value	29.67	Market price or cost plus margin
			Outstanding Balance	5.14	according to type of products which uses the same practice as the price charged to a third party
Inoac Tokai (Thailand) Co., Ltd.	- Have indirect shareholders in common	Purchase of goods	Value	149.18	Use the same practice as the price
			Outstanding Balance	40.62	charged to a third party
		Sale of goods	Value	559.07	Market price or cost plus margin
			Outstanding Balance	147.42	according to type of products which uses the same practice as the price charged to a third party
Inoac Vietnam Co., Ltd.	- Have a major shareholder : Inoue Rubber Co., Ltd. (Japan) in common	Service and professional service fee	Value	9.56	
			Outstanding Balance	0.89	Cost plus margin
		Sale of goods	Value	0.99	Market price or cost plus margin
			Outstanding Balance	0.25	according to type of products which uses the same practice as the price charged to a third party
Asian Rubber Parts Co., Ltd.	- Have directors in common	Sale of goods	Value	56.25	Use the same practice as the price
			Outstanding Balance	14.62	charged to a third party
		10-year machinery lease contract	Value	4.33	The Company has to use machines with unique technology and characteristics in production.
			Outstanding Balance	29.73	
		Rental fee	Value	0.17	Contract price (Rental rate is higher than
			Outstanding Balance	0.02	the rate the independent appraisers estimate and it is considered by Audit Committee and approved by the Board)
		Service fee	Value	0.29	Cost plus margin
			Outstanding Balance	0.03	

Company	Relationship	Type of Transaction	Value/ Outstanding Balance (Unit : Million Baht)	Terms and Basis
SK Rubber Product Co., Ltd.	- Have a major shareholder : Leeissaranukul Family in common	Purchase of goods Sale of goods	Value 67.10 Outstanding Balance 17.98 Value 35.48 Outstanding Balance 9.36	Use the same practice as the price charged to a third party Market price or cost plus margin according to type of products which uses the same practice as the price charged to a third party
Total Oil (Thailand) Co., Ltd.	- Have directors in common	Purchase of goods	Value 3.12 Outstanding Balance 0.67	Use the same practice as the price charged to a third party
Pacific Industries (Thailand) Co., Ltd.	- Have directors in common	Purchase of goods	Value 63.47 Outstanding Balance 13.13	Use the same practice as the price charged to a third party
Smart Sport Promotion Co., Ltd.	- Have directors in common	Advertising fee	Value 0.75 Outstanding Balance -	
Bridgestone IRC Manufacturing Co., Ltd.	- Have a major shareholder : Inoue Rubber Co., Ltd. (Japan) in common - Have directors in common	1) Sale of goods	Value 50.11 Outstanding Balance 4.23	Market price or cost plus margin according to type of products which uses the same practice as the price charged to a third party
Inoac Automotive (Thailand) Co., Ltd.	- Have a major shareholder : Inoue Rubber Co., Ltd. (Japan) in common	1) Purchase of goods 2) Sale of goods	Value 10.09 Outstanding Balance 1.88 Value 0.38 Outstanding Balance 0.13	Use the same practice as the price charged to a third party Market price or cost plus margin according to type of products which uses the same practice as the price charged to a third party
Inoac Industries (Thailand) Co., Ltd.	- Have a major shareholder : Inoue Rubber Co., Ltd. (Japan) in common	1) Sale of goods	Value 0.18 Outstanding Balance 0.03	Market price or cost plus margin according to type of products which charged to a third party

Management Discussion and Analysis for Fiscal Year 2014

Overview of Operations

In the fiscal year 2014 (October 1, 2013 - September 30, 2014), the Company was confronted by many challenges from the economic situation, local political problems, investment sectors slow down, the rising household debt and low agricultural products' prices which directly had effects to purchasing power. In addition, the all year - round export growth was low due to unfull global economic recovery.

Total Automobile and Motorcycle Productions in the Fiscal Year 2013-14

	Fiscal Year 2013	Fiscal Year 2014	Change (%)
	(1 October 12 - 30 September 13)	(1 October 13 - 30 September 14)	
Total automobile production (unit)	2,660,338	1,935,948	(27.22)
<i>Local sales (unit)</i>	<i>1,561,216</i>	<i>822,680</i>	<i>(47.31)</i>
<i>Export (unit)</i>	<i>1,009,122</i>	<i>1,113,268</i>	<i>1.29</i>
Total motorcycle production (unit)	2,327,929	1,830,152	(21.38)
<i>Local sales (unit)</i>	<i>2,001,564</i>	<i>1,530,280</i>	<i>(23.54)</i>
<i>Export (unit)</i>	<i>326,365</i>	<i>299,872</i>	<i>(8.11)</i>

Source: Thailand Automotive Institute

High total automobile production in the first half of the fiscal year 2013 was stimulated by the government's first car policy and continued until Q2/2013. The production slowed down in later half of the year together with the political conflict in the years end delivered effect to local consumption causing the Company's total automobile production in the fiscal year 2014 to decrease by 724,390 units or 27.22%.

In fiscal year 2014, the Company's revenue decreased by 1,338.63 million Baht or 19.58%, 1,204.70 million Baht from total local sales and 126.48 million Baht from export or 22.79% and 8.43% respectively. The decreases corresponded with the continuous overall economic slow down and decreased consumptions particularly for automobile industry of which the production decreased due to the local demand decreased and the first car scheme had ended.

Sales and service cost, and selling and administrative expenses to revenues in the year were rather unchanged compared with the previous year resulting the net profit to revenue decrease only 0.29%.

Overall Financial Status

Due to the effects to total sales by the economic situation as said, account receivables, inventories and account payables, in statements of financial position decreased correspondingly with the situation. For loans in the previous year, 108 million Baht had been refunded and as result the unrefunded 1-year long-term loan amount was 72 million Baht. The cash and cash equivalents at fiscal year ended on September 30, 2014 was 382.74 million Baht or 286.57 million Baht increase.

Cash Flow

On September 30, 2014, the cash flow from operating activities was 793.31 million Baht and the cash flow from investing activities was 230.85 million Baht, mainly for equipment, machinery and tools for long-term production efficiency and efficacy. In this fiscal year 2014, the Company had the independent actuarial analyst to evaluate the new employee benefit obligations. The estimated basis using the key assumptions: discount rate, inflation rate, future salary increase rate and retirement rate resulted to 30.17 million Bath recognized in the statements of financial position. Cash flow from financial activities was 275.89 million Baht: 108 million Baht from loan refund and 163.64 million Baht from dividend payment. Cash and cash equivalent on September 30, 2014 was 382.74 million Baht, 286.57 million Baht increase, eventually.

The Possible Effects to Financial Status / Operation in the Future

Economic and automotive industry situations are the main factors to have effects to the Company's operation directly. Thailand's economic situation is confronted by challenges, both local and abroad, causing the economic estimations to have to be adjusted several times.

Despite the unexpected economy and automotive industry, the Company circumspectly operates and fully develops quality and innovation on products and engineering. The Company enhances efficiency of productivity and cost control to prepare for future economic and competitive recovery due to better local economy and export trend; the implementation of Eco Cars Phase 2 Policy; and the AEC co-operation which is supportive to the automobile industry's continuous growth.

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, 2014 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, 2014.

On behalf of the Board of Directors

Inoue Rubber (Thailand) Public Company Limited



(Mrs. Pimjai Leeissaranukul)

Chairman



(Mr. Kazuo Sato)

President

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 2014, 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 2014, and its consolidated and company results of operations and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.



Nattaporn Phan-Udom
Certified Public Accountant (Thailand) No. 3430
PricewaterhouseCoopers ABAS Ltd.
Bangkok

21 November 2014

Inoue Rubber (Thailand) Public Company Limited

Statements of Financial Position

As at 30 September 2014

		Consolidated		Company	
		2014	2013	2014	2013
Notes		Baht	Baht	Baht	Baht
Assets					
Current assets					
Cash and cash equivalents	5	382,736,029	96,168,139	266,610,426	15,432,294
Trade and other receivables	6, 23	1,027,186,093	1,197,100,953	1,025,246,302	1,196,170,948
Inventories, net	7	585,726,660	636,085,723	576,815,199	631,365,421
Other current assets		26,375,346	40,031,287	25,528,118	39,855,808
Total current assets		2,022,024,128	1,969,386,102	1,894,200,045	1,882,824,471
Non-current assets					
Investments in subsidiaries	11	-	-	20,049,230	20,049,230
Other long-term investment	12	30,781,799	30,781,799	30,781,799	30,781,799
Investment property, net	8	10,190,325	10,493,597	11,296,176	11,995,438
Property, plant and equipment, net	9	1,707,741,324	1,792,538,641	1,631,053,303	1,709,651,918
Computer software, net	10	18,328,651	16,559,305	12,913,397	10,672,290
Deferred tax assets	20	19,116,459	22,235,551	18,748,245	21,934,874
Other assets		61,132,956	47,210,304	61,132,956	47,210,304
Total non-current assets		1,847,291,514	1,919,819,197	1,785,975,106	1,852,295,853
Total assets		3,869,315,642	3,889,205,299	3,680,175,151	3,735,120,324

