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November 22nd, 2017

Subject: Management Discussion and Analysis Fiscal Year 2017

To: Managing Director

The Stock Exchange of Thailand

Inoue Rubber (Thailand) Public Company Limited (the “Company”) would like to clarify its operation results for the Fiscal Year 2017 (ended September 30th, 2017) of the Company and its subsidiaries, as follows:

(Unit: million Baht)	Q1/2017	Q2/2017	Q3/2017	Q4/2017	FY 2016	FY 2017	%YoY
Total Revenues	1,288.89	1,344.28	1,309.61	1,388.69	5,002.40	5,331.47	6.58%
Cost of Sales and Services	1,009.86	1,126.21	1,144.91	1,184.95	4,028.24	4,465.93	10.87%
Selling and Administration	89.66	94.78	90.69	79.21	347.66	354.34	19.21%
EBIT	189.37	123.29	74.01	124.54	626.49	511.21	-18.40%
Net Profit	154.69	102.52	63.05	103.53	513.63	423.79	-17.49%
Basic Earnings per Share	0.77	0.51	0.32	0.52	2.57	2.12	-17.49%

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

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

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



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

Financial Status

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

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

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

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

Cash Flow

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

- Cash received from the operating activities amounted to 636.61 million baht, declined by 306.33 million baht mainly due to the increase in cost of raw material.
- Cash paid for investing activities amounted to 250.35 million baht, declined from last year around 484.52 million baht mainly due to the decrease in short-term investment as partly investing in government and corporate bonds.
- Cash paid for financing activities amounted to 182.49 million baht, grew by 25.50 million baht mainly due to the higher dividend payment of 28.86 million baht.



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

Faithfully yours,

(Mrs. Pimjai Leeissaranukul)

Chairman

(Mr. Hiroshi Harada)

President