

## OUR PERFORMANCE



### AUTOMOTIVE

#### UMW TOYOTA

**Reclaimed its position as the number-one non-national car manufacturer in Malaysia for the second year running**



**UMW Toyota, sole distributor of Toyota and Lexus models in Malaysia, leads the non-national car market for the second year running. Toyota's new regional tagline 'Move Your World' reflects a more mobile future society, as it transitions from an automobile company to a mobility company.**

Globally, the automotive industry is evolving rapidly, its transformation prompted by digitalisation, innovative technology and new business models. Great strides in diverse mobility, autonomous driving, electrification and connectivity have advanced, recast and created a turning point for the industry.

According to Euromonitor, unit sales volumes in 2022 were expected to be around 78 million, 10% up from 2021, and higher than in 2019. Profits also rose on average across OEMs this year, with many reaching record heights.

In keeping with these positive projections, in mid-2022 the Malaysian Automotive Association (MAA) revised its projected total industry volume (TIV) upward to 630,000 new vehicles. By end-November 2022, Kenanga Research had also raised its 2022 TIV projection to 680,000 units. The revised figures were attributed mainly to the continued recovery of the Malaysian economy post-pandemic, easing of chip and component supply shortages and the Ministry of Finance's decision to extend the car registration deadline to 31 March 2023.

With new models, robust deliveries and new bookings, demand for cars in Malaysia is on an upward trend, despite the absence of continued tax waiver.



## KEY PERFORMANCE HIGHLIGHTS

### TOYOTA SALES VOLUME

(Units)



# 101,035

2021: 72,394

### TOYOTA CAPITAL MANAGED ASSETS

(RM billion)



# 7.3

2021: 6.3

## 2022



UMW Toyota ended the year on a high note, recording a total of 101,035 vehicles sold compared to 72,394 units in 2021. With a 40% sales increase, this achievement positions Toyota as the top-selling non-national brand in Malaysia.

With a history that dates back more than a century, UMW Toyota works very closely with the principal Toyota Motor Corporation (**TMC**) to implement global processes so as to uphold the brand's strong presence in Malaysia.

Challenging economic conditions still prevailed, both globally and locally, and the automotive industry was affected by supply chain issues. Nevertheless, UMW Toyota continued to benefit from sales tax exemption for outstanding orders made before 30 June 2022 and registered by 31 March 2023.

Toyota's success in Malaysia in 2022 was credited in part to the launch of the Corolla Cross Hybrid, one of several models introduced last year. The Hilux and Fortuner, both front-runners in their respective segments, also contributed to Toyota's strong sales in 2022.

UMW Toyota's customer service operations surpassed 1.25 million vehicles, evidence of the exceptional level of after-sales service embodied in its 'Extra Mile' initiative to deliver the best sales and after-sales service.

In a shift in branding, at the end of 2022 Toyota revealed its new tagline, 'Move Your World'. This conveys a multipath message, with hybrid, electric and hydrogen cars as options for the future.



## OUR PERFORMANCE

## ACHIEVEMENTS

UMW Toyota reclaimed its position as the number-one non-national car manufacturer in Malaysia for the second year running. The brand's total volume in Malaysia consisted of 100,042 Toyota and 993 Lexus vehicles. Compared to the total combined sales of both vehicles of 72,394 units in 2021, a 40% increase in sales was achieved. This was accomplished despite continuing disruptive market conditions. Toyota Vios, Hilux and Corolla Cross were the year's best-selling models.

Also, the decision to transform its own outlets into dealerships in 2017 led to more brand and sales resilience during the pandemic.

Toyota's new regional vision, 'Move Your World', was introduced and implemented to align with other Toyota markets across Asia-Pacific. The tagline encapsulates the brand's aims of realising its transition into a mobility company, with a customer-centric car ownership experience. As Toyota's evolving customers drive the company's choice of new ways of doing business, it aims to deliver happiness and total mobility for all.

In pursuing greater connectivity and convenience to facilitate optimal customer online interactions, the Toyota Malaysia website was upgraded with new user-friendly features and a modern interface, enhanced by data-driven personalisation. In enabling optimal engagement with customers, every process during interaction is focused on meeting the customer's precise needs.

Financially, UMW Toyota ensured that cash flow stayed strong, as long-term investment is necessary in the industry to sustain competitiveness and stay ahead.

In aspiring to provide a total mobility landscape to customers, UMW Toyota streamlined and increased its Corporate Social Responsibility (CSR) activities in 2022. The focus was on safety for children in schools, and youth, with Toyota Eco Youth implementing new ways of learning. Education and public awareness were also key in involving surrounding communities to transform their environments.



Additionally, Toyota championed the cause of the Cancer Society and the Kidney Society by investing in long-term support. The automotive company was also deeply involved in expanding the Toyota GAZOO Racing and Toyota GR Velocity Esports Championship events, with future plans to sponsor local professional golf.

UMW Toyota strengthened its multipath campaign to provide customers with mobility options. It ventured into electrification by introducing more hybrid electric vehicles, strengthening Toyota's green strategy for its portfolio, based on achieving carbon neutrality with a multi-prong approach.

TMC has pioneered development of electrified vehicles and is always striving to recycle 85% of all materials used. Much effort and investment has gone into developing the most complete range of electrified vehicles.