Director _____

Director _____

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

Inoue Rubber (Thailand) Public Company Limited

Statements of Financial Position (Cont'd)

As at 30 September 2014

		Consolidated		Company	
		2014	2013	2014	2013
Notes		Baht	Baht	Baht	Baht
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	14	-	44,000,000	-	44,000,000
Trade and other payables	13	898,552,280	980,283,842	925,728,814	1,012,277,045
Current portion of long-term loans	14	72,000,000	64,000,000	72,000,000	64,000,000
Current portion of finance lease obligations	14	9,214,725	7,630,641	9,214,725	7,630,641
Income tax payable		26,739,342	31,797,209	26,581,265	31,834,673
Accrued expenses	15	135,374,537	133,697,752	123,865,853	123,801,276
Other current liabilities		2,114,281	1,446,783	585,000	15,090
Total current liabilities		1,143,995,165	1,262,856,227	1,157,975,657	1,283,558,725
Non-current liabilities					
Employee benefit obligations	16	144,053,768	121,114,496	131,153,947	110,489,150
Finance lease obligations	14	30,898,603	36,733,505	30,898,603	36,733,505
Long-term loans from financial institutions	14	-	72,000,000	-	72,000,000
Deferred tax liabilities	20	548,346	277,485	-	-
Total non-current liabilities		175,500,717	230,125,486	162,052,550	219,222,655
Total liabilities		1,319,495,882	1,492,981,713	1,320,028,207	1,502,781,380

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 2014

		Consolidated		Company	
		2014	2013	2014	2013
	Notes	Baht	Baht	Baht	Baht
Liabilities and shareholders' equity (Cont'd)					
Shareholders' equity					
Share capital	17				
Authorised share capital					
Ordinary shares, 200 million shares of par Baht 1 each		200,000,000	200,000,000	200,000,000	200,000,000
Issued and fully paid-up share capital					
Ordinary shares, 200 million shares of par Baht 1 each		200,000,000	200,000,000	200,000,000	200,000,000
Share premium	17	298,000,000	298,000,000	298,000,000	298,000,000
Retained earnings					
Appropriated - legal reserve	18	20,000,000	20,000,000	20,000,000	20,000,000
Unappropriated		2,031,809,438	1,878,213,795	1,842,146,944	1,714,338,944
Total parent's shareholders' equity		2,549,809,438	2,396,213,795	2,360,146,944	2,232,338,944
Non-controlling interest		10,322	9,791	-	-
Total shareholders' equity		2,549,819,760	2,396,223,586	2,360,146,944	2,232,338,944
Total liabilities and shareholders' equity		3,869,315,642	3,889,205,299	3,680,175,151	3,735,120,324

Inoue Rubber (Thailand) Public Company Limited

Statements of Comprehensive Income

For the year ended 30 September 2014

		Consolidated		Company	
		2014	2013	2014	2013
	Notes	Baht	Baht	Baht	Baht
Revenues					
Sales and service income	23	5,454,959,391	6,786,137,455	5,453,505,128	6,784,547,031
Other income		41,562,564	49,015,846	44,104,096	51,484,544
Total revenues		5,496,521,955	6,835,153,301	5,497,609,224	6,836,031,575
Expenses					
Costs of sales and services	23	4,789,439,630	5,986,953,517	4,827,732,659	6,039,347,427
Selling expenses		97,904,181	93,305,227	97,904,181	93,305,226
Administrative expenses		220,129,299	227,952,181	211,601,423	219,539,173
Other expenses		16,661,524	24,922,974	16,606,549	24,806,170
Total expenses	19	5,124,134,634	6,333,133,899	5,153,844,812	6,376,997,996
Profit before finance costs and income tax		372,387,321	502,019,402	343,764,412	459,033,579
Finance costs	22	(6,837,037)	(16,144,958)	(6,814,955)	(16,115,420)
Profit before income tax		365,550,284	485,874,444	336,949,457	442,918,159
Income tax expense	20	(52,080,606)	(76,776,341)	(50,029,502)	(72,667,428)
Net profit for the year		313,469,678	409,098,103	286,919,955	370,250,731
Other comprehensive income (expense)					
Actuarial gains on employee benefit obligations		4,660,337	-	5,465,653	-
Deferred tax relating to actuarial gains on employee benefit obligations		(893,841)	-	(937,608)	-
Total comprehensive income for the year-net of tax		317,236,174	409,098,103	291,448,000	370,250,731

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 2014

		Consolidated		Company	
		2014	2013	2014	2013
Notes		Baht	Baht	Baht	Baht
Profit attributable to:					
Equity holders of the parent		313,469,138	409,096,498	286,919,955	370,250,731
Non-controlling interests		540	1,605	-	-
		<u>313,469,678</u>	<u>409,098,103</u>	<u>286,919,955</u>	<u>370,250,731</u>
Total comprehensive income attributable to:					
Equity holder of the parent		317,235,643	409,096,498	291,448,000	370,250,731
Non-controlling interests		531	1,605	-	-
		<u>317,236,174</u>	<u>409,098,103</u>	<u>291,448,000</u>	<u>370,250,731</u>
Earnings per share for the attributable to the equity holders of the parent					
Basic earnings per share (Baht)	21	1.57	2.05	1.43	1.85

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

Inoue Rubber (Thailand) Public Company Limited

Statements of Changes in Shareholders' Equity

For the year ended 30 September 2014

	Note	Consolidated						
		Equity holders of the Company						
		Issued and fully paid-up share capital	Share premium	Legal reserve	Unappropriated retained earnings	Total	Non-controlling interests	Total
		Baht	Baht	Baht	Baht	Baht	Baht	Baht
Balance as at 30 September 2012		200,000,000	298,000,000	20,000,000	1,510,137,297	2,028,137,297	8,186	2,028,145,483
Total comprehensive income for the year		-	-	-	409,096,498	409,096,498	1,605	409,098,103
Dividends paid	28	-	-	-	(41,020,000)	(41,020,000)	-	(41,020,000)
Balance as at 30 September 2013		200,000,000	298,000,000	20,000,000	1,878,213,795	2,396,213,795	9,791	2,396,223,586
Balance as at 30 September 2013		200,000,000	298,000,000	20,000,000	1,878,213,795	2,396,213,795	9,791	2,396,223,586
Total comprehensive income for the year		-	-	-	317,235,643	317,235,643	531	317,236,174
Dividends paid	28	-	-	-	(163,640,000)	(163,640,000)	-	(163,640,000)
Balance as at 30 September 2014		200,000,000	298,000,000	20,000,000	2,031,809,438	2,549,809,438	10,322	2,549,819,760

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

Inoue Rubber (Thailand) Public Company Limited

Statements of Changes in Shareholders' Equity (Cont'd)

For the year ended 30 September 2014

	Note	Company					Total Baht
		Issued and fully paid-up share capital	Share premium	Legal reserve	Unappropriated retained earnings		
		Baht	Baht	Baht	Baht		
Balance as at 30 September 2012		200,000,000	298,000,000	20,000,000	1,385,108,213		1,903,108,213
Total comprehensive income for the year		-	-	-	370,250,731		370,250,731
Dividends paid	28	-	-	-	(41,020,000)		(41,020,000)
Balance as at 30 September 2013		200,000,000	298,000,000	20,000,000	1,714,338,944		2,232,338,944
Balance as at 30 September 2013		200,000,000	298,000,000	20,000,000	1,714,338,944		2,232,338,944
Total comprehensive income for the year		-	-	-	291,448,000		291,448,000
Dividends paid	28	-	-	-	(163,640,000)		(163,640,000)
Balance as at 30 September 2014		200,000,000	298,000,000	20,000,000	1,842,146,944		2,360,146,944

