

41st Annual General Meeting UMW Holdings Berhad - Management Presentation

17 May 2023



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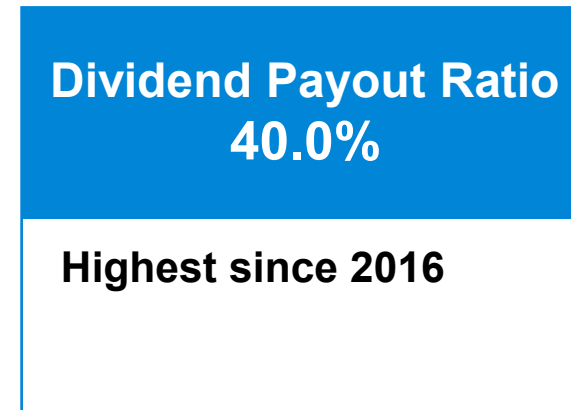
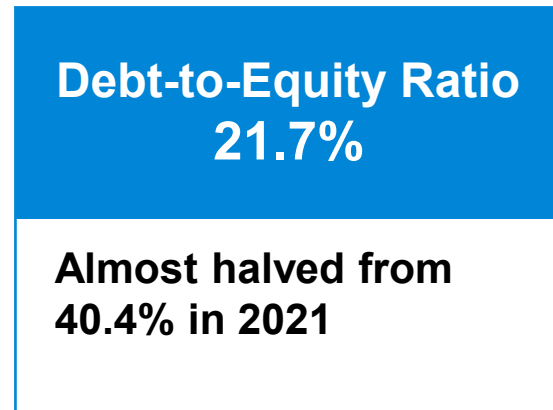
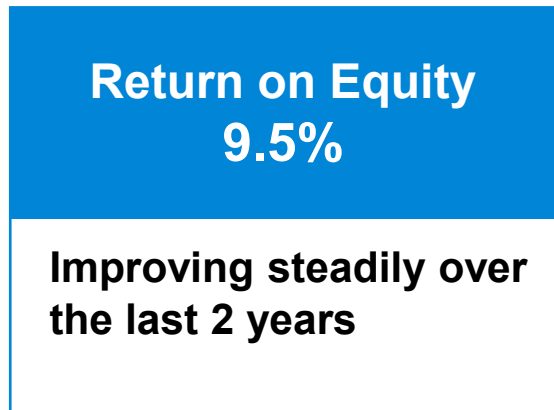
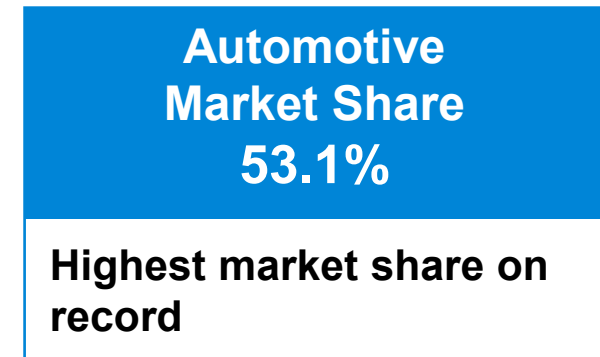
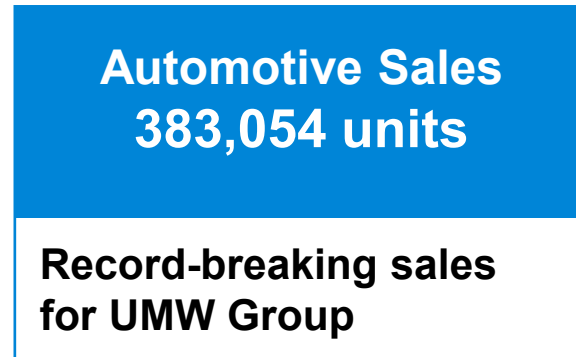
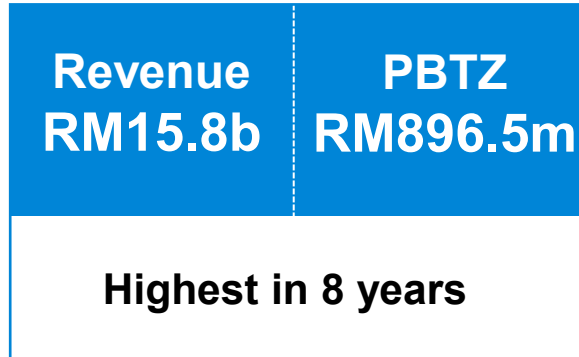
- Challenges and Counter Measures
- Business Outlook
- Redefining Sustainability

Part 3: Questions from Minority Shareholders Watch Group (“MSWG”)

2022 - Financial Highlights

2022 Key Highlights

Registered strong recovery, underpinned by the transition to endemicity, improved business sentiment and consumer confidence



The Group continuously strives to generate stakeholders value while keeping the focus on fundamentals, profitability and risk.

2022 Financial Highlights

Improved contribution from all segments due to the economic recovery; back to pre-pandemic level

RM m	FY 2022	FY 2021	Y-o-Y
Revenue	15,814	11,061	▲ 43%
PBTZ	896	483	▲ 86%
PAT	678	516	▲ 31%
PATAMI	415	268*	▲ 55%
Basic EPS (sen)	35.5	23.0	▲ 55%
Dividend (sen)	14.2	5.8	▲ >100%

Excluding the exceptional gain recorded in FY2021, the Group's PATAMI more than doubled in FY2022.

* PATAMI includes recognition of deferred tax asset ("DTA") of RM71m in relation to Investment Tax Allowance ("ITA").

Note: Calculation of variance above varies marginally to the 2022 Annual Report due to rounding difference

Comparison with FY2019 (pre-pandemic)

FY2019 PATAMI → RM447m[#]

Includes the effect of one-off gain on disposal of Shah Alam land for RM179m. Also excludes financial results of discontinued operations as disclosed in Annual Report.