In Malaysia, UMW Toyota believes that HEVs are the most accessible option for car owners to begin carbon-reducing. The Corolla Cross Hybrid attained great significance in being the first-ever Toyota model with HEV technology assembled in Malaysia at the state-of-the-art UMW Toyota plant. In 2022, the Corolla Cross recorded 17,208 units sold in the C-segment SUV category.

Together with Toyota Capital Malaysia, the focus in 2022 has been to provide customers with innovative financing solutions for UMW Toyota's products. Toyota's Financial Packages offer vehicle financing choices to fit a range of needs and lifestyles, including attractive rates for lower-carbon vehicles, multi-tier repayment loans and even a car subscription plan. The improved Toyota Insurance Package covers vehicles of all ages, as well as Toyota Service Saver with money-saving holistic maintenance plans. Furthermore, customers are rewarded for their expenses through the Toyota Loyal-T programme, enabling them to earn points for purchases, servicing or repairs, and even for vehicle insurance renewals.





## OUR PERFORMANCE

# AWARDS

Carsifu Editor's Choice Awards 2022

**Best Large Sedan  
Camry 2.5V**

Toyota Daihatsu Engineering & Manufacturing Co., Ltd.

**Excellence  
Award**

**Zero Field  
Action  
Award**

**Warranty  
Reduction  
Achievement  
Award**

Honda Malaysia

**Best Quality  
Award -  
AISB**



## CHALLENGES

Driven by pent-up demand and extension of the sales tax exemption, the waiting period for bookings in 2022 ranged from six months to one year. The shortage in vehicle supply was caused by various issues that included material, capacity, supply chain and future price increases. With the resumption of economic activities, necessary measures were taken to ramp up production to fulfil outstanding orders.

Additionally, Bank Negara Malaysia's increase in Overnight Policy Rate (**OPR**) for the fourth time in November 2022 made new car loan rates higher than in the preceding six to nine months.

Despite supply chain improvements in 2022, chip and component shortages plagued the industry with continued disruption due to intermittent lockdowns and China's continuing zero COVID-19 policy that only ceased at the end of 2022. Manpower shortages meant increasing plant automation, where it currently stands at around 50% in terms of welding processes.

Forex will continue to be a challenge due to increased volatility and actions are being taken to mitigate the cost increase. Dealing with previous catastrophic events such as the 1995 Kobe earthquake, 2011 Thailand floods and Tohoku earthquake has resulted in UMW Toyota becoming more resilient in managing the fallout from the pandemic, to recover faster vis-a-vis its competitors.

With interest in electric cars gaining traction, the pressure was not only to produce and sell such cars but also to ensure that the supporting infrastructure is in place. UMW Toyota participated in the process by seeking collaboration with the right partners to move forward.

## OUTLOOK

Future challenges include relooking at car ownership business models, the advent of autonomous cars, and building on Toyota's total mobility aspiration in extending coverage to the whole ecosystem.

UMW Toyota aims to retain its position as Malaysia's number-one non-national automotive brand in 2023, and beyond. The company plans to maintain the positive trend in 2023 by launching several new models such as the second-generation GR 86, GR Corolla, GR Supra and the new Toyota Vios. Following the success of the carbon-reducing Corolla Cross Hybrid Electric, a second HEV will be launched in 2023. UMW Toyota aims to introduce battery-electric vehicles (**BEVs**) by 2025.

A new agency retail model is set to commence in 2023, with customers able to enjoy hassle-free vehicle purchasing. This will be achieved by implementing a new sales process through selected premier agent dealerships for Lexus and certain Toyota models. The sales process has been re-designed to be more customer-centric, inspiring absolute trust and confidence through fair, transparent pricing.

Further expanding customer satisfaction and UMW Toyota's digital transformation, a Super App will be launched, building on 30-35 years of loyal customers' data. The app aims to capture all services and sales, gathering necessary information to offer every convenience during sales and after-sales service.

Although moving into the era of electrification, UMW Toyota will continue to maintain its fun-to-drive experiences with its long-running activities undertaken by GAZOO Racing Malaysia. The motorsports events, dating back 60 years, have elevated the local motor racing scene. They not only allow owners a chance to enjoy racing, but also enable Toyota to continue manufacturing even better cars.

UMW Toyota will remain cautiously optimistic on the domestic business environment. The company will continue to align very closely on multiple global strategy operations, gearing towards continuous digitalisation. More effort will be channelled towards the carbon neutrality drive and enhancing value chain business.



## OUR PERFORMANCE



## AUTOMOTIVE

## PERODUA

**As a national carmaker, Perodua is steadfast about benefitting Malaysians**

**As the leading national carmaker, Perodua continues to maintain market leadership through enhancing and advancing Malaysia's automotive industry. It supports an ecosystem comprising suppliers, dealers, society and the government, based on an all-Malaysian idea. Key to this concept is commitment to manufacturing safe, affordable, fuel-efficient vehicles for all.**

Perodua's stellar 2022 achievement is the culmination of the Malaysian automotive industry's collective responsibility in optimising its potential. It also stems from cultivated convergence of customer expectations. In a year that saw the Malaysian automotive industry's best-ever performance, Perodua also recorded its best sales yet, increasing 48.2% compared to 2021. A significant impetus for this high sales volume was the extension of



the SST exemption until 30 June 2022, with an exception to include all vehicles booked before 1 July 2022 and registered before 31 March 2023. Implementation of Malaysia's short-term National Economic Recovery Plan (PENJANA), stimulating post-pandemic economic revival, further fortified sales.