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

Inoue Rubber (Thailand) Public Company Limited

Statements of Cash Flows

For the year ended 30 September 2014

		Consolidated		Company	
		2014	2013	2014	2013
	Notes	Baht	Baht	Baht	Baht
Cash flows from operating activities					
Profit before income tax		365,550,284	485,874,444	336,949,457	442,918,159
Adjustments for:					
Depreciation	8, 9	319,152,874	296,208,099	305,183,516	281,440,191
Amortisation	10	2,495,059	2,441,038	1,423,296	1,284,200
Reversal of allowance for obsolete inventories	7	(762,682)	(3,690,306)	(762,682)	(3,690,306)
Gain on disposals of property, plant and equipment		4,188,606	(3,755,090)	4,206,605	(3,715,062)
Interest income		(256,411)	(158,847)	(68,031)	(21,813)
Interest expenses		6,588,495	15,879,222	6,588,292	15,878,684
Employee benefit obligations	16	30,167,860	15,917,892	28,698,701	14,631,757
Changes in operating assets and liabilities					
Trade and other receivables		169,933,557	361,590,235	170,943,343	361,368,034
Inventories		51,121,745	160,306,865	55,312,903	157,201,309
Other current assets		13,655,941	19,763,172	14,327,693	19,739,720
Other assets		(23,223,755)	(10,408,869)	(23,223,755)	(10,408,869)
Trade and other payables		(84,085,892)	(494,348,614)	(83,752,118)	(492,152,200)
Other current liabilities and accrued expenses		(858,770)	(27,013,051)	(269,564)	(25,768,181)
Employee benefit obligations paid	16	(2,568,251)	(1,602,354)	(2,568,251)	(1,602,354)
Net cash receipts from operating activities		851,098,660	817,003,836	812,989,405	757,103,269
Interest received		237,714	162,298	49,335	25,266
Interest paid		(7,631,810)	(17,310,183)	(7,631,607)	(17,309,645)
Income tax paid		(50,395,994)	(18,619,845)	(51,086,525)	(16,039,735)
Net cash flows from operating activities		793,308,570	781,236,106	754,320,608	723,779,155

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

Inoue Rubber (Thailand) Public Company Limited

Statements of Cash Flows (Cont'd)

For the year ended 30 September 2014

	Notes	Consolidated		Company	
		2014	2013	2014	2013
		Baht	Baht	Baht	Baht
Cash flows from investing activities					
Purchases of property, plant and equipment		(232,009,429)	(413,187,332)	(228,993,224)	(397,956,860)
Purchases of intangible assets	10	(4,264,404)	(4,468,407)	(3,664,404)	(3,928,407)
Proceeds from disposals of property, plant and equipment		5,423,971	17,744,888	5,405,970	17,680,988
Net cash flows from investing activities		(230,849,862)	(399,910,851)	(227,251,658)	(384,204,279)
Cash flows from financing activities					
Repayments of short-term loans from financial institutions	14	(44,000,000)	(274,000,000)	(44,000,000)	(274,000,000)
Repayments of long-term loans from financial institutions	14	(64,000,000)	(64,000,000)	(64,000,000)	(64,000,000)
Finance lease obligations	14	(4,250,818)	32,938,091	(4,250,818)	32,938,091
Dividends paid	28	(163,640,000)	(41,020,000)	(163,640,000)	(41,020,000)
Net cash flows from financing activities		(275,890,818)	(346,081,909)	(275,890,818)	(346,081,909)
Net increase (decrease) in cash and cash equivalents		286,567,890	35,243,346	251,178,132	(6,507,033)
Cash and cash equivalents at the beginning of the year		96,168,139	60,924,793	15,432,294	21,939,327
Cash and cash equivalents at the end of the year		382,736,029	96,168,139	266,610,426	15,432,294

Non-cash transactions

Significant non-cash activities for the years ended 30 September 2014 and 2013 comprised the following:

- Accounts payable - Property, plant and equipment	36,330,910	33,976,580	58,074,472	60,870,587
--	------------	------------	------------	------------

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

Inoue Rubber (Thailand) Public Company Limited

Notes to the Consolidated and Company Financial Statements

For the year ended 30 September 2014

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:

No. 258, Soi Rangsit-Nakornnayok 49, Prachathipat sub-district, Thanyaburi district, Pathumthani, and another factory at 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 21 November 2014.

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 Accounting Standards issued under the Accounting Profession Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission. The primary financial information (i.e., statements of financial position, statements of comprehensive income, changes in shareholders’ equity and cash flows) are prepared in the full format as required by the Securities and Exchange Commission.

The consolidated and company financial statements have been prepared under the historical cost convention.

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 has 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 Revised accounting standards, revised financial reporting standards, and related interpretations

- 1) New/revised accounting standards which are effective for the period beginning on or after 1 January 2013 and are relevant and have an impact to the Group are as follows:

TAS 12	Income Taxes
TAS 21 (Revised 2009)	the Effects of Changes in Foreign Exchange Rates
TFRS 8	Operating Segments

TAS 12 requires tax expenses to be recognised for current and deferred taxes. The Group had early adopted this accounting standard in the year ended 30 September 2012.

TAS 21 (Revised 2009) requires the Group to determine the functional currency which is the currency of the primary economic environment in which the Group operates. The Group assessed and concluded that Thai Baht is the Group's functional currency. As a consequence, the application of TAS 21 (Revised 2009) does not have an impact to the Group's assets, liabilities, and retained earnings. The new accounting policy is described in Note 2.3.

TFRS 8 requires the operating segments to be determined in the same manner as internal reporting used by the chief operating decision maker. The new accounting policy is described in Note 2.22. The impact from the application of TFRS 8 to the Group is only on a disclosure.

- 2) Revised accounting standards, revised financial reporting standards, and related interpretations that are relevant to the Group but not yet effective and have not been early adopted by the Group.

a) Revised accounting standards effective for the periods beginning on or after 1 January 2014

TAS 1 (Revised 2012)	Presentation of Financial Statements
TAS 7 (Revised 2012)	Statement of Cash Flows
TAS 12 (Revised 2012)	Income Taxes
TAS 34 (Revised 2012)	Interim Financial Reporting
TFRS 8 (Revised 2012)	Operating Segments

TAS 1 (Revised 2012) clarifies that conversion features that are at the holder's discretion do not impact the classification of the liability component of the convertible instrument. TAS 1 also explains that, for each component of equity, an entity may present the breakdown of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. This standard has no impact to the Group.

TAS 7 (Revised 2012) clarifies that only expenditures that result in a recognized asset in the statement of financial position are eligible for classification as investing activities. This standard has no impact to the Group.

TAS 12 (Revised 2012) amends an exception to the existing principle for the measurement of deferred tax assets or liabilities on investment property measured at fair value. TAS 12 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. This amendment therefore adds the rebuttable presumption that the carrying amount of an investment property measured at fair value is entirely recovered through sale. As the result of the amendment, TSIC 21 - Income tax - recovery of revalued non-depreciable assets is incorporated into TAS 12 (Revised 2012). This standard has no impact to the Group.

TAS 34 (Revised 2012) emphasises the existing disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes in fair value measurements (if significant), and the need to update relevant information from the most recent annual report. This standard has no impact to the Group.

2 Accounting policies (Cont'd)

2.2 Revised accounting standards, revised financial reporting standards, and related interpretations (Cont'd)

- 2) Revised accounting standards, revised financial reporting standards, and related interpretations that are relevant to the Group but not yet effective and have not been early adopted by the Group. (Cont'd)

a) Revised accounting standards effective for the periods beginning on or after 1 January 2014 (Cont'd)

TFRS 8 (Revised 2012) clarifies that an entity is required to disclose a measure of segment assets only if the measure is regularly reported to the chief operating decision-maker. This standard has no impact to the Group.

b) Interpretations of Thai Financial Reporting Interpretations Committee (TFRIC) effective for the periods beginning on or after 1 January 2014

TFRIC 4	Determining Whether an Arrangement Contains a Lease
TFRIC 13	Customer Loyalty Programmes

TFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. The management is currently assessing the impact of TFRIC 4.

TFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement, and the consideration received or receivable from the customer is allocated between the components of the arrangement using fair values. TFRIC 13 is not relevant to the Group's operations.

2.3 Foreign currency translation

(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 Accounting policies (Cont'd)

2.4 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 on inception.

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 therefore offset for financial reporting purposes and are not recognised in the financial statements. The fee incurred in establishing each agreement is amortised over the contract period, if any.

Disclosures related to financial instruments to which the Group is a party are provided in Note 29.

2.5 Cash and cash equivalents

In the consolidated and Company statements of cash flows, cash and cash equivalents includes cash in 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 in current liabilities.

2.6 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.

2.7 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. 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 Accounting policies (Cont'd)

2.8 Investments in 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, including potential voting rights held by another entity, are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests.

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.

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 on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to be consistent with the policies adopted by the Group.

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

2 Accounting policies (Cont'd)

2.9 Investment in other company

The Group has classified its investments other than investments in subsidiaries as investment in other company 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 statements 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.

2.10 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 basis to write down the cost of each asset to its residual value over the estimated useful life 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 within 'Other (losses)/gains - net' in profit or loss.

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.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed 3 - 10 years.

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, not exceeding a period of 5 years.

2 Accounting policies (Cont'd)

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 over their estimated useful lives, as follows:

Land improvements	10 years
Building and building improvement	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.

2.13 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 other long-term payables. 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 Accounting policies (Cont'd)

2.15 Leases - where the Group is a lessor

Where assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return. Initial direct costs are included in initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. 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.

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, 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 Accounting policies (Cont'd)

2.17 Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

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

2.18 Employee benefits

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 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 income, 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.

2.19 Provident fund

The Group operates a provident fund, being a defined benefit contribution plan the assets of which are held in a separate trustee-administered fund. The provident fund is funded by payments from employees and by the relevant group companies. The Group's contributions to the provident fund are charged to the statement of income in the year to which they relate.