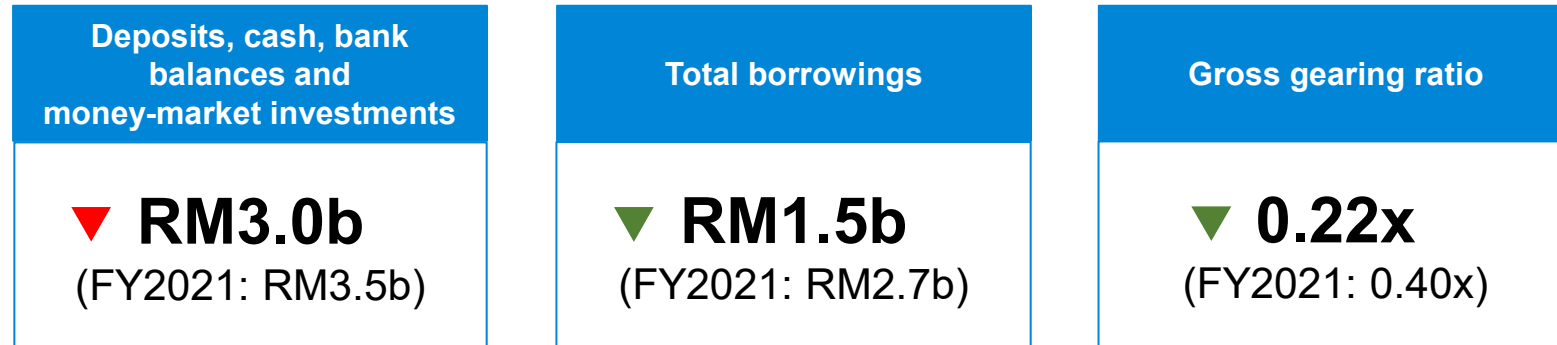
Excluding the exceptional gain recorded in FY2019, the Group improved its PATAMI in FY2022.

FY2022 PATAMI	FY2019 PATAMI
RM415m	RM268m

▲ 55%

Cash and Debt Position as at 31 December 2022

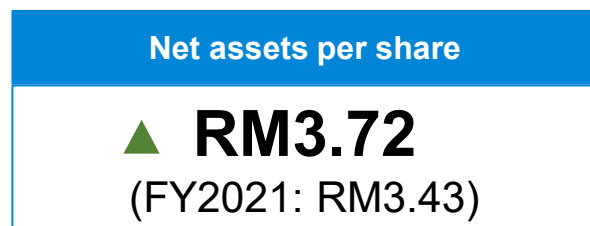
Improved capital structure – stronger cash position with lower gearing ratio



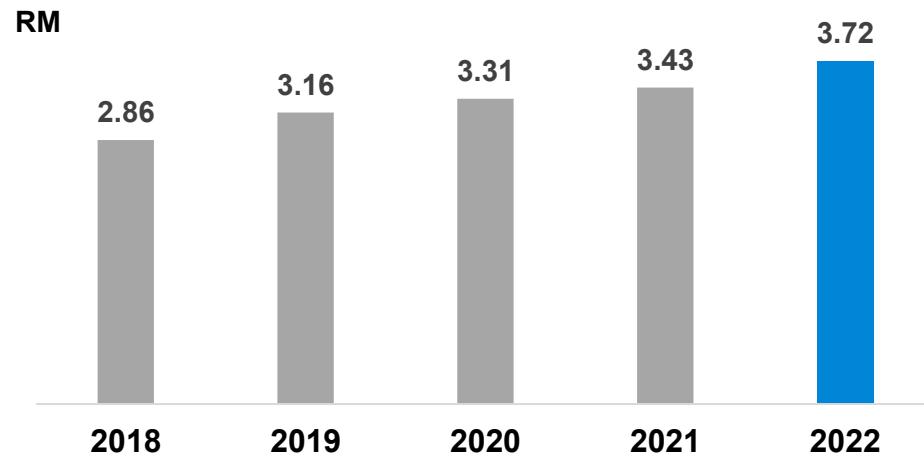
The Group's balance sheet provides enough flexibility for the businesses to continue to invest for growth

Improving net cash position

RM1.5b
(FY2021: RM0.8b)