The challenges of 2021 yielded many lessons, ranging from extensive floods to semiconductor chip shortages as well as the Full Movement Control Order (**FMCO**). Perodua and partners not only overcame these obstacles in 2022, but managed to channel growth in an under-pressure industry, too.

As Malaysia's largest automotive manufacturer, Perodua is committed to ensuring high value offerings to all Malaysians. This enables them to benefit from practical, fuel-efficient cars with the best safety features on offer, within an affordable price range. Perodua's vision, as part of the manufacturer's responsibility, is to provide end-to-end total car life-cycle care, from vehicle end-of-life management to environmental protection. As advocated in its pioneering Ativa Hybrid subscription programme, this pilot programme involves 300 subscribers and serves as a study, both of electric vehicles and the long-term, mobility-as-a-service market.

## 2022



Perodua surpassed its 2022 sales target of 247,800 units. It achieved its best performance on record with sales of 282,019 units, as compared to its 2021 sales of 190,291 units. Production rose by 49.5% to 289,054 units in 2022, as against 193,400 units in 2021. Accordingly, after-sales service intakes also increased by 30% to 2.6 million units in 2022.

The record performance bears testimony to Perodua's resilience. In December 2022, production and sales performance delivered an average of 1,000 vehicles per day. The tight capacity utilisation maximised the output with minimal investment at the plant running at almost 100% capacity to meet its production target.

As a national automotive company, Perodua upholds a deep-seated commitment to serving the people of Malaysia. Perodua remains highly focused on delivering unparalleled customer service, providing a range of products to meet customer demand including equipping our vehicles with practical yet advanced features as well as incorporating unique Malaysian elements in their design. These principles have played an instrumental role in establishing Perodua as a leading player in Malaysia's automotive industry, while also fostering positive societal impact and contributing to the betterment of the local community.

To cultivate a culture of shared commitment and advancement within Malaysia's automotive industry, Perodua and its partners work closely with stakeholders, including suppliers, dealers and the government. Through these collaborative efforts, we strive to elevate the industry ecosystem and drive sustainable progress for all involved. This approach is reflective of Perodua's corporate ethos, which emphasises partnership, innovation, and responsible leadership in all aspects of our operations.

## KEY PERFORMANCE HIGHLIGHTS

### PERODUA SALES VOLUME

(Units)

# 282,019

2021: 190,291

### PERODUA PRODUCTION VOLUME

(Units)

# 289,054

2021: 193,400



## OUR PERFORMANCE

## ACHIEVEMENTS



To remain resilient and adapt to the evolving needs of the industry and consumers, Perodua in 2022 instilled the “going beyond” mindset to its employees to prepare them to embrace a new outlook.

In terms of operations, all risk assessment are tested and documented. Meanwhile, teams such as the sales unit remained flexible and agile amid rigorous requirements and the need to adjust quickly to the changing market environment.

In this crucial year, we strengthened the Perodua culture through building clear internal communication links and working relationships. This is in line with its motto ‘One Team, One Goal’. The streamlined focus helped build employee loyalty, along with the capacity to rise to the year’s challenges.

The new outlook extended to managing issues in the broader automotive ecosystem too. When faced with critical semiconductor shortages in 2022, the company used its central purchasing system to support the rest of the industry. This



support extended to technically absorbing price differences after negotiating and purchasing raw material in bulk to supply to the whole vendor system.

In September 2022, Perodua officially launched its Ativa Hybrid subscription programme. The pilot consumer study initiative, with 300 subscribers, will help Perodua gain unique insights into the behaviour of Malaysian consumers, drawing on data to anticipate customers’ needs when using a hybrid vehicle. With the RM500-a-month, 5-year subscription service, Perodua also ensures minimal negative environmental impact in terms of



battery or car disposal. This leasing method is already in place with EZ MOBi for corporate clients.

In 2022, Perodua prioritised adoption of ESG practices. Firstly, we worked towards regulating and reducing the cost of green energy initiatives in the entire automotive ecosystem. Our operations moderated energy use and consumption to be greener and more cost-conscious.

Secondly, we embarked on digitalisation efforts which focused on mapping digital initiatives in sales and manufacturing operations.

The current digitalisation rate is about 47-48% with more digitalised facilities for customers such as online ordering, booking, and loan application submissions to protect customer privacy.

Looking ahead, in support of Malaysia's automotive ecosystem, Perodua aims to increase its 95% localised content by extending vendor capabilities and resilience. Furthermore, the high localisation rate has shielded Perodua from the prevailing foreign exchange volatility.

To learn more from our peers, we conducted benchmarking exercises such as virtual factory tours. We introduced changes to our dealers which helped to cut costs and consolidate services. For instance, to further help customers, the functions of receptionists and guards were extended to serve as greeters and ushers.