2.20 Provisions

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

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

2 Accounting policies (Cont'd)

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and service net of output tax, rebates and discounts, and after eliminating sales within the Group for the consolidated financial statements. Revenue from sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Revenue from rendering services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed.

Rental income is recognised on the accrual basis at the amount as specified under each lease agreement.

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.

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Chairman and President and Director that makes strategic decisions.

Segment information is presented by business segment of the Group's operations in Note 25.

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) Impairment of receivables

The Group maintains an allowance for doubtful accounts to reflect impairment of trade receivables relating to estimated losses resulting from the inability of customers to make required payments. The allowance for doubtful accounts is significantly impacted by the Group's assessment of future cash flows, such assessment being based on consideration of historical collection experience, known and identified instances of default and consideration of market trends.

b) Plant and equipment and intangible assets

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

c) Allowance for obsolescence and diminution in value of inventories

Allowance for obsolescence and diminution in value of inventories are intended to adjust the value of inventories for probable losses. The management uses judgement to establish allowances for estimated losses for each outstanding inventories. The allowances for obsolescence and diminution in value of inventories are determined through a combination of analysis of inventories aging.

3 Critical accounting estimates, assumptions and judgements (Cont'd)

d) 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 (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 16.

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	
	2014 Baht	2013 Baht	2014 Baht	2013 Baht
Cash on hand	36,565	59,610	21,564	44,610
Current deposits	9,498,622	7,273,944	6,826,991	4,139,720
Savings deposits	373,200,842	88,834,585	259,761,871	11,247,964
	<u>382,736,029</u>	<u>96,168,139</u>	<u>266,610,426</u>	<u>15,432,294</u>

The effective interest rates of savings deposits ranged between 0.10 - 0.75 percent per annum (2013: 0.10 - 0.75 percent per annum).

6 Trade and other receivables

	Consolidated		Company	
	2014 Baht	2013 Baht	2014 Baht	2013 Baht
Trade accounts receivable				
- related companies (Note 23)	316,503,518	362,301,482	315,206,642	362,301,482
Trade accounts receivable				
- other companies	703,634,341	827,444,531	703,634,341	827,444,531
<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	1,017,970,084	1,187,578,238	1,016,673,208	1,187,578,238
Prepaid expenses	7,341,189	7,957,560	6,503,542	6,817,613
Accrued income	441,553	188,645	396,360	153,218
Amount due from related parties (Note 23)	1,220,078	1,285,191	1,460,003	1,530,560
Other receivables	213,189	91,319	213,189	91,319
	<u>1,027,186,093</u>	<u>1,197,100,953</u>	<u>1,025,246,302</u>	<u>1,196,170,948</u>

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

	Consolidated		Company	
	2014 Baht	2013 Baht	2014 Baht	2013 Baht
<u>Related companies</u>				
Current	314,890,291	362,158,482	313,593,415	362,158,482
Overdue not over 3 months	1,470,227	-	1,470,227	-
Overdue 3 - 6 months	-	-	-	-
Overdue 6 - 12 months	-	143,000	-	143,000
Overdue more than 12 months	143,000	-	143,000	-
	<u>316,503,518</u>	<u>362,301,482</u>	<u>315,206,642</u>	<u>362,301,482</u>
<u>Other companies</u>				
Current	685,786,533	786,904,039	685,786,533	786,904,039
Overdue not over 3 months	15,675,972	28,025,976	15,675,972	28,025,976
Overdue 3 - 6 months	-	477,167	-	477,167
Overdue 6 - 12 months	(967)	9,804,755	(967)	9,804,755
Overdue more than 12 months	2,172,803	2,232,594	2,172,803	2,232,594
Total	703,634,341	827,444,531	703,634,341	827,444,531
<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>701,466,566</u>	<u>825,276,756</u>	<u>701,466,566</u>	<u>825,276,756</u>
Total trade accounts receivable, net	<u>1,017,970,084</u>	<u>1,187,578,238</u>	<u>1,016,673,208</u>	<u>1,187,578,238</u>

7 Inventories, net

	Consolidated		Company	
	2014 Baht	2013 Baht	2014 Baht	2013 Baht
Raw materials (net of allowance)	228,551,437	275,728,519	228,433,822	275,575,086
Work in process	111,853,619	120,735,893	104,933,130	118,856,776
Finished goods (net of allowance)	128,359,349	135,050,890	128,359,349	135,050,890
Supplies and spare parts	53,930,141	46,084,334	52,056,784	43,396,582
Raw materials in transit	63,032,114	58,486,087	63,032,114	58,486,087
Total inventories, net	585,726,660	636,085,723	576,815,199	631,365,421

During 2014, 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 statement of income amounting to Baht 762,682 (2013: reversal amounting to Baht 3,690,306).

8 Investment property, net

	Consolidated (Baht)		
	Land and land Improvements	Building and Building improvements	Total
As at 30 September 2012			
Cost	11,486,728	33,014,058	44,500,786
<u>Less</u> Accumulated depreciation	-	(29,289,395)	(29,289,395)
Net book value	11,486,728	3,724,663	15,211,391
For the year ended 30 September 2013			
Opening net book value	11,486,728	3,724,663	15,211,391
Reclassifications	(2,465,909)	(1,667,745)	(4,133,654)
Depreciation charges	-	(584,140)	(584,140)
Closing net book value	9,020,819	1,472,778	10,493,597
As at 30 September 2013			
Cost	11,486,728	33,014,058	44,500,786
Reclassifications	(2,465,909)	(21,609,385)	(24,075,294)
<u>Less</u> Accumulated depreciation	-	(29,873,534)	(29,873,534)
Reclassifications	-	19,941,639	19,941,639
Net book value	9,020,819	1,472,778	10,493,597
Fair value	17,983,500	18,662,450	36,645,950
For the year ended 30 September 2014			
Opening net book value	9,020,819	1,472,778	10,493,597
Depreciation charges	-	(303,272)	(303,272)
Closing net book value	9,020,819	1,169,506	10,190,325
As at 30 September 2014			
Cost	9,020,819	11,404,673	20,425,492
<u>Less</u> Accumulated depreciation	-	(10,235,167)	(10,235,167)
Net book value	9,020,819	1,169,506	10,190,325
Fair value	18,373,500	18,672,680	37,046,180

8 Investment property, net (Cont'd)

	Company (Baht)		
	Land and land Improvements	Building and Building improvements	Total
As at 30 September 2012			
Cost	12,030,858	42,895,068	54,925,926
<u>Less</u> Accumulated depreciation	-	(37,812,110)	(37,812,110)
Net book value	12,030,858	5,082,958	17,113,816
For the year ended 30 September 2013			
Opening net book value	12,030,858	5,082,958	17,113,816
Reclassifications	(2,465,909)	(1,667,745)	(4,133,654)
Depreciation charges	-	(984,724)	(984,724)
Closing net book value	9,564,949	2,430,489	11,995,438
As at 30 September 2013			
Cost	12,030,858	42,895,068	54,925,926
Reclassifications	(2,465,909)	(21,609,385)	(24,075,294)
<u>Less</u> Accumulated depreciation	-	(38,796,833)	(38,796,833)
Reclassifications	-	19,941,639	19,941,639
Net book value	9,564,949	2,430,489	11,995,438
Fair value	28,053,500	28,809,368	56,862,868
For the year ended 30 September 2014			
Opening net book value	9,564,949	2,430,489	11,995,438
Depreciation charges	-	(699,262)	(699,262)
Closing net book value	9,564,949	1,731,227	11,296,176
As at 30 September 2014			
Cost	9,564,949	21,285,683	30,850,632
<u>Less</u> Accumulated depreciation	-	(19,554,456)	(19,554,456)
Net book value	9,564,949	1,731,227	11,296,176
Fair value	28,649,500	28,438,072	57,087,572

Fair value of investment properties as at 30 September 2014 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 and loss relating to investment property were as follows:

	Consolidated		Company	
	2014 Baht	2013 Baht	2014 Baht	2013 Baht
Rental income	1,683,300	3,523,675	4,562,400	6,360,481
Direct operating expenses arising from investment property that generated rental income	-	-	-	-
	1,683,300	3,523,675	4,562,400	6,360,481

