



13 May 2023

Mr Devanesan Evanson
Chief Executive Officer
Minority Shareholders Watch Group
Level 23, Unit 23-2, Menara AIA Sentral
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur.

Dear Mr Devanesan,

41ST ANNUAL GENERAL MEETING (“AGM”) OF UMW HOLDINGS BERHAD (“UMW”)

We refer to your letter dated 2 May 2023 in relation to the above.

We thank you for your letter and are pleased to provide our reply to the questions raised which will be shared at the AGM. Our responses to these questions are as follows:

Operational and Financial Matters

- 1. The Automotive Division performed exceptionally well with cumulative market share at 53% contributed by Toyota registering 101,035 units in sales, its highest in the last five years. Perodua achieved its best performance to-date with sales of 282,019 units (page 45 of AR2022).**

To-date, what is the status of the Group’s backlog orders for Toyota and Perodua vehicles?

Toyota and Perodua’s order books continue to remain encouraging supported by the introduction of attractive and competitive new models. As at to-date, Toyota has over 50,000 outstanding orders while Perodua has over 200,000 outstanding orders.

- 2. According to news report by the News Straits Times, on April 28, Daihatsu confirmed that it committed "wrongdoings" in particular crash safety tests done for regulatory approval applications for four models. The affected model includes the 2023 Perodua Axia, Toyota Vios (badged as the Yaris Ativ in Thailand and other markets), Toyota Agya and a yet-to-be-launched model. It said over 88,000 units of affected models had been sold in Malaysia, Thailand, Indonesia, Saudi Arabia, the United Arab Emirates, Kuwait and Mexico so far, and new shipments had been suspended. (NST article on 1 May 2023)**

- a) To what extent does the Group foresee that such news may cause cancelation of the affected Toyota and Perodua vehicles booking?**

We were made to understand that the issue stemmed from “Procedural Irregularities” that needs to be resolved by Toyota and Perodua in relation to Toyota Vios and Perodua Axia, respectively. In this context, UMW Toyota Motor and Perodua had respectively announced that the Toyota Vios and Perodua Axia produced in Malaysia

comply with all the safety regulations and that no recall would be issued. Therefore, we expect production and sales of these models in Malaysia will continue without any disruption.

In relation to Perodua Axia, the Malaysian Institute of Road Safety Research (“MIROS”) had conducted the R95 crash test under the ASEAN NCAP (New Car Assessment Program) protocol in January 2023 using a production car and had accorded a 4-star safety rating to the new Perodua Axia.

- b) Perodua intends to build on the growth achieved in the previous year and has set an ambitious target of selling 314,000 cars in 2023 (page 63 of AR2022). Given the current negative news on Perodua Axia on its “wrongdoings”, is this target still achievable?**

As mentioned above, we expect production and sales of these models in Malaysia will continue without any disruption.

The Group is therefore optimistic that Perodua would be able to achieve its sales target for the year based on the encouraging sales registration to-date and the strong outstanding bookings of more than 200,000 units.

- 3. Even though price increased for key materials such as steel, Perodua had to absorb the price increase rates without passing it to the customers (page 63 of AR2022).**

- a) For FY2022, how much price increases in key materials did Perodua absorb?**

Price of key materials such as steel surged in the first half of 2022 but tapered in the second half of the year.

Through pro-active negotiations with its vendors as well as executing robust cost optimisation initiatives, Perodua was able to minimise the impact of the raw materials price increase on its operations.

- b) With the rising cost of raw materials and labour cost, did the Group raise its vehicle prices since January 2023? If yes, by how much?**

UMW Toyota Motor had increased prices of some Toyota models in January 2023 by between 2% and 5%. On the other hand, the prices of Perodua existing models remained unchanged.

- c) Does the Group anticipate that Perodua will need to absorb further price increases for key materials in financial year ending 2023?**

Recently, Perodua announced that the global price of raw materials has retreated, and this has accordingly eased its costs pressure. The Group expects Perodua to continue to manage cost effectively while intensifying its cost optimisation initiatives.

- 4. The Aerospace Division's revenue improved by 53.2%, to RM226.1 million in 2022, compared to RM147.6 million in 2021. Its loss before tax narrowed accordingly from RM33.8 million to RM9.4 million, a 72.2% improvement from 2021 (page 77 of AR2022).**

Is the Aerospace Division expected to breakeven within the next 12-18 months?

The reopening of international borders and the increase in air travel which is expected to reach the pre-pandemic level by this year will bode well for the Aerospace division. The production of fan cases has been increasing with the improving demand. Accordingly, the segment had turned around and registered profit before taxation and zakat ("PBTZ") in 4Q FY2022 and 1Q FY2023.

Barring any unforeseen circumstances, the Group expects the segment to return to profitability in FY2023.

- 5. Net provision for inventories written down increased to RM4.38 million (2021: RM3.21 million) (page 166 of AR2022).**

What is the reason for the increase in provision for inventories written down? What were the major inventories that were subjected to the write down? How much of the written down inventories are still saleable?

Net provision for inventories written down made for 2022 amounts to RM4.28 million (page 166 of AR2022), instead of RM4.38 million stated in the letter to us.

Higher provision was provided mainly for parts and components to reflect the latest net realisable value in accordance with the relevant accounting standards by taking into consideration factors such as slow-movement and ageing of stocks.

We are constantly exploring all possible options and will take relevant measures to ensure that the value of the inventories is realisable.

Corporate Governance Matters

- 6. For FY2022, the total cost incurred by the Group Internal Audit Department in discharging its internal audit function was RM3.12 million compared with RM4.37 million in FY2021 (page 135 of AR2022).**

What is the reason for the decrease in internal audit cost by RM1.25 million?

The decrease in audit cost was mainly due to the lower manpower and travelling costs.

The Group Internal Audit Department had aligned its resources to the revised UMW Group operating structure. In the Automotive segment, UMW Toyota had evolved to a dealership business model. As a result, the audits which were previously conducted at UMW Toyota branches were no longer required.

On the travelling cost, due to health and safety reasons arising from the Covid-19 pandemic, audits for the overseas operations were conducted virtually, thus lower travelling cost was incurred.

We trust the above responses clarifies the questions raised and we look forward to your continuing support.

Thank you.

Yours sincerely,

UMW HOLDINGS BERHAD

A handwritten signature in black ink, consisting of a series of connected loops and strokes, positioned above the printed name.

Dato' Ahmad Fuaad Kenali
President & Group Chief Executive Officer