## OUR PERFORMANCE

# AWARDS

## CarSifu Editors' Choice Award

**Local Car of the Year - Perodua Alza AV**

**Best Family Ride (up to RM100,000) – Perodua Alza AV**

**Best Sub-compact Hatchback – Perodua Myvi AV**

## 2022 Carlist.my Car of the Year Awards

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|---|--|
| <ul style="list-style-type: none"> <li>• Perodua Myvi AV</li> <li>- Carlist.my People's Choice Award Entry-Level Sedan and Hatch (Gold winner)</li> </ul> | <ul style="list-style-type: none"> <li>• Perodua Alza AV</li> <li>- Carlist.my Editor's Choice Award – Newcomer of the Year</li> <li>- Carlist People's Choice Award Small Midsize MPV.</li> </ul> |
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## CHALLENGES

At Perodua challenges are indispensable as they allow new ways of doing things to emerge, thus leading to constant improvements.

Despite moving into endemic stage of COVID-19, chips shortages continue to be the main challenge for the company. This caused intermittent production interruption and delay to launch the new model. The issue was mitigated by increasing the inventory level and forward planning. With higher adoption of new technology, microchips are vital component to enable the advanced features.

Even though price increases for key materials such as steel, Perodua had to absorb the price increase rates without passing it to the customers. This was challenging to accomplish and required careful planning and management.

While aiming to maximise suppliers' capacity with minimal investment, Perodua continued to help those in their value chain cope with prevailing capacity demands, planning and localisation. Supply chain disruptions and manpower shortage continue to be a challenge. Shortages, in particular, had to be managed well, as they affected each level of the value chain. When our suppliers were affected by labour shortages, Perodua sent its own staff to help fill the gap. Ensuring continued supply not only helped operations, but also contributed meaningfully to developing the total automotive ecosystem.

Introducing digitalisation processes to suppliers also helped improve the process flow. For example, the E-booking systems and payments are being utilised at Perodua.

Additionally, the company held numerous roundtable discussions with vendors, dealers and stakeholders to overcome challenges and brainstorm counter-measures. The measures implemented and lessons learned from the year's challenges have given Perodua opportunities for advancement, as well as given new perspective on how to overcome challenges. This positions the brand more strongly to remain competitive in the coming years.

## OUTLOOK

In pursuit of its objectives for 2023, Perodua has identified three key areas for development: capacity building, sustainability, and innovation. With a view to expanding its capacity, the company intends to build on the growth achieved in the previous year and has set an ambitious target of selling 314,000 cars in 2023. To meet this target, Perodua will adopt the Kaizen concept to enhance efficiency and increase production speed, enabling us to meet customer demand and reduce waiting times.

With a strong commitment to sustainability, Perodua will expand its ESG initiatives by partnering with the government to promote low-carbon initiatives and introduce products that align with the government's energy policy. The company will also increase consumption of solar energy, with the aim of using renewable energy sources for 75% of our energy needs within five years. As part of our sustainability efforts, Perodua will introduce Carbon Neutral (**CN**) initiatives such as the establishment of an Eco Park and a "green factory" in our efforts to improve the quality of our environment.

In order to stay ahead of the curve, Perodua will invest in operational innovations and introduce new technologies in our future products and services. The company will encourage suppliers and dealers to adopt these technologies to improve competitiveness and productivity. Additionally, Perodua will seek to attract suppliers from Japan and Europe to invest their expertise in Malaysia, promoting knowledge transfer and attracting more foreign direct investment. With these measures in place, Perodua aims to achieve a localisation rate of 95% or higher.



## OUR PERFORMANCE



## EQUIPMENT

## Equipment Division's key initiatives launched during the pandemic yielded results in 2022

**UMW Equipment Division distributes leading equipment products from world-renowned brands. Its Industrial Equipment and Heavy Equipment segments serve a wide range of industries including warehousing, logistics, construction, mining, agriculture, and logging. Its other segment, Industrial Power, provides solutions and customised compression, power generation, and marine propulsion.**

The COVID-19 pandemic and the repercussions of extended lockdowns prolonged a period of uncertainty. However, Equipment Division's markets rebounded in 2022. This was despite continuing challenges, evolving economic landscape and transforming business environment that prevailed globally. Additionally, the Division had to

factor in rapidly rising stakeholder expectations related to environmental and sustainability considerations.

To date, the Equipment Division has been able to maintain the largest market share for Industrial Equipment in the material handling business in Malaysia. We also have strong presence in Singapore, Vietnam and China, with extensive sales coverage. UMW is one of the largest fleet management companies with around 10,000 rental units for material handling.

Equipment Division's key initiatives launched during the pandemic yielded results in 2022 via strong product line-up, principals' support, and wide distribution networks.

The Industrial Equipment segment has embarked on lean logistics management internally and externally to deliver beyond traditional products and solutions. As for the Heavy Equipment segment, higher commodity prices are spurring growth in infrastructure development, agriculture and resource mining.





## KEY PERFORMANCE HIGHLIGHTS

### REVENUE

(RM million)

**1,528.0**

2021: 1,313.4

### PROFIT BEFORE TAX (PBT)

(RM million)

**152.8**

2021: 107.0

## 2022

The Equipment Division notably improved its performance from the previous year. In 2022, the Equipment Division's revenue improved by 16.3%, recording RM1,528.0 million, as compared to RM1,313.4 million in 2021. Its PBT rose to RM152.8 million, a 42.8% increase from 2021. This was mainly due to the economy reopening and a sharp increase in revival of delayed projects and start-up of new infrastructure projects.