19 **Property, plant and equipment, net**

	Consolidated						
	Land and land improvements	Building and building improvements	Machinery	Tools and factory equipment	Furniture, fixtures, and office equipment	Motor vehicles	Construction in progress
	Baht	Baht	Baht	Baht	Baht	Baht	Baht
As at 30 September 2012							
Cost	163,805,607	720,640,115	1,959,969,947	1,439,819,589	86,260,039	40,498,634	273,676,736
Less: Accumulated depreciation	(19,536,234)	(415,778,822)	(1,332,690,684)	(1,127,335,646)	(71,237,489)	(22,409,714)	-
Net book amount	144,269,373	304,861,293	627,279,263	312,483,943	15,022,550	18,088,920	273,676,736
For the year ended 30 September 2013							
Opening net book value	144,269,373	304,861,293	627,279,263	312,483,943	15,022,550	18,088,920	273,676,736
Reclassifications	2,465,909	1,667,745	-	-	-	-	-
Additions	2,803,263	19,775,769	117,934,814	123,466,053	21,910,056	11,005,169	105,441,541
Disposals	-	-	(1,466,822)	(2,841,103)	(8,851)	(352,905)	-
Write-offs	-	(52,303)	(242,995)	(958,519)	(12,879)	-	(8,053,420)
Transfers	10,846,580	29,550,157	253,344,813	11,103,379	-	-	(304,844,929)
Depreciation charges	(4,626,067)	(39,092,004)	(123,190,486)	(112,612,370)	(8,733,464)	(7,369,568)	-
Closing net book amount	155,759,058	316,710,657	873,658,587	330,641,383	28,177,412	21,371,616	66,219,928
As at 30 September 2013							
Cost	179,921,359	785,686,922	2,289,837,471	1,565,358,618	106,182,309	45,184,889	66,219,928
Less: Accumulated depreciation	(24,162,301)	(468,976,265)	(1,416,178,884)	(1,234,717,235)	(78,004,897)	(23,813,273)	-
Net book amount	155,759,058	316,710,657	873,658,587	330,641,383	28,177,412	21,371,616	66,219,928
For the year ended 30 September 2014							
Opening net book value	155,759,058	316,710,657	873,658,587	330,641,383	28,177,412	21,371,616	66,219,928
Reclassifications	-	-	9,301,103	-	-	-	-
Additions	7,479,508	16,654,063	53,813,028	70,982,240	11,552,026	4,356,052	69,526,841
Disposals	-	-	(4,914,717)	(1,901,443)	(83,606)	(292,708)	-
Write-offs	-	-	-	(2,358,591)	(61,511)	-	-
Transfers	-	7,510,781	46,430,625	2,438,442	158,400	-	(56,538,248)
Depreciation charges	(5,437,958)	(41,198,683)	(137,846,843)	(115,336,709)	(11,460,546)	(7,568,863)	-
Closing net book amount	157,800,608	299,676,818	840,441,783	284,465,322	28,282,175	17,866,097	79,208,521
As at 30 September 2014							
Cost	187,400,866	809,701,867	2,361,405,480	1,628,917,912	109,360,559	47,827,312	79,208,521
Less: Accumulated depreciation	(29,600,258)	(510,025,049)	(1,520,963,697)	(1,344,452,590)	(81,078,384)	(29,961,215)	-
Net book amount	157,800,608	299,676,818	840,441,783	284,465,322	28,282,175	17,866,097	79,208,521

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

[illegible]

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

Depreciation expense of Baht 300,222,573 (2013: Baht 279,981,921) was included in the costs of sales and services, Baht 18,627,029 (2013: Baht 15,642,038) in administrative expenses for the consolidated financial statements.

Depreciation expense of Baht 286,668,844 (2013: Baht 265,727,689) was included in the costs of sales and services, Baht 17,815,410 (2013: Baht 14,727,778) in administrative expenses for the company financial statements.

10 Computer software, net

	Consolidated Baht
As at 30 September 2012	
Cost	57,881,149
<u>Less</u> Accumulated amortisation	<u>(43,349,213)</u>
Net book value	<u>14,531,936</u>
Year ended 30 September 2013	
Opening net book value	14,531,936
Additions	4,468,407
Amortisation charges	<u>(2,441,038)</u>
Closing net book value	<u>16,559,305</u>
As at 30 September 2013	
Cost	62,349,556
<u>Less</u> Accumulated amortisation	<u>(45,790,251)</u>
Net book value	<u>16,559,305</u>
Year ended 30 September 2014	
Opening net book value	16,559,305
Additions	4,264,404
Amortisation charges	<u>(2,495,058)</u>
Closing net book value	<u>18,328,651</u>
As at 30 September 2014	
Cost	66,613,960
<u>Less</u> Accumulated amortisation	<u>(48,285,309)</u>
Net book value	<u>18,328,651</u>

10 Computer software, net (Cont'd)

	Company Baht
As at 30 September 2012	
Cost	34,315,931
<u>Less</u> Accumulated amortisation	<u>(26,287,848)</u>
Net book value	<u>8,028,083</u>
Year ended 30 September 2013	
Opening net book value	8,028,083
Additions	3,928,407
Amortisation charges	<u>(1,284,200)</u>
Closing net book value	<u>10,672,290</u>
As at 30 September 2013	
Cost	38,244,338
<u>Less</u> Accumulated amortisation	<u>(27,572,048)</u>
Net book value	<u>10,672,290</u>
Year ended 30 September 2014	
Opening net book value	10,672,290
Additions	3,664,403
Amortisation charges	<u>(1,423,296)</u>
Closing net book value	<u>12,913,397</u>
As at 30 September 2014	
Cost	41,908,741
<u>Less</u> Accumulated amortisation	<u>(28,995,344)</u>
Net book value	<u>12,913,397</u>

Amortisation expense of Baht 398,575 (2013: Baht 507,022) was included in the costs of sales and services and Baht 2,096,483 (2013: Baht 1,934,016) in administrative expenses for the consolidated financial statements.

Amortisation expense of Baht 1,423,296 (2013: Baht 1,284,200) was included in the administrative expenses for the Company financial statements.

11 Investments in subsidiaries

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

Company	Type of business	Country of incorporation	Company 30 September 2014		
			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>

11 Investments in subsidiaries (Cont'd)

Company	Type of business	Country of incorporation	Company 30 September 2013		
			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>

12 Other long-term investment

As at 30 September the Group had other investment as follows:

Company	Type of business	Country of incorporation	Consolidated and company 30 September 2014		
			Registered capital	Percentage of holding %	Investment Baht
Inoue Rubber Vietnam Co., Ltd.	Manufacturing of tires and tubes of motorcycles	Vietnam	US\$ 10 Million	8	30,781,799
Total					<u>30,781,799</u>

Company	Type of business	Country of incorporation	Consolidated and company 30 September 2013		
			Registered capital	Percentage of holding %	Investment Baht
Inoue Rubber Vietnam Co., Ltd.	Manufacturing of tires and tubes of motorcycles	Vietnam	US\$ 10 million	8	30,781,799
Total					<u>30,781,799</u>

13 Trade and other payables

	Consolidated		Company	
	2014 Baht	2013 Baht	2014 Baht	2013 Baht
Trade accounts payable				
- related companies (Note 23)	211,047,283	272,629,333	226,533,586	289,507,929
Trade accounts payable - other companies	609,028,139	626,774,592	601,133,133	621,479,817
Amount due to related parties (Note 23)	2,183,888	3,535,929	22,298,781	27,585,804
Down payments received from customer	3,281,041	1,544,891	3,281,041	1,544,891
Other payables	73,011,929	75,799,097	72,482,273	72,158,604
Total trade and other payables	898,552,280	980,283,842	925,728,814	1,012,277,045

14 Borrowings**14.1 Loans from financial institutions**

	Consolidated		Company	
	2014 Baht	2013 Baht	2014 Baht	2013 Baht
Current				
Short-term loans	-	44,000,000	-	44,000,000
Current portion of long-term loan	72,000,000	64,000,000	72,000,000	64,000,000
	72,000,000	108,000,000	72,000,000	108,000,000
Non-current				
Long-term loan	-	72,000,000	-	72,000,000
Total loans from financial institutions	72,000,000	180,000,000	72,000,000	180,000,000

The movements in loans from financial institutions for the year ended 30 September 2014 were as follows:

	Consolidated Baht	Company Baht
Opening balance	180,000,000	180,000,000
Repayments of short-term loans	(44,000,000)	(44,000,000)
Repayments of long-term loan	(64,000,000)	(64,000,000)
Closing balance	<u>72,000,000</u>	<u>72,000,000</u>

Maturity of long-term loan:

	Consolidated		Company	
	2014 Baht	2013 Baht	2014 Baht	2013 Baht
Not later than 1 year	72,000,000	64,000,000	72,000,000	64,000,000
Later than 1 year but not later than 5 years	-	72,000,000	-	72,000,000
	<u>72,000,000</u>	<u>136,000,000</u>	<u>72,000,000</u>	<u>136,000,000</u>

14 Borrowings (Cont'd)

14.1 Loans from financial institutions (Cont'd)

Loans from financial institutions are in Thai Baht, the details of which are as follows:

In May 2012, the Company entered into an unsecured loan agreement for loan of Baht 200 million with a local branch of a foreign commercial bank. This loan is payable semi-annually starting from November 2012 to November 2014 for Baht 32 million each. Afterwards, in May 2015, the loan is payable for Baht 40 million. This loan bears an interest rate of 3.70 percent per annum.