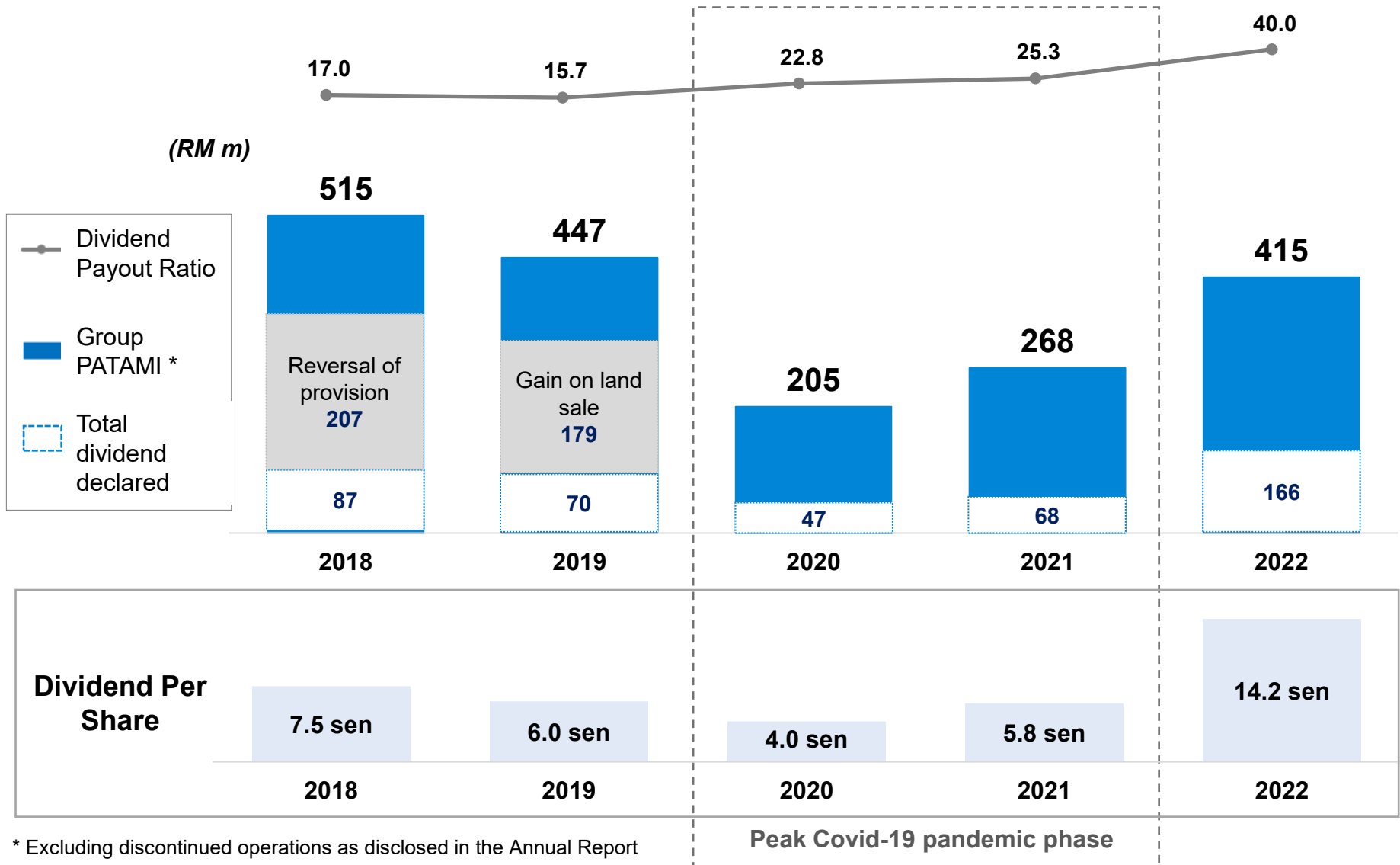


8% increase
in value creation for shareholders



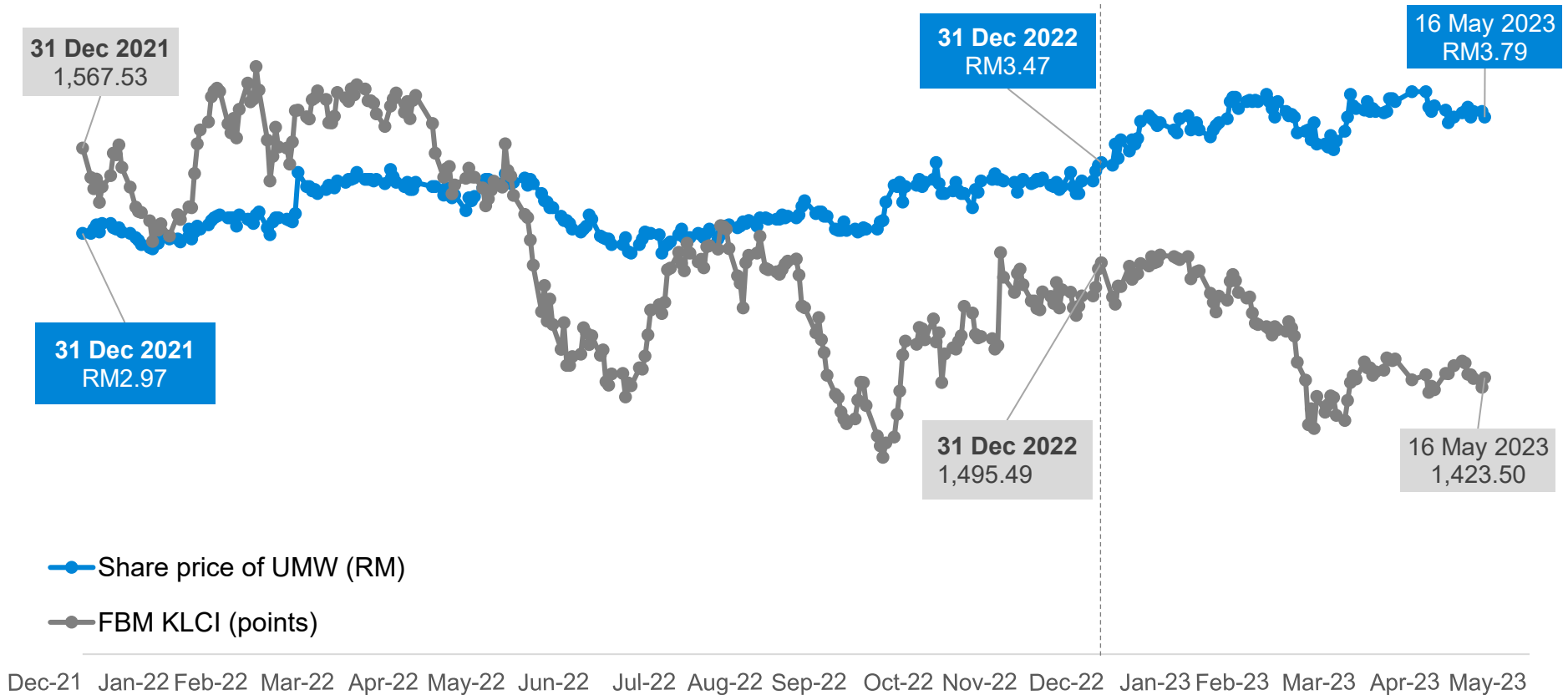
Group PATAMI and Dividend

Increased dividend payout in line with the improved results



Share price performance

Improved in line with the business results, outperforming FBMKLCI



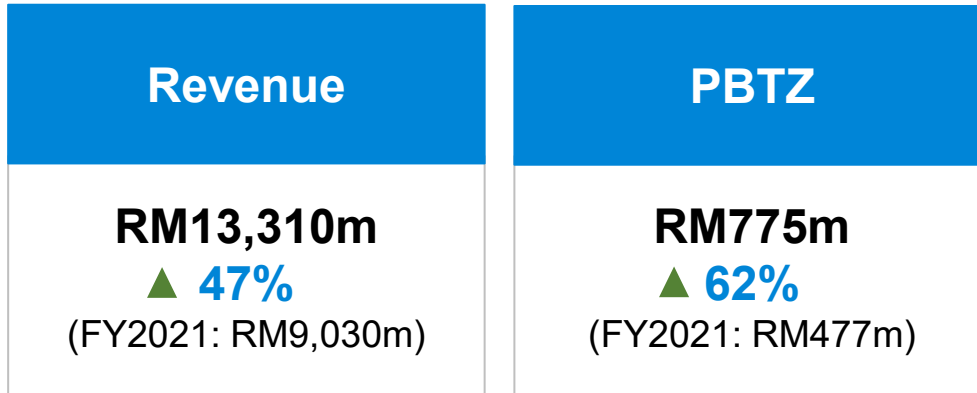
	31 Dec 2021	16 May 2023
UMW Share Price	RM2.97	RM3.79
		 RM0.82 28%