The Equipment Division's growth strategy, in line with the Group's CREST@UMW aspirations, focuses on exploring ways to help customers address emerging economic and sustainability concerns. Partnerships are fostered for a more collaborative approach through consultative marketing, to identify customers' pain points in order to offer solutions.

To remain resilient when stretched by unprecedented challenges, since 2020 the Division has initiated and activated continuous improvement programmes. The purpose of these programmes is to brainstorm for new improvements, ideas and products, covering aspects such as strategy, processes, organisation and technology. In off-site workshops staff confer about pertinent issues like enhancements, increased revenue and raising productivity. By prioritising with focus, more than 30 key projects were identified and executed in 2022. Moreover, each year projects have been rapidly implemented to enhance revenue, profit and productivity.

Launching and implementing CREST@UMW during the COVID-19 pandemic facilitated the Division's growth. Working as a team has been pivotal in ensuring the Division's optimal performance, with considerable contribution from both internal and external members. To further enhance team engagement, a variety of training programmes were conducted. In embodying two (2) key CREST@UMW pillars, Customer and Excellence, prioritising excellent service and customer satisfaction remains at the centre of strategic and operational decisions.

To further affirm and deliver on its unwavering commitment to customers, on 25 October 2022 the Division officially launched its new integrated customer centre in Kota Kemuning, Shah Alam. A significant milestone, the Equipment Division Customer Centre (EDCC) is a one-stop centre for customers to explore and appreciate its products, automation solutions and services. Other than housing service centres for its heavy equipment, industrial equipment and industrial power businesses, EDCC is also a parts warehouse and an equipment service-and-repair centre.

The Equipment Division HQ will be moving to the green-rated HVM Park in Serendah, Selangor in 2023.



## OUR PERFORMANCE

## ACHIEVEMENTS

## INDUSTRIAL EQUIPMENT

**The Industrial Equipment segment steadily recovered throughout 2022, as economies around the world reopened, stimulating logistics activities. Pent-up demand also assured new orders, while back-orders were fulfilled.**

A series of successful marketing campaigns was launched to maximise opportunities during the year. One of the main campaigns entailed working together with principals on existing clients' fleet management renewals. Pandemic-induced lapses in renewals and ageing fleets meant an opportunity arose to work with certain used equipment dealers or rental companies to renew fleets.

As one of the largest fleet management companies, the segment's business grew in sectors such as food & beverage, logistics, and warehousing. Being number one in the Malaysian material handling market since 1975, the segment's vast experience and long-standing reliability have earned customers' trust with customised solutions. Future trends in this field are moving towards outsourcing material handling departments, allowing customers to concentrate on their core activities.

UMW's Sustainability Roadmap was initiated to intensify ESG impact, stemming from 50 years of experience in offering battery-operated electric forklifts to the market. The Electrifying Campaign is aimed at converting internal combustion-powered trucks, to further amplify low-carbon sustainability.

Refurbishment programmes for forklifts are also offered to further enhance sustainability aspirations, and to lower carbon footprint.

In 2022, global supply chain issues impacted the business. This segment acted swiftly to counter delivery delays via refurbishing options, maintenance packages, mixed fleet rentals and used trucks to tide customers over this period.

The Industrial Power segment ventured into the renewable energy sector after securing the distributorship of Innio Jenbacher biogas engine generator. The green technology product generates electricity by consuming palm oil mill effluent gas as fuel, thus reducing carbon emission.





## HEAVY EQUIPMENT

**In tandem with the resumption of infrastructure projects such as the Pan-Borneo Highway connecting Sabah and Sarawak with Brunei and Kalimantan, Sabah-Sarawak Link Road, Sarawak Coastal Road Network and Sarawak's Second Trunk Road, the demand for high-quality equipment within the segment increased significantly.**

Demand attributed to rising commodity prices helped secure several heavy equipment purchases, mainly in Sabah and Sarawak, with some in Peninsular Malaysia. Iron ore prices remained stable, while coal prices escalated due to hostilities in Ukraine. This also led to increases in demand and delivery for all-weather Articulated Dump Trucks (**ADT**). Favourable crude palm oil (**CPO**) prices, especially in 2021, resulted in considerable palm tree-planting in 2022, as farmers with foresight planned ahead.

Support from principals such as Komatsu was significant, with the introduction of new hydraulic excavators like the 13-ton model that caters for the agriculture sector. The Heavy Equipment segment was also able to compete effectively, owing to the introduction of 2-line models of 20-ton hydraulic excavators. These allowed customers a choice of machines, suited to specific job applications.

Further customer-centric initiatives were implemented, such as extended warranty of up to five years or 10,000 service metre readings. Parts and service packages provided peace of mind to customers during the extended warranty period. In collaboration with financial institutions, qualified customers' take-up of the Equipment's Deferred Payment Scheme (**DPS**) was encouraging, with lower capital outlay and a 6-month moratorium on payments.

This segment also introduced a Remanufacturing (**REMAN**) programme to refurbish large dump trucks from Papua New Guinea (**PNG**). This programme helped lower costs for customers, as they received virtually brand-new trucks in return.