14.2 Finance leases

	Consolidated		Company	
	2014	2013	2014	2013
	Baht	Baht	Baht	Baht
Finance lease liabilities				
Not later than 1 year	11,794,942	10,367,748	11,794,942	10,367,748
Later than 1 year	38,844,638	46,739,611	38,844,638	46,739,611
Future finance charges on finance leases	(10,526,252)	(12,743,213)	(10,526,252)	(12,743,213)
Present value of finance lease liabilities	40,113,328	44,364,146	40,113,328	44,364,146
Representing lease liabilities:				
- current	9,214,725	7,630,641	9,214,725	7,630,641
- non-current	30,898,603	36,733,505	30,898,603	36,733,505
	40,113,328	44,364,146	40,113,328	44,364,146

Movements in finance lease obligations for the year ended 30 September 2014 were as follows:

	Consolidated Baht	Company Baht
Opening balance	44,364,146	44,364,146
Additions	3,605,467	3,605,467
Repayments	(7,856,285)	(7,856,285)
Closing balance	40,113,328	40,113,328

14 Borrowings (Cont'd)**14.2 Finance lease (Cont'd)**

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

	Consolidated		Company	
	2014 %	2013 %	2014 %	2013 %
Short-term loans from financial institutions	2.10 - 2.60	2.60	2.10 - 2.60	2.60
Long-term loans	3.70	3.70	3.70	3.70
Finance lease liabilities	4.46 - 5.50	4.46 - 5.50	4.46 - 5.50	4.46 - 5.50

15 Accrued expenses

	Consolidated		Company	
	2014 Baht	2013 Baht	2014 Baht	2013 Baht
Accrued bonuses	104,336,397	100,082,687	95,373,779	92,437,286
Accrued employee income taxes	8,224,386	7,271,218	6,940,294	6,548,073
Accrued annual leave refundable	4,938,741	4,837,372	4,938,741	4,837,372
Accrued interest expense	1,072,899	2,116,214	1,072,899	2,116,214
Other accruals	16,802,114	19,390,261	15,540,140	17,862,331
	135,374,537	133,697,752	123,865,853	123,801,276

16 Employee benefit obligations

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

	Consolidated		Company	
	2014 Baht	2013 Baht	2014 Baht	2013 Baht
Present value of unfunded obligations	136,528,661	121,114,496	124,517,633	110,489,150
Unrealised past service cost	12,185,444	-	12,101,967	-
Actuarial gains	(4,660,337)	-	(5,465,653)	-
Liability in the statements of financial position	144,053,768	121,114,496	131,153,947	110,489,150

16 Employee benefit obligations (Cont'd)

The movements in the defined obligation over the year were as follows:

	Consolidated		Company	
	2014 Baht	2013 Baht	2014 Baht	2013 Baht
Opening balance	121,114,496	106,798,958	110,489,150	97,459,747
Brought forward adjustment for the first time adoption		-		-
Current service cost	13,155,793	11,643,962	12,166,971	10,731,395
Interest cost	4,826,623	4,273,930	4,429,763	3,900,362
Recognition of past service cost	12,185,444	-	12,101,967	-
Actuarial gains	(4,660,337)	-	(5,465,653)	-
Benefits paid	(2,568,251)	(1,602,354)	(2,568,251)	(1,602,354)
Ending balance	<u>144,053,768</u>	<u>121,114,496</u>	<u>131,153,947</u>	<u>110,489,150</u>

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

	Consolidated		Company	
	2014 Baht	2013 Baht	2014 Baht	2013 Baht
Current service cost	13,155,793	11,643,962	12,166,971	10,731,395
Interest cost	4,826,623	4,273,930	4,429,763	3,900,362
Recognition of past service cost	12,185,444	-	12,101,967	-
Total	<u>30,167,860</u>	<u>15,917,892</u>	<u>28,698,701</u>	<u>14,631,757</u>

Expense of Baht 24,004,243 (2013: Baht 12,533,387) was included in the costs of sales and services and Baht 6,163,617 (2013: Baht 3,384,505) in administrative expenses for the consolidated financial statements.

Expense of Baht 22,535,084 (2013: Baht 11,247,252) was included in the costs of sales and services and Baht 6,163,617 (2013: Baht 3,384,505) in administrative expenses for the company financial statements.

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

	2014	2013
Discount rate	4%	4%
Inflation rate	2.5%	2.5%
Future salary increase rates	4% - 7%	4% - 7%
Retirement age	55 years old	55 years old

17 Share capital and share premium

	Consolidated and company		
	Number of shares	Ordinary shares Baht	Share premium Baht
As at 30 September 2013	200,000,000	200,000,000	298,000,000
As at 30 September 2014	200,000,000	200,000,000	298,000,000

As at 30 September 2014, the total number of registered ordinary shares was 200 million shares (2013: 200 million shares) with a par value of Baht 1 per share (2013: Baht 1 per share). All issued shares are fully paid up.

18 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.

19 Expenses by nature

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

	Consolidated	
	2014 Baht	2013 Baht
Raw materials and consumables used	2,645,877,941	3,494,452,131
Changes in inventories of finished goods and work in progress	(15,967,120)	(43,541,988)
Depreciation on property, plant and equipment (Notes 8 and 9)	319,152,874	296,208,099
Staff costs	711,120,846	712,516,234
Advertising and promotion expenses	25,720,298	19,632,784
Amortisation charges (Note 10)	2,495,058	2,441,038
Rental expenses	1,537,013	1,364,790
	Company	
	2014 Baht	2013 Baht
Raw materials and consumables used	2,622,224,119	3,464,894,892
Changes in inventories of finished goods and work in progress	(21,008,492)	(41,037,388)
Depreciation on property, plant and equipment (Notes 8 and 9)	305,183,516	281,440,191
Staff costs	655,350,353	660,025,998
Advertising and promotion expenses	25,720,298	19,632,784
Amortisation charges (Note 10)	1,423,296	1,284,200
Rental expenses	1,537,013	1,364,790

20 Current and deferred income taxes

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

	Consolidated		Company	
	2014 Baht	2013 Baht	2014 Baht	2013 Baht
a) Entities with net deferred tax asset position				
Deferred tax assets:				
Deferred tax assets to be recovered within 12 months	3,327,283	3,009,589	2,885,177	3,009,589
Deferred tax assets to be recovered after 12 months	<u>21,791,270</u>	<u>21,831,467</u>	<u>21,791,270</u>	<u>21,498,021</u>
	<u>25,118,653</u>	<u>24,841,056</u>	<u>24,676,447</u>	<u>24,507,610</u>
Deferred tax liabilities:				
Deferred tax liabilities to be settled within 12 months	142,049	(126,224)	142,049	(126,224)
Deferred tax liabilities to be settled after 12 months	<u>(6,144,243)</u>	<u>(2,479,281)</u>	<u>(6,070,251)</u>	<u>(2,446,512)</u>
	<u>(6,002,194)</u>	<u>(2,605,505)</u>	<u>(5,928,202)</u>	<u>(2,572,736)</u>
Net deferred taxes (assets)	<u>19,116,459</u>	<u>22,235,551</u>	<u>18,748,245</u>	<u>21,934,874</u>
b) Subsidiary with net deferred tax liability position				
Deferred tax assets:				
Deferred tax assets to be recovered within 12 months	498,772	212,988	-	-
Deferred tax assets to be recovered after 12 months	<u>-</u>	<u>217,831</u>	<u>-</u>	<u>-</u>
	<u>498,772</u>	<u>430,819</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities:				
Deferred tax liabilities to be settled within 12 months	(112,080)	(39,435)	-	-
Deferred tax liabilities to be settled after 12 months	<u>(935,038)</u>	<u>(668,869)</u>	<u>-</u>	<u>-</u>
	<u>(1,047,118)</u>	<u>(708,304)</u>	<u>-</u>	<u>-</u>
Net deferred taxes (liabilities)	<u>(548,346)</u>	<u>(277,485)</u>	<u>-</u>	<u>-</u>

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	
	2014 Baht	2013 Baht	2014 Baht	2013 Baht
Opening balance	21,958,066	24,104,592	21,934,874	23,681,196
Charges to the statements of comprehensive income	<u>(3,389,953)</u>	<u>(2,146,526)</u>	<u>(3,186,629)</u>	<u>(1,746,322)</u>
Ending balance	<u>18,568,113</u>	<u>21,958,066</u>	<u>18,748,245</u>	<u>21,934,874</u>

20 Current and 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:

	Consolidated		
	2013 Baht	Credit (debit) to statement of income	Other comprehensive income (expenses)
Deferred tax liabilities			
Leased tangible equipment	(457,811)	8,363	-
Plant and equipment	(2,855,998)	(3,743,866)	-
	(3,313,809)	(3,735,503)	-
Deferred tax assets			
Plant and equipment	-	-	-
Intangible assets	159,470	(57,971)	-
Accounts receivable and other assets	3,971,665	17,774	-
Provisions and accruals	21,085,850	986,853	(893,841)
Leased tangible equipment	54,890	292,735	-
	25,271,875	1,239,391	(893,841)
Net deferred taxation	21,958,066	(2,496,112)	(893,841)

	Company		
	2013 Baht	Credit (debit) to statement of income	Other comprehensive income (expenses)
Deferred tax liabilities			
Leased tangible equipment	(457,811)	8,363	-
Plant and equipment	(2,114,925)	(3,363,829)	-
	(2,572,736)	(3,355,466)	-
Deferred tax assets			
Purchased equipment	-	-	-
Intangible assets	159,470	(57,971)	-
Accounts receivable and other assets	3,971,665	17,774	-
Provisions and accruals	20,321,585	853,907	(937,608)
Leased tangible equipment	54,890	292,735	-
	24,507,610	1,106,445	(937,608)
Net deferred taxation	21,934,874	(2,249,021)	(937,608)

As at 30 September 2014, 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.