	31 Dec 2021	16 May 2023
FBMKLCI	1,567.53	1,423.50
		 144.03 points 9%

Segmental Highlights - Automotive

The segment achieved record revenue in FY2022

Automotive segment

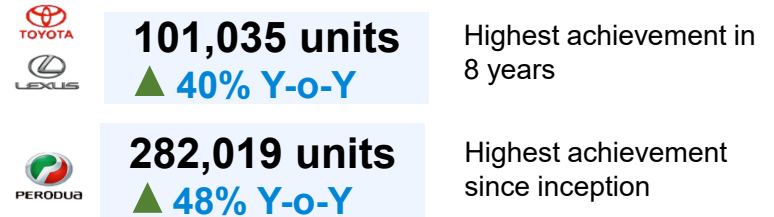


Note: Calculation of variance above varies marginally to the 2022 Annual Report due to rounding difference

- Higher contribution due to:
 - ✓ the introduction of new models.
 - ✓ final extension of the sales tax exemption on motor vehicles up to 30 June 2022 – with extension of registration of confirmed bookings to 31 March 2023.
- Further supported by the higher share of profit from an associated company.

Key highlights

1. Strong vehicle sales in 2022



2. UMW Group recorded its highest ever market share in 2022



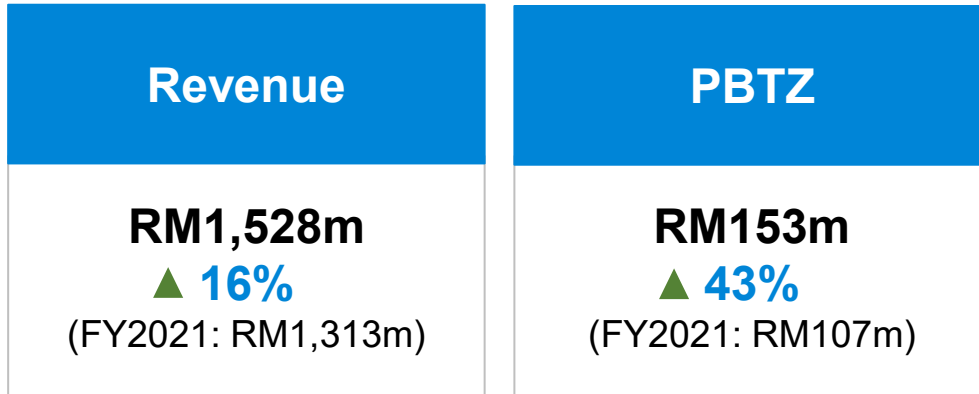
3. Models launched in 2022



Segmental Highlights - Equipment

Both sub-segments performed better in FY2022, supported by improved demand

Equipment segment



Note: Calculation of variance above varies marginally to the 2022 Annual Report due to rounding difference

- Improved performance from both Heavy and Industrial sub-segments, mainly due to the growing demand for its products and services in the local and overseas markets.





Key highlights

1. Maintained market leadership in Malaysia and PNG


 **Industrial Equipment**

 **50%**
market share

 **Heavy Equipment**

 **55%**
market share

2. Industrial Power sub-segment's venture into the renewable energy sector - secured the distributorship of Innio Jenbacher biogas engine generators

 Generates electricity by consuming palm oil mill effluent gas as fuel, thus reducing carbon emission.

3. Launched Equipment Division Customer Centre ("EDCC") in October 2022

Marks an important milestone - strive to deliver our unwavering commitment to our customers.

Segmental Highlights – Manufacturing & Engineering (“M&E”)

Improved performance supported by higher demand in the automotive sector

Manufacturing & Engineering segment

Revenue	PBTZ
<p>RM758m</p> <p>▲ 31%</p> <p>(FY2021: RM579m)</p>	<p>RM76m</p> <p>▲ 36%</p> <p>(FY2021: RM56m)</p>

Note: Calculation of variance above varies marginally to the 2022 Annual Report due to rounding difference

- Higher contribution from both sub-segments, most notably from the automotive components sub-segment.
- The segment’s growth was stimulated by demand surges for shock absorbers and lubricants as a result of:
 - ✓ rising mobility.
 - ✓ pent-up demand for new vehicles.
 - ✓ the extended vehicle sales tax exemption period.

Key highlights

1. Achieved its highest ever revenue in FY 2022

2. Dominated the market share for shock absorbers

KYB **69%**
Our Precision. Your Advantage market share

3. Launched the VG Hydraulic Oil, its first range of green, bio hydraulic lubricants



- Hydraulic fluid produced from locally-sourced palm oil, replacing mineral oil.
- Biodegradable in 28 days, non-bio accumulative and non-toxic.



Meets the growing demand for greener lubricants to address concerns over the environment

4. Expansion of green initiatives

Spearheading innovative technology in:

- battery revival services
- membrane manufacturing
- water reclamation
- environmental-friendly bio-lubricants

Segmental Highlights – Aerospace

Recovery supported by the reopening of international borders

Aerospace segment

Revenue	LBTZ
<p>RM226m</p> <p>▲ 53%</p> <p>(FY2021: RM148m)</p>	<p>(RM9m)</p> <p>▲ 74%</p> <p>(FY2021: (RM34m))</p>

Note: Calculation of variance above varies marginally to the 2022 Annual Report due to rounding difference

- Improved performance as a result of:
 - ✓ higher delivery of fan cases
 - ✓ cost savings initiatives



Key highlights

1. Awarded the Supplier Best Practice Award by Rolls-Royce

- One of the best among the 705 Rolls-Royce vendors globally.
- Recognises the segment's concerted effort with sustainable practices and green initiatives such as solar panels, rainwater harvesting and no-plastic-bottle initiatives.

2. Retained its position in Rolls-Royce's High Performing Supplier Group; Top 5% of suppliers



3. Remarkable record of 2,343 days without industrial accident or Zero Lost-Time-Injury ("LTI") as at 31 December 2022

Demonstrating high safety standards.