## OUR PERFORMANCE

# AWARDS

## Heavy Equipment

- Komatsu HD785 Dump Truck REMAN Sales Promotion, Papua New Guinea
- HR Development Award, Myanmar
- Komatsu HM400 Articulated Dump Truck (ADT) Sales Promotion Award, Malaysia
- New Customer Expansion Sales Promotion Award, Singapore



## CHALLENGES

Equipment Division's businesses are very dynamic and continually evolving. Despite the pandemic, the many issues and new challenges that constantly arose were viewed positively. Daily enhancements and ways of doing better than before, underpinned by the Kaizen concept, drive the Division's teams to improve, propelling them forward in transformative times.

Overall, the Industrial Equipment segment was beset with supply chain disruptions that led to longer delivery times. Nevertheless, loan units comprising refurbished units and mixed fleet rentals assisted in addressing this global issue.

Among the key challenges for the Heavy Equipment segment in 2022 were stock replenishment delays. These were due to logistics issues linked to delivery of machines from Europe. Fortunately, the Komatsu and Toyota Industries Corporation (**TICO**) production factories are spread around the world, thus making these issues more manageable.

Continued political instability in Myanmar, especially in the first half of 2022, impacted this segment's operating company based there. The political unrest significantly affected the country's overall business environment, impairing performance.

Shortage of manpower and of skilled technical workers further impeded some of the segment's customers' full use of recently purchased machinery. To deal with this issue, assistance was offered through contract options for machinery maintenance.

On the other hand, the second-hand machine market, including refurbished units, is growing. This is expected to reduce the growth potential of new heavy equipment demand in the market.

## OUTLOOK

The Equipment Division performed better than anticipated in 2022, yet it envisions the year ahead only with cautious optimism. In 2023, Malaysia's economy is expected to grow moderately by between 4% and 5%. With expected global growth and demand both slowing, growth challenges in Malaysia are predicted to be protracted. The prolonged effects of inflation and gradual rising interest rates in 2023 will be key factors affecting Malaysia's economic growth outlook. Bank Negara Malaysia forecasts that headline inflation is expected to range between 2.8% and 3.3%.

Impact from deglobalisation, arising from geopolitical tensions and the cost of transitioning towards more green economies will further prolong inflationary trends. Other adverse factors to consider include continued supply chain disruptions because of the drawn-out Russia-Ukraine conflict, along with the continuing fragmentation of US-China relations. Foreign exchange volatility and the risks of emergent strains of COVID-19 will need close monitoring. Furthermore, rising raw material prices will result in higher costs, warranting cost optimisation in 2023 as pent-up demand from 2022 wanes.

However, according to the Ministry of Finance (**MoF**) Economic Outlook 2023 report released in February 2023, the construction sector is expected to perform strongly this year.

In 2023, the Heavy Equipment segment will introduce Komatsu's 35-ton model hybrid excavator.

To remain resilient, the Equipment Division continuously tracks aspects such as productivity, returns on assets and returns to shareholders. This is in keeping with the Group's tracking and ratio comparison to constantly gauge yield against its own indices.

Digitalisation and automation efforts will continue, in line with available technological advances and customer needs. With more automated, autonomous and environment-friendly facilities installed, the Division will continue to work closely with principals and partners to deliver innovative products and solutions.

## OUR PERFORMANCE



## MANUFACTURING & ENGINEERING

The reopening of economies and borders have improved mobility tremendously, intensifying demand for automotive components and lubricants



UMW Manufacturing & Engineering (M&E) comprises three core businesses - automotive components, lubricants technology and green solutions. It represents renowned brands, develops its own in-house lubricant brand Grantt, and manufactures and assembles market leading suspension system.

The Malaysian manufacturing sector had been showing steady expansion, growing by 8.1% in 2022 as rising global demand and growth in domestic industries further supported production activities. The reopening of borders and normalisation of industrial and business activities have

driven growth in the global mobility of goods and people. In tandem with this growth, the M&E Division registered a surge in demand for shock absorbers and lubricants.







KYB-UMW Malaysia Sdn Bhd

## KEY PERFORMANCE HIGHLIGHTS

### REVENUE

(RM million)

**758.1**

2021: 578.7

### PROFIT BEFORE TAX (PBT)

(RM million)

**75.7**

2021: 56.0

## 2022



Despite the softening of operating conditions across the Malaysian manufacturing sector in the latter part of the year due to rising external headwinds, the M&E Division achieved its highest ever revenue of RM758.1 million in 2022, a 31.0% increase from RM578.7 million previously. Accordingly, the M&E Division recorded PBT of RM75.7 million in 2022, 35.2% higher than RM56.0 million in 2021.

## OUR PERFORMANCE

### ACHIEVEMENTS

The M&E Division benchmarks its performance against the best and draws on its decades of experience to continuously enhance Quality, Costs and Delivery (**QCD**) of its products and operations. It also seeks to extract more value from the domestic market by developing new products to meet evolving customer demands. Its partnership with KYB Japan positions the M&E Division as Malaysia's leading supplier of OEM and REM shock absorbers, with 67% market share. The modernisation of the KYB-UMW plant in Teluk Panglima Garang, Selangor has further increased its capacity to meet rising demand with improved logistics and plant efficiency. Meanwhile, its partnerships with Repsol and Pennzoil in China and Malaysia respectively, have enhanced its capability to offer a range of R&D, blending and distribution services to some of the best known names in lubricants.