20 Current and deferred income taxes (Cont'd)

As at 30 September 2014, 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.

Income taxes

	Consolidated		Company	
	2014	2013	2014	2013
	Baht	Baht	Baht	Baht
Taxation				
Current taxes	49,584,494	76,261,274	47,780,481	72,552,566
Reversal of prior year's income tax	-	(1,631,460)	-	(1,631,460)
Deferred taxation				
Origination and reversal of temporary differences	2,496,112	5,449,212	2,249,021	5,010,581
Impact of change in tax rate	-	(3,302,685)	-	(3,264,259)
Income tax expenses	52,080,606	76,776,341	50,029,502	72,667,428

The difference between income tax expenses computed at statutory tax rates (20%) and income tax expenses provided on results are as follows:

	Consolidated		Company	
	2014	2013	2014	2013
	Baht	Baht	Baht	Baht
Profit before taxes	365,550,284	485,874,444	336,949,457	442,918,159
Income taxation at statutory tax rates				
20% (2013: 23%)	73,110,057	111,751,123	67,389,891	101,871,177
Tax temporary effects that are not deductible for tax purpose	2,704,815	(2,056,389)	2,442,949	(2,300,489)
Income not subject to tax	(23,734,266)	(32,918,393)	(19,803,338)	(26,903,260)
Income tax expenses	52,080,606	76,776,341	50,029,502	72,667,428

The annual tax rate used is 20% (The tax rate for the year ended 30 September 2013 was 23% as on 21 December 2011, the Royal Decree was published announcing a reduction in corporate income tax rate from 30% to 23% for accounting period beginning on or after 1 January 2013 and 20 % for two accounting periods beginning on or after 1 January 2014).

21 Basic earnings per share

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

	Consolidated	
	2014	2013
Net profit attributable to equity holders of the parent (Baht)	313,469,138	409,096,498
Weighted average of issued ordinary shares (Shares)	200,000,000	200,000,000
Basic earnings per share (Baht)	1.57	2.05

	Company	
	2014	2013
Net profit attributable to equity holders of the parent (Baht)	286,919,955	370,250,731
Weighted average of issued ordinary shares (Shares)	200,000,000	200,000,000
Basic earnings per share (Baht)	1.43	1.85

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

22 Finance costs

	Consolidated		Company	
	2014	2013	2014	2013
	Baht	Baht	Baht	Baht
Interest expenses	6,588,496	15,879,222	6,588,292	15,878,684
Bank charges	248,541	265,736	226,663	236,736
Finance costs	<u>6,837,037</u>	<u>16,144,958</u>	<u>6,814,955</u>	<u>16,115,420</u>

23 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.

	Terms and basis
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	Prices which approximate the price charged to a third party
Technical assistance fees	Prices as agreed in the contract, based on percentage of sales

23 Related party transactions (Cont'd)

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

	Consolidated		Company	
	2014 Baht	2013 Baht	2014 Baht	2013 Baht
Sales of goods				
Related parties	<u>1,479,078,023</u>	<u>1,914,016,438</u>	<u>1,479,078,023</u>	<u>1,914,016,438</u>
Service and other income				
Related parties	<u>10,420,758</u>	<u>9,086,886</u>	<u>10,420,758</u>	<u>9,086,886</u>
Rental income				
Subsidiaries	-	-	2,879,100	2,836,806
Related parties	<u>1,683,300</u>	<u>3,523,675</u>	<u>1,683,300</u>	<u>3,523,675</u>
	<u>1,683,300</u>	<u>3,523,675</u>	<u>4,562,400</u>	<u>6,360,481</u>
Dividend income				
Subsidiary	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Purchases of raw materials				
Related parties	<u>540,765,094</u>	<u>669,613,772</u>	<u>540,765,094</u>	<u>669,613,772</u>
Purchases of equipment				
Subsidiaries	<u>-</u>	<u>-</u>	<u>61,095,792</u>	<u>90,784,000</u>
Research and development expense				
Subsidiaries	-	-	83,578,742	79,708,838
Related parties	<u>-</u>	<u>3,081,672</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>3,081,672</u>	<u>83,578,742</u>	<u>79,708,838</u>
Technical assistance fee expenses				
Related parties	<u>80,084,337</u>	<u>87,937,950</u>	<u>80,084,337</u>	<u>82,507,950</u>
Advertising expenses				
Related parties	<u>6,230,400</u>	<u>6,300,000</u>	<u>6,230,400</u>	<u>6,300,000</u>
Rental expenses				
Related parties	<u>-</u>	<u>6,833,303</u>	<u>-</u>	<u>6,833,303</u>
Interest expenses under finance leases				
Related parties	<u>1,561,975</u>	<u>-</u>	<u>1,561,975</u>	<u>-</u>

23 Related party transactions (Cont'd)

The Company entered into rental agreements of land, building, and machinery and equipment with two subsidiaries and two related companies at total annual rental income of approximately Baht 9.6 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 2013 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 parity.

The Company entered into a rental 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.

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

	Consolidated		Company	
	2014	2013	2014	2013
	Baht	Baht	Baht	Baht
Trade accounts receivable				
Related companies:				
The Sittipol (1919) Co., Ltd.	97,682,140	116,226,189	97,682,140	116,226,189
Inoac Tokai (Thailand) Co., Ltd.	147,424,154	173,192,638	147,424,154	173,192,638
Inoue Rubber Co., Ltd. - Japan	7,128,702	10,719,821	7,043,584	10,719,821
SK Rubber Product Co., Ltd.	9,361,431	8,795,626	9,361,431	8,795,626
Thai Stanley Public Co., Ltd.	4,532,034	5,495,820	4,532,034	5,495,820
Inoac International Co., Ltd.	21,419,327	12,086,110	21,419,327	12,086,110
Inoue Rubber Vietnam Co., Ltd.	5,466,586	3,047,290	5,138,153	3,047,290
Sirivit-Stanley Co., Ltd.	2,165,569	2,421,434	2,165,569	2,421,434
Inoac Thailand Co., Ltd.	1,666,950	829,742	783,625	829,742
Toe - Inoac Limited	371,710	735,258	371,710	735,258
Asian Rubber Parts Co., Ltd.	14,624,153	25,210,445	14,624,153	25,210,445
Inoac Vietnam Co., Ltd.	251,912	206,629	251,912	206,629
Techno Foam Co., Ltd.	18,952	231,634	18,952	231,634
Bridgestone IRC Manufacturing	4,230,895	3,102,846	4,230,895	3,102,846
Inoac Automotive (Thailand)	133,933	-	133,933	-
Inoac Industries (Thailand)	25,070	-	25,070	-
Total trade accounts receivable				
- related companies	316,503,518	362,301,482	315,206,642	362,301,482

23 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	
	2014	2013	2014	2013
	Baht	Baht	Baht	Baht
Amount due from related companies				
Subsidiaries:				
IRC (Asia) Research Ltd.	-	-	145,575	148,841
Kin No Hoshi Engineering Co., Ltd.	-	-	94,350	96,528
	-	-	239,925	245,369
Related companies:				
Inoac Tokai (Thailand) Co., Ltd.	893,291	1,046,206	893,291	1,046,206
Inoac Thailand Co., Ltd.	149,396	110,494	149,396	110,494
Toei - Inoac Limited	121,529	128,491	121,529	128,491
Asian Rubber Parts Co., Ltd.	55,862	-	55,862	-
	1,220,078	1,285,191	1,220,078	1,285,191
Total amount due from related companies	1,220,078	1,285,191	1,460,003	1,530,560
Trade accounts payable				
Subsidiaries:				
IRC (Asia) Research Ltd.	-	-	14,962,199	14,153,033
Kin No Hoshi Engineering Co., Ltd.	-	-	617,925	2,725,563
	-	-	15,580,124	16,878,596
Related companies:				
Inoac International Co., Ltd.	114,932,608	170,968,461	114,838,787	170,968,461
Inoac Tokai (Thailand) Co., Ltd.	40,619,096	47,874,426	40,619,096	47,874,426
Pacific Industries (Thailand) Co., Ltd.	13,129,542	12,876,188	13,129,542	12,876,188
SK Rubber Product Co., Ltd.	17,976,298	16,323,051	17,976,298	16,323,051
Inoue Rubber Co., Ltd. - Japan	4,312,152	5,408,768	4,312,152	5,408,768
Inoac Thailand Co., Ltd.	11,267,100	10,486,173	11,267,100	10,486,173
Total Oil (Thailand) Co., Ltd.	673,270	769,570	673,270	769,570
Inoac Corporation Co., Ltd.	6,259,861	7,922,696	6,259,861	7,922,696
Inoac Automotive (Thailand)	1,877,356	-	1,877,356	-
	211,047,283	272,629,333	210,953,462	272,629,333
Total trade accounts payable - related companies	211,047,283	272,629,333	226,533,586	289,507,929