CREST@UMW – Achievements in 2022

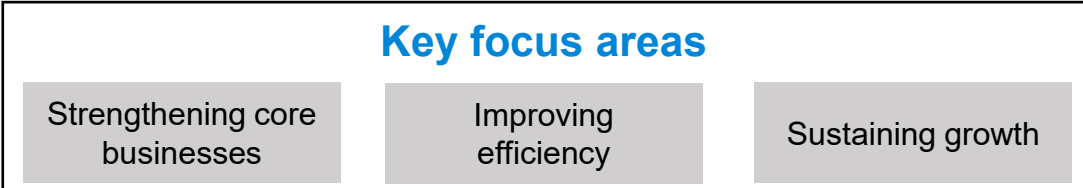
CREST@UMW Strategic Transformation Framework

Continue to grow momentum and extracted further value



CREST@UMW
Innovising Mobility

In the **second year** of implementing the **CREST@UMW** strategic transformation framework



20 Billion Revenue
2 Billion PBT
1 Billion PATAMI

Progressing better than planned

42%
of target PATAMI

CREST@UMW - 2022 Key Achievements



Customer	Relationship	Excellence	Sustainability	Teamwork
<p>RM15.8b Revenue for 2022</p>	<p>RM64.1m Total grant from MIDA, Government</p>	<p>RM178.4m 2022 cost savings</p>	<p>RM75.6m Total revenue from green programs & products diversification *</p>	<p>RM138.0k Productivity ratio</p>
<p>Dominating the Market</p> <ul style="list-style-type: none"> Automotive: 53% <ul style="list-style-type: none"> UMWT: 101,035 units Perodua: 282,019 units Equipment <ul style="list-style-type: none"> HE (PNG): 55% Forklift (MY): 50% M&E <ul style="list-style-type: none"> KYB: 69% of shock absorber market 	<p>Grants Received & Approved</p> <ul style="list-style-type: none"> RM42.4m from MIDA RM21.7m grant approval from govt agencies <p>MIDA INVEST SELANGOR MALAYSIAN INVESTMENT DEVELOPMENT AUTHORITY THE GOLDEN STATE OF MALAYSIA</p> <p>New products launched</p> <p> 25 products</p>	<p>Cost Savings</p> <p> RM178.4m</p> <p>Process Automation</p> <ul style="list-style-type: none"> RPA: 21 projects MyForms: 4 projects Single Sign On: 4 projects 	<p>New Revenue Streams</p> <p> RM51.3m</p> <p>Green Products</p> <p>RM3.6m New biogas distributorship with JENBACHER INNO</p> <p>Revenue from refurbished forklift RM14.3m</p> <p>Other Green Products RM6.4m</p>	<p>Productivity Ratio</p> <p> RM138.0k</p> <p>Employee Engagement Index</p> <p>93% </p>
<p>Inter-Division Cross Selling</p> <p> RM126.8m revenue</p> <p> </p>	<p>Digitalisation Collaboration</p> <p> Hybrid Cloud: Collaboration with TM</p>	<p>Compliance</p> <p> Full compliance with Eco-Dealership evaluation</p>	<p>UMW Green Shoots</p> <p> Mangrove Trees Project: 157k planted</p> <p> UMW Bamboo Project 10k planted</p>	<p>Employee Engagement</p> <ul style="list-style-type: none"> Wellness Programme: 4 wellness roadshow Energise CREST@UMW Roadshows: 6 locations Jelajah Merdeka UMW: 5 locations
<p>UMW HVM Park Sale</p> <ul style="list-style-type: none"> 140 acres worth RM304.9m to LONGi (Kuching) Sdn Bhd, world leading manufacturer of solar panel 	<p>Awards & Recognition</p> <p> KOMATSU • Asia Sales Promotion for HE Group</p> <p> ROLLS ROYCE • Supplier Best Practice for UMW Aerospace</p>	<p>War on Waste</p> <p> WOW BOX</p> <p> Introduction of the first War on Waste Box at KYB</p>	<p>UMW Green Shoots</p> <p> UMW Bamboo Project 10k planted</p>	<p></p>

2023 Outlook – Challenges and Counter Measures

2023 - Challenges and Counter measures

Will continue to drive our CREST@UMW initiatives to mitigate the impact of challenges and deliver value to our stakeholders



Challenges



Counter Measures

Geopolitical risk

Russia-Ukraine war leads to disruption in global supply chain.



Stakeholder engagement

Continue to work closely with principals, suppliers and other stakeholders to mitigate or minimise the impact.

Rise in raw material prices

Leads to increase in cost of components.



Cost optimisation

Undertake continuous cost optimisation initiatives.

High inflation and resultant high interest rate environment

May lead to slow down in the global economy and demand.



Sukuk rating sustainability

Reaffirmed at AA+ rating. Strive to sustain the current rating amidst the business challenges.

Forex volatility

Due to high inflation, high interest rate environment and negative geopolitical outlook.



Forex hedging

Closely monitor the movement to hedge at a competitive rate.

Market disruption

Arising from impending influx of EVs.



Expansion of current business model

Introduction of more hybrid models, more engagements with TMC and DMC, explore new business ventures and accelerate innovation cycle within UMW.

Business Outlook

Automotive Segment – UMW Toyota Motor

Remain competitive with improved products and services



Maintain strong brand reputation – No.1 in the non-National automotive segment



Several new models to be launched in 2023 to continue to spur demand and support sales

UMWT launched 3 GR and 2 GR Sport models on 17 February 2023 as well as the all-new Vios on 20 March.



Continuous **development of a strong ecosystem support** – vendor development program, supply chain

Continue to work closely with principals, suppliers and other stakeholders.



Maintain **excellence in customer service**

In 2022, Customer Service Operations surpassed 1.25 million vehicles



Covers vehicles of all ages.



Rewarding customers for purchases, servicing or repairs, and even for vehicle insurance renewals.



Money-saving holistic maintenance plans.



Provide innovative vehicle financing solutions

To continue to drive sales by **providing innovative vehicle financing solutions to customers.**

Includes the **Toyota EZ Beli** programme, in collaboration with Toyota Capital Malaysia. The EzBeli+ is designed specifically for hybrid vehicles.



Sales target of 93,000 units
▼ 8% Y-o-Y

On top of the outstanding orders, new and facelift models are expected to continue to drive sales.

Automotive Segment – Perodua

To continue to remain as market leader



Sustain market leadership position with best value model offering – maintained pole position for the 17th consecutive year in 2022.



Focus on delivery of outstanding orders

- Will continue to invest to improve its production efficiency and capacity.



New models to continue to drive sales

- All-new Axia was introduced on 14 February 2023.
- To be further supported by facelifted models.



High prioritisation in the area of **plant capacity and vendor capability**

- Production mapping, digitalisation, drivetrain system, manpower capabilities, Carbon Neutral compliance.
- Vendor & eco-system sustainability.