To counter the rising costs, the Division undertook significant cost-saving measures. Observing market demand, M&E Division took steps to stock up on inventory when prices were low. Correspondingly, high-volume purchases with similar quality material helped mitigate cost increase, too. As the number of new vehicle purchases at UMW Toyota and Perodua rose, usage of OEM and REM parts and lubricants after warranty increased accordingly.

As part of its commitment to sustainability and in line with growing demand for more eco-friendly solutions, the Division is already spearheading innovative developments of green products in areas such as battery revival system, water reclamation and bio-lubricants.

In October 2022, the Division launched its Grantt Bio VG Hydraulic Oil, its first range of bio-hydraulic lubricants and maiden commercial foray into the green product segment. Grantt Bio VG Hydraulic Oil is produced in two variants, VG46 and VG68, and is available in two sizes, 18-litre pail and 209-litre drum. The higher viscosity index (**VI**) in both variants provides stable viscosity over a wider operating temperature range.

Grantt Bio VG Hydraulic Oil meets various international standards such as ISO 15380: HETG, ISO 20763 and OECD 301, as well as ASTM D943. Both variants have also obtained the MyHijau certification, which is an official green recognition scheme endorsed by the Malaysian Government.

This product is equivalent to, if not better than, conventional lubricants and is produced from locally sourced palm oil. The non-toxic, non-bio accumulative lubricant biodegrades in 28 days and contains additives that provide for excellent lubrication capability. With high thermal and oxidation stability, it provides superior protection against wear, corrosion and rust, with good anti-foam characteristics. These products are aimed at customers looking for affordable and sustainable hydraulic lubricants without compromising performance.





The M&E Division via UMW M&E Sdn Bhd has entered into a memorandum of understanding (**MoU**) with Mitsui & Co. (Malaysia) Sdn Bhd (**Mitsui**). Leveraging the growing demand for sustainable products and services, along with Mitsui's strong sales and marketing foothold globally, the MoU paves the way for commercialisation of M&E Division's proprietary green products to generate growth along the green value chain, together with promoting the sustainability agenda.

Employee engagement is key to ensuring a sustainable future for the UMW Group as a whole. The M&E Division continued to implement various CREST@UMW initiatives and engagement programmes to foster strong teamwork and ensure that there is clarity, cohesion and alignment at all levels to the Group's larger strategic goals.



Lubritech Limited, China



Lubritech Limited, China



KYB-UMW Malaysia Sdn Bhd



## OUR PERFORMANCE

# AWARDS & CERTIFICATIONS

## KYB-UMW Malaysia Sdn Bhd

**ISO 45001:2018**  
(Management of Safety and Health)  
14 February 2022 - 13 January 2025  
(Re-certification)

**ISO 14001:2015**  
(Management of Environment)  
14 February 2022 - 13 January 2025  
(Re-certification)  
**Boon Siew Honda Best Supportive Award**  
(Supplier Conference 2019, 2020, 2021)

## UMW CREST@2021 Excellence Award

- Chairman's Award 2021
- Best Innovation Group 2021
- Best Innovative Company 2021
- Best Return 2021
- Best Return Over 3 Years

**BCMS ISO 22301:2019**  
(Business Continuity Management System)  
July 2022-July 2025  
(Re-certification)

## 4<sup>th</sup> LEANAero SGIA Division Convention 2022

- Champion : Team Sepakat
- 1<sup>st</sup> Runner-up : Team Toxic Buster
- Best Presenter : Team Evolution

## UMW M&E Sdn Bhd

**Certificate of ISO9001: 2015**  
(Management of Quality Management System)  
2 April 2022 – 2 April 2025

**MyHijau for Biolubricant**  
25 August 2022 – 24 August 2025

## Lube Group Malaysia

**Approval for Grantt 15W40 CI-4,**  
Reintjes Germany  
- Reintjes gearboxes

**Lab Excellence Awards, Institut Kimia Malaysia**  
- Fourth year running

## Lubritech Limited, China

**High Technology Company, China Government - lower tax, incentives etc.**

**Fire Resistance Hydraulic Fluid Approval, FM Global**

### CHALLENGES

Raw materials constraint was the biggest challenge for the M&E Division. As the global economy recovered and operations went into full swing, the sudden increase in demand for base oil had caused supply shortage and consequently, price increase. The price of steel used in shock absorbers also rose as a result of the prolonged Russia-Ukraine conflict.

Nonetheless, the M&E Division had the capacity and mitigation measures in place to meet the demand for shock absorbers and lubricants in 2022. It had also intensified process automation and adoption of collaborative intelligent robots (**COBOTS**) to improve productivity.

### OUTLOOK

Vehicle sales in 2023 are expected to remain robust despite the absence of sales and service tax (**SST**) exemption. High outstanding bookings and new model launches by OEMs are expected to continue to drive production and deliveries.

The M&E Division will continue to remain competitive by increasing its level of automation to improve efficiency and productivity.

In line with the Industrial Revolution 4.0, COBOTS will be deployed in the new Lube Group plant and in the modernised KYB-UMW plant, deployment of highly automated setup with Automated Guided Vehicles (**AGV**) transporting goods seamlessly throughout the facility will be intensified.