23 Related party transactions (Cont'd)

The outstanding balances as at 30 September between the Company and those related companies are summarised as follows: (Cont'd)

	Consolidated		Company	
	2014	2013	2014	2013
	Baht	Baht	Baht	Baht
Amount due to related parties				
Subsidiaries:				
Kin No Hoshi Engineering Co., Ltd.	-	-	22,273,218	26,208,200
	-	-	22,273,218	26,208,200
Related companies:				
Inoac International Co., Ltd.	731,363	1,011,282	25,563	305,482
Inoac Thailand Co., Ltd.	1,452,525	1,452,525	-	-
Inoac Hong Kong Ltd.	-	1,072,122	-	1,072,122
	2,183,888	3,535,929	25,563	1,377,604
Total amount due to related companies	2,183,888	3,535,929	22,298,781	27,585,804

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 2014 and 2013 are as follows:

	Consolidated		Company	
	2014	2013	2014	2013
	Baht	Baht	Baht	Baht
Salaries and short-term employee benefits	35,140,600	28,090,226	35,140,600	28,090,226
Post-employee benefits	555,469	506,775	555,469	506,775
Other long-term employee benefits	485,353	467,124	485,353	467,124
	36,181,422	29,064,125	36,181,422	29,064,125

24 Commitments and contingent liabilities

As at 30 September 2014, there were outstanding bank guarantees of approximately Baht 20.83 million (2013: Baht 20.83 million) issued by banks to the Provincial Electricity Authority for electricity consumption on behalf of the Company.

25 Segment information

The Group 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 2014 and 2013 classified by market are presented as follows:

	Consolidated (Baht)		
	Local	Export	Total
For the year ended 30 September 2014			
Sales	4,081,477,928	1,373,481,463	5,454,959,391
Costs of sales	(3,685,590,898)	(1,103,848,732)	(4,789,439,630)
Gross margin	395,887,030	269,632,731	665,519,761
Other income			41,562,564
Selling expenses			(97,904,181)
Administrative expenses			(220,129,299)
Other expenses			(16,661,524)
Financial costs			(6,837,037)
Income tax			(52,080,606)
Income of non-controlling interests			(540)
Net profit			313,469,138

	Consolidated (Baht)		
	Local	Export	Total
For the year ended 30 September 2013			
Sales	5,286,173,676	1,499,963,779	6,786,137,455
Costs of sales	(4,702,931,850)	(1,284,021,667)	(5,986,953,517)
Gross margin	583,241,826	215,942,112	799,183,938
Other income			49,015,846
Selling expenses			(93,305,227)
Administrative expenses			(227,952,181)
Other expenses			(24,922,974)
Financial costs			(16,144,958)
Income tax			(76,776,341)
Income of non-controlling interests			(1,605)
Net profit			409,096,498

26 Promotional privileges

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

Details	Inoue Rubber (Thailand) Public Company Limited		Kin No Hoshi Engineering Company Limited		IRC (Asia) Research Limited
	1992(2)/2554 28 June 2011	2277(1)/2554 27 April 2010	1682(2)/2550 12 July 2007	1302(1)/2555 13 February 2012	1211(4)/2548 16 March 2005
1. Certificate No. Dated	Manufacturing of vehicle component, compound products	Manufacturing of tire products	Manufacturing of mould and repairing of its own manufacturing of mould	Manufacturing of mould and repairing of its own manufacturing of mould	Research and Development
2. Promotional privileges for	3 years	8 years	8 years	8 years	8 years
3. The significant privileges are	Granted	Granted	Granted	Granted	Granted
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	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	Granted	Granted
3.3 Exemption/Reduction of import duty on machinery as approved by the Board.	Granted	Granted	Granted	Granted	Granted
3.4 Exemption of import duty on raw materials and significant supplies used in export production from the first import date.	Granted	Granted	Granted	-	-
4. Date of first earning operating income	October 2013	October 2013	May 2010	October 2012	October 2011

26 Promotional privileges (Cont'd)

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

	Consolidated					
	BOI		non-BOI		Total	
	2014 Baht	2013 Baht	2014 Baht	2013 Baht	2014 Baht	2013 Baht
Sales						
Export	337,824,223	419,842,228	1,035,657,240	1,080,121,551	1,373,481,463	1,499,963,779
Local	532,418,807	673,722,285	3,549,059,121	4,612,451,391	4,081,477,928	5,286,173,676
	<u>870,243,030</u>	<u>1,093,564,513</u>	<u>4,584,716,361</u>	<u>5,692,572,942</u>	<u>5,454,959,391</u>	<u>6,786,137,455</u>
	Company					
	BOI		non - BOI		Total	
	2014 Baht	2013 Baht	2014 Baht	2013 Baht	2014 Baht	2013 Baht
Sales						
Export	337,824,223	419,842,228	1,035,243,689	1,079,530,392	1,373,067,912	1,499,372,620
Local	532,418,807	673,722,285	3,548,018,409	4,611,452,126	4,080,437,216	5,285,174,411
	<u>870,243,030</u>	<u>1,093,564,513</u>	<u>4,583,262,098</u>	<u>5,690,982,518</u>	<u>5,453,505,128</u>	<u>6,784,547,031</u>

27 Provident fund

The Group operates a registered provident fund, which is a defined contribution plan, the assets of which are held in a separate fund which is managed by the external fund manager. The provident fund is funded by payments from employees and by the Company. The Company's contributions to the provident fund were charged to the statement of income for the year ended 30 September 2014 amounting to Baht 12.85 million (2013: Baht 12.1 million).

28 Dividends paid

2014

At the Annual General Meeting of shareholders held on 29 January 2014, the shareholders passed a resolution approving dividend payment from its operating results for 2013 at Baht 0.8182 per share (from BOI-promoted operations Baht 0.6254 per share and Non-BOI-promoted operations Baht 0.1928 per share), totaling Baht 163.64 million. The dividends were distributed on 24 February 2014.

2013

At the Annual General Meeting of shareholders held on 29 January 2013, the shareholders passed a resolution approving dividend payment from its operating results for 2012 at Baht 0.2051 per share (from NON-BOI promoted operations), totaling Baht 41.02 million. The dividends were distributed on 22 February 2013.

29 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	2014		2013	
	Amount sold Million	Amount bought Million	Sold amount Million	Bought amount Million
US Dollars	0.63	1.44	2.15	1.49
Japanese Yens	307.38	94.57	136.33	18.29
Euros	-	0.19	-	0.16

Net fair values

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

	Consolidated	
	2014 Baht	2013 Baht
Favourable forward foreign exchange contracts	615,814	1,302,711
Unfavourable forward foreign exchange contracts	(6,066,575)	(851,255)
Net	(5,450,761)	451,456

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	
	2014 Million	2013 Million	2014 Million	2013 Million
Assets				
US Dollars	2.79	2.86	2.79	2.86
Japanese Yens	86.18	47.13	86.18	47.13
Euros	0.22	0.18	0.22	0.18
Liabilities				
US Dollars	1.70	3.13	1.70	3.02
Japanese Yens	369.32	407.17	369.32	407.17

29 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, loans from financial institutions and finance lease liabilities. However, the Company also has certain loans from financial institutions and 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.

30 Subsequent events

On 21 November 2014, the Board of Directors' Meeting of the Company No. 6/2014 passed a resolution approving the proposed dividend payment from its operating results for 2014 at Baht 0.6269 per share (from BOI-promoted operations Baht 0.4950 per share and non-BOI promoted operations Baht 0.1319 per share), totaling Baht 125.38 million. The dividend payment will later be proposed for approval in the Annual General Meeting of the Company's shareholders.



Inoue Rubber (Thailand) Public Company Limited

258 Soi Rangsit-Nakornnayok 49, Prachathipat, Thanyaburi, Pathumthani, 12130, Thailand

Tel : (662) 996 0890 (23 Lines) Fax : (662) 996 1439

157 Moo 5, Phaholyothin Rd., Lamsai, Wangnoi, Ayuthaya, 13170, Thailand

Tel : (662) 996 1471 (5 Lines) Fax : (662) 996 1574

www.ircthailand.com