Recovery plan for export market

- Study and explore new potential market – focusing on Asean and new Right-Hand Drive countries.
- Strategise the pricing and logistics management.



2023



**Sales target of
314,000 units**
▲ 11% Y-o-Y

Continue to offer competitively priced cars as well as incorporating advanced safety features in its products; realising the Perodua Smart Build objective.

Equipment Segment - Industrial Equipment

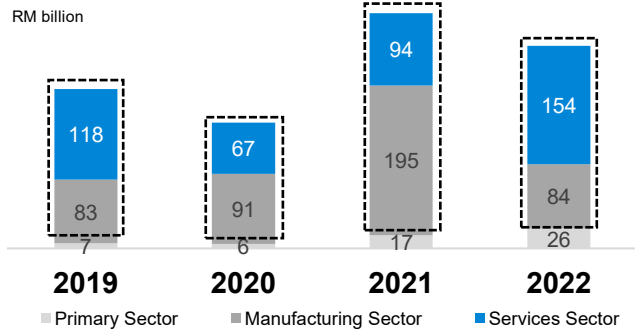
Outstanding industrial equipment orders to sustain performance



Outlook



Realisation of approved investment in the Manufacturing and Services sectors to support demand in Malaysia



Source: MIDA (latest available data) and media reports



Expected rebound in China's economy following the lifting of pandemic restrictions

This will boost the logistics and warehousing sectors in the region, with China's rising exports



Growing demand for electric forklifts as businesses move towards electrification



Growth strategy

Establish refurbishment regional hub – close to 500 units have been refurbished.

Promotion of 'Go Green' project - to convert diesel to electric forklifts through rental / buy-back and generate volume for refurbishment program.

Expansion of Logistics Automation Solution business to cater to different needs of customers.

Equipment Segment - Heavy Equipment

Continuation of new and existing investments to support growth



Outlook



Continued realisation of multi-year infrastructure projects to provide further lift to growth.



Key Infrastructure Projects in Malaysia:



ECRL
RM75b



LRT3
RM17b



Pan Borneo Highway
RM28b

Source: BNM and media reports



Increased government spending expected in 2023, especially for roads and bridges through the “Connect PNG” infrastructure project.



Higher commodity prices had been supportive of demand for heavy machineries.

Papua New Guinea and East Malaysia operations supported by recovery in the mining and plantation sectors on top of the infrastructure developments.



Growth strategy

Further expansion into agriculture sector for oil palm replanting segment.

Project and sector-based market coverage to tap on recovery in the construction sector as well as favourable commodity prices.

Promotion of new equipment through **new products launch** and **introduction of hybrid hydraulic excavators.**

Parts & Service sales expansion through after market activities.

Collaboration with financial institutions to **offer innovative financing schemes.**

M&E Segment - Auto Components

KYB Plant Modernisation to enhance productivity and improve capability



Outlook



Vehicle sales is expected to remain robust, despite the expiry of the SST exemption.

This is supported by high outstanding bookings and new model launches, for both the domestic and export markets.

Currently exports to 39 countries.



Growth strategy

Sustain growth of OEM 4W, OEM 2W and export
– to enhance Quality, Cost and Delivery capability.

Expand market share in REM and strengthen product development.

Increase automation level in operations
– to improve efficiency and productivity.

Innovation in new products & technology
– including “Green Products”.

M&E Segment - Lubricants

Fully leverage on the new smart lubricant plant to improve sales



Outlook



Malaysia's lubricants market is projected to register a growth of 3% in 2023, supported by the reopening of economy.

Driven by the automotive lubricant (PCMO, MCO, DEO) market, which occupies the highest share of overall lubricant market in Malaysia (65%).



China's reopening from Covid-19 restrictions to support demand.

Continue to be a stable contributor, with focus on vehicles and industrial oil.



Growth strategy

Capitalise on additional 70% capacity to 60 million litres per year from the new Smart Lubricant plant – to start operations in 2H 2023.

- Expansion of toll blending contract.
- Explore opportunities, especially in the industrial segment.

Products diversification, such as:

- Ancillary Lube (brake fluid and coolant)
- 'Green Product' offering – potentially a total of 4 green lubricants products

Bio-Hydraulics (VG46 and VG68) - launched in 2022, Food Grade Bio-Grease and Food Grade Bio-Hydraulics

Launched Malaysia's first commercial Bio-Hydraulic lubricants



- Hydraulic fluid produced from locally-sourced palm oil, replacing mineral oil.
- Biodegradable in 28 days, non-bio accumulative and non-toxic.



Meets the growing demand for greener lubricants to address concerns over the environment.

Aerospace Segment

Continue to look at opportunities to optimise plant utilisation



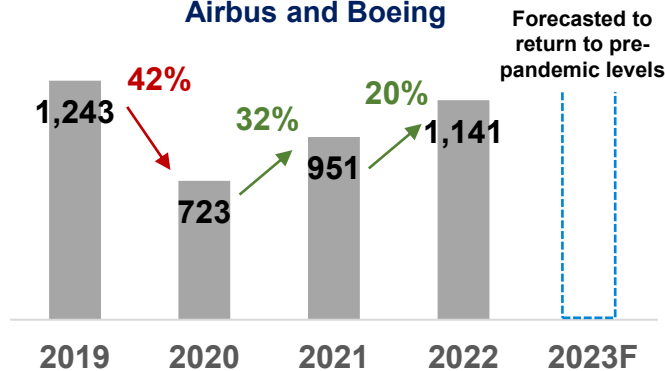
Outlook



Demand to be underpinned by resumption of air travel

- Air travel is expected to reach the pre-pandemic level by this year.
- This will lead to new orders for planes by the airlines and together with the clearing of the backlog orders, will translate into growth prospect for the aerospace business.

Total commercial aircraft deliveries by Airbus and Boeing



Source: www.dsm.forecastinternational.com



Growth strategy

Ride on the industry recovery trend to ramp-up production and improve plant capacity utilisation. Rolls-Royce's three year 2023-2025 forecast indicates order numbers are expected to be sustainable – volume beyond pre-pandemic levels

Focus on establishing new capabilities, especially in High-Value Manufacturing, i.e., Chemical Milling, Complex Machining, Additive Manufacturing.

UMW has signed a new manufacturing contract with Rolls-Royce to localise the rear case by 2025.

Customer and product diversification – Participate in new RFQs, engagement for localisation of precision parts.

Aerospace Segment

New contract from Rolls-Royce to manufacture rear case

Fan Case Kit – breakdown



Mount Ring Assembly

Received as machined part and **assembled** in-house



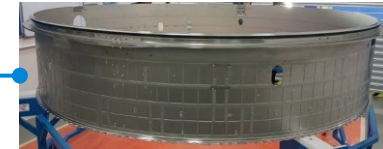
Front Case Assembly

Received as forged Titanium. Component is then **machined** in-house followed by **paint** process and **assembly**



Final Product: Fan Case Kit

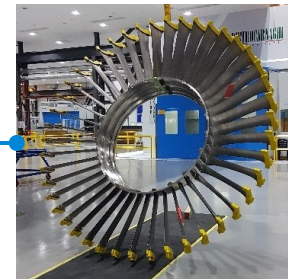
- Consists of about 4000 parts..
- Net Weight: 1100 kg



Rear Case Assembly

Currently received as machined part and **assembled** in-house.

UMW has signed a new manufacturing contract with Rolls-Royce to localise the rear case by 2025.



Outer Guide Vane (OGV) Assembly

Received Inner Ring as forged Titanium. Component is then **machined** in-house, **welded** to 44 OGV vanes, and machined again before sent to minor fittings to form OGV Assembly

Received a contract from Rolls-Royce to manufacture rear cases for the latter's Trent 1000 and Trent 7000 aero engines; officially announced on 10 April 2023

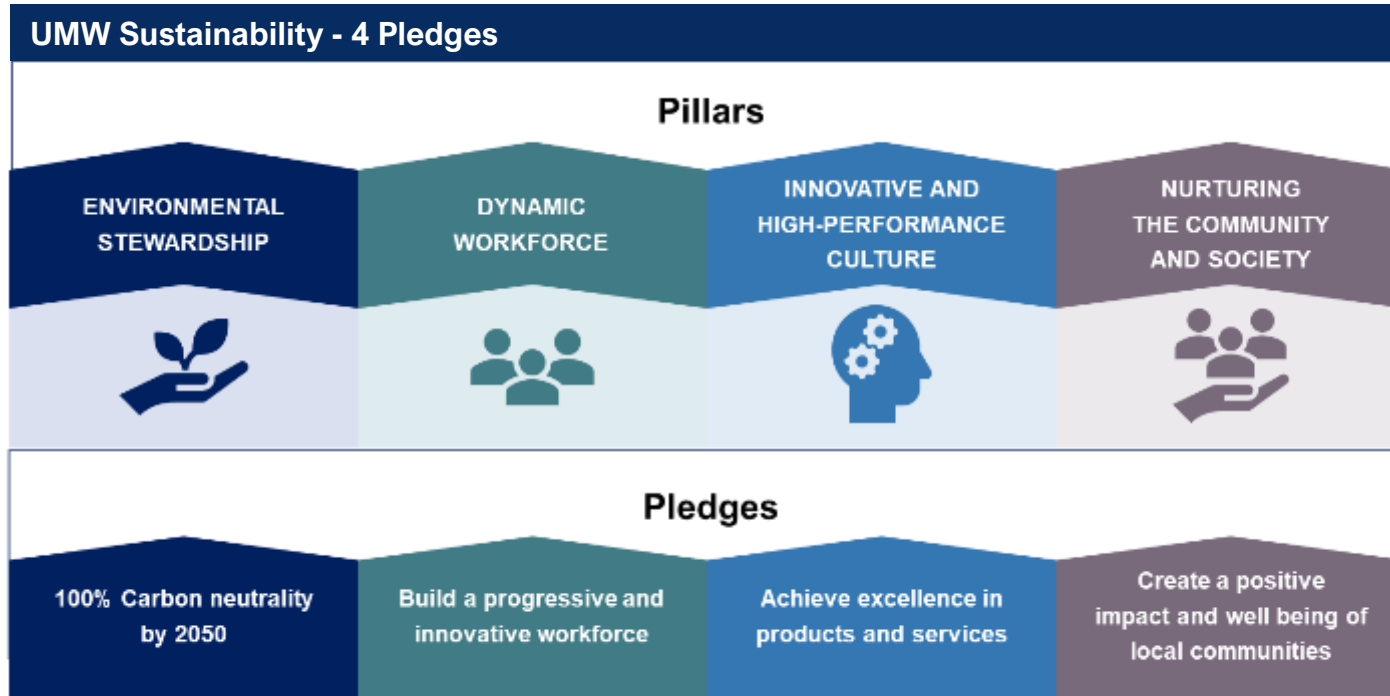


- The contract is for **15 years** and **valued at RM1b**.
- UMW Aerospace will be **investing up to RM65m** to set up the chemical milling and related processes to manufacture the rear case at its facility in Serendah.
- UMW Aerospace would be the **first company in Southeast Asia to have developed the chemical milling capability**.
- At present, the rear case is imported from overseas and assembled into a complete fan case.
- **Commercial production** is expected to **commence in 2025**.

Redefining Sustainability

CREST@UMW – Redefining Sustainability

Redefining Sustainability within the Broader Framework of Innovising Mobility



In accordance with the Government's pledge to reduce 45% by 2030 and 100% by 2050

Key Potential Value Creation Opportunity



UMW Green Shoots Initiative and UMW Bamboo Project

Holistic approach involving universities and schoolchildren to raise awareness

UMW Green Shoots Initiative

Mangrove Tree Planting

300,000

Trees to be planted by 2023

18,400

Trees planted YTD March 2023

185,400

Total trees planted since 2021



YB Dato' Sri Mustapa Mohamed launched the UGS in 2022.



GHC staff with 240 secondary students arranged by Yayasan Didik Negara ("YDN") at mangrove planting activity in Lukut.



UMW Bamboo Project



10,000

Trees planted in 2022



150 volunteers from Universiti Teknologi Malaysia ("UTM"), Sekolah Menengah Kebangsaan Sri Kukup and Southern Volunteers from Pontian District at Johor state-level launching.

Aligns with United Nations Sustainability Development Goals ("UNSDG")



Renewable Energy

Subscription to TNB's GET Programme & actively expanding the Group's use of solar energy





Rooftop Solar PV

4.2MWac

Total capacity in 2022

Additional 4.3MWac (total of 8.5MWac)
by 2023



Sustainable Products

Our commitment towards reducing Climate Change impact

Electric Mobility



TOYOTA



BEV model to be introduced



PERODUA



Hybrid model production



UMW EQUIPMENT



Expansion of automation business

Green Product

Biodegradable Hydraulic Fluid (Bio-lubricants)



Battery Revival Unique Strategy System ("BRUSS")



Forklift Refurbishment



Water Reclamation Plant ("WRP") using in-house Ultrafiltration Membrane



Health, Safety, Security and Environment (HSSE) and Governance

Digitalising HSSE and uphold good corporate governance & integrity

HSSE

Governance



- OCCUPATIONAL HEALTH
- OCCUPATIONAL SAFETY
- EMERGENCY
- ENVIRONMENT
- MACHINE SAFETY

Policies enhancement

- Group Anti-Bribery and Corruption Policy (“ABCP”)
- Group Whistleblowing Policy (“GWP”)



Maintained zero corruption convicted case



Established the three-year Integrity and Governance Unit (“IGU”) Blueprint 2021-2023



Embarked on ISO 37001 Anti-Bribery Management Systems certification.



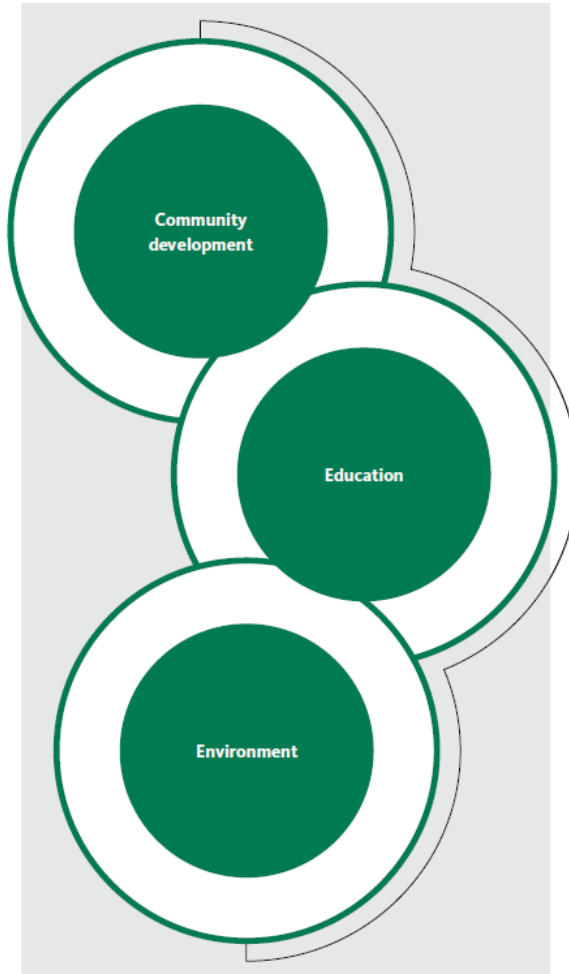
Established the UMW’s Sustainable Supply Chain Policy

- Integrated with labour, health and safety compliance including environmental aspects, ie: energy use, climate change impact, water use, biodiversity, pollution, waste reduction and resource use.



Social and People Wellbeing

Our promise to continue to create positive impact to communities



In 2022...

2,187

Community volunteers

11,344 voluntary hours

- Internal volunteers: 3,581 hours
- External volunteers: 7,763 hours

RM9.1m

Spent on initiatives, sponsorship, donations and zakat contributions

EnergizeUMW

24/7 helpline to provide remote therapy sessions for employees

63,716 training hours

Received by employees

UMW Executive Development Programme (“UEDP”) for employees strategic and targeted leadership

Scholarship fund

RM1m spent, 92% utilisation

185,400

Total trees planted since 2021



Monthly Engagements – Environmental Campaign

Our continuous campaign to raise awareness and fight climate change

#WarOnWaste

Paperless

#WarOnWaste

UMW Paperless 2022 Review

MFP* Usage
UMW Group

In year 2022,
484,394
printings were reduced
from the year 2021

Actual 2021	3.6M printings	Actual 2022	3.1M printings
↓ 13.6% YoY			

Equivalent to...

- 9 tonnes of wood saved**
- OR
- 20 tonnes of CO2 equivalent avoided**
- OR
- 1.3 tonnes of solid waste avoided**

Notes:
*MFP stands for "Multi-Function Printer"
**Assumption: 1 printing = 1 sheet of paper
**Source: Environmental Paper Network

Save Water & Electricity

- An energy-saving program that focuses on water and electricity consumption across the Group.



Reduce, Reuse, Recycle

- Instillation of the 3R - Reduce, Reuse, Recycle culture among the Wowriors.




Conclusion

Strengthened Financial Position to Deliver Sustained Value



CREST@UMW
Innovising Mobility

Key focus areas

- Strengthening core businesses
- Improving efficiency
- Sustaining growth

Core businesses achieved improved results

PBT

RM775m	RM153m	RM76m	(RM9m)
▲ 62%	▲ 43%	▲ 36%	▲ 74%

Strengthened financial position

Low gearing ratio
0.22x

Improving net cash position
RM1.5b

The Group is now in a stronger position to invest and expand its business for sustained value creation...

... while continue to prioritise progress towards carbon neutrality.



Our Sustainability Roadmap will steer us towards achieving:

- 45% carbon neutrality by 2030, and
- 100% carbon neutrality by 2050.

Prioritising :

Decarbonisation

Climate action

Questions from Minority Shareholders Watch Group ("MSWG")

Questions from Minority Shareholders Watch Group

Operational and Financial Matters



Automotive

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.

Questions from Minority Shareholders Watch Group

Operational and Financial Matters



Automotive

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.

Questions from Minority Shareholders Watch Group

Operational and Financial Matters



Automotive

- 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.

Questions from Minority Shareholders Watch Group

Operational and Financial Matters



Automotive

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.

Questions from Minority Shareholders Watch Group

Operational and Financial Matters



Automotive

- 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.

Questions from Minority Shareholders Watch Group

Operational and Financial Matters



Automotive

- 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.

Questions from Minority Shareholders Watch Group

Operational and Financial Matters

Aerospace

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.

Questions from Minority Shareholders Watch Group

Operational and Financial Matters



Financials

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.

Questions from Minority Shareholders Watch Group

Corporate Governance Matters



Corporate Governance

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.

THANK YOU