As we continue to invest in automation technology, we anticipate an expanded use of machines, COBOTS and AGVs, to achieve a higher level of process automation in order remain relevant and competitive.



## OUR PERFORMANCE



## AEROSPACE

## UMW Aerospace is Malaysia's first homegrown High Performing Supplier Group (HPSG) Tier-1 aero engine component supplier to Rolls-Royce



**UMW Aerospace is the sole supplier of fan cases for the Trent 1000 and Trent 7000 engines for Rolls-Royce. The Malaysian Government's Twelfth Malaysia Plan (12MP) and Malaysian Aerospace Industry Blueprint (MAIB) 2030 aspire to develop Malaysia into becoming a regional hub for aerospace, and UMW is involved in this industry to support the realisation of this vision.**


In 2022, despite being one of five industries most affected by COVID-19 due to air travel restrictions, aerospace was on the road to recovery. As a result of the reopening of international borders, global commercial aerospace revenues grew 10% YoY in 2022, with worldwide passenger traffic reaching 75% of pre-COVID-19 level.

The local aerospace industry has been playing an increasingly significant role in the global aerospace supply chain, with ample

capacity to grow. It is expected to generate RM55.2 billion in annual revenue by 2030.

Aerospace has also been identified as a high-impact strategic industry in the Malaysian Government's 12MP. Its development is vital to moving Malaysia towards high-technology nation status and accelerate its transformation into a high-income nation by 2025.






## 2022



The Aerospace Division has a long-term contract of 25 + 5 years with Rolls-Royce, which was signed in 2015. The Division is a single-source supplier of fan cases for Trent 1000 engines, first delivered in November 2017 and for Trent 7000 engines which began in October 2020.

In 2022, the Division's recovery pace was moderated due to a lagging demand for widebody aircraft engines. Nevertheless, the Aerospace Division's revenue improved by 53.2%, to RM226.1 million in 2022, compared to RM147.6 million in 2021. Its LBT narrowed accordingly from RM33.8 million to RM9.4 million, a 72.2% improvement from 2021.

Generally the aerospace industry is expected to continue on its recovery trajectory with the rapid growth in global air travel and aircraft replacements by airlines. The resumption of Boeing 787 deliveries is expected to improve the orders for the Trent 1000.

## KEY PERFORMANCE HIGHLIGHTS

### REVENUE

(RM million)

**226.1**

2021: 147.6

### LOSS BEFORE TAX (LBT)

(RM million)

**(9.4)**

2021: (33.8)

## OUR PERFORMANCE

### ACHIEVEMENTS



The Aerospace Division retained its position in the Rolls-Royce High Performing Supplier Group (**HPSG**) in 2022. The inclusion places the Division in the top 5% of Rolls-Royce's suppliers globally. The Division's remarkable safety record of 2,343 days without industrial accident or Zero Lost-Time-Injury (**LTI**) demonstrates the high safety standards practiced.

In May 2022, the Aerospace Division was awarded the Supplier Best Practice Award at the Rolls-Royce Global Aerospace Supplier Conference in the UK. The award recognises suppliers with exceptional qualities, including focus on continuous improvement in operations and cost optimisation as well as commitment towards zero defects. The Division was also recognised by Rolls-Royce for its sustainability and green initiatives such as the installation of rooftop solar panels, rainwater harvesting and no-plastic-bottles initiative.

These distinguished awards strengthen UMW's position as a reputable player in the highly regulated aerospace industry and we believe it will open more opportunities for the Aerospace Division to participate in future projects with Rolls-Royce and other engine OEMs.



## CHALLENGES

The Aerospace Division manufactures fan cases for Rolls-Royce's Trent 1000 and Trent 7000 engines used by Boeing 787 and Airbus A330 neo wide-body aircraft for long-distance flights.

Due to air travel restriction during the COVID-19 pandemic, the Aerospace Division was adversely affected. The pandemic's disruptive effects still persisted in 2022 where the number of orders received from Rolls-Royce were still below the pre-pandemic level. Volume recovery for wide-body is slower than narrow-body aircraft due to partial opening of international borders.

The aerospace industry recovery triggers high demand of materials, hence putting pressure on logistics and the global supply chain. The Russian-Ukraine conflict had affected the supply of titanium which is the main material used for aircraft engines.

## OUTLOOK

Rolls-Royce's three year 2023-2025 forecast indicates that order numbers are expected to remain sustainable, at an encouraging volume beyond pre-COVID-19 levels.

The higher forecasted orders will increase the plant utilization rate and is expected to contribute positively to the Company's future earnings and growth.

The end of China's zero COVID-19 policy is expected to stimulate global economic recovery in 2023. This will further enhance air traffic recovery and improve demand for wide-body aircraft.

The aerospace industry is under increasing pressure to reduce its carbon footprint and Rolls-Royce has successfully tested Sustainable Aviation Fuel (SAF) on its engines. This will ensure the Trent 1000 and Trent 7000 engines remain relevant for years to come.



## OUR PERFORMANCE



## DEVELOPMENT

**UMW Development Sdn Bhd's primary role is to unlock the value of the Group's landbank in Serendah, with the development of UMW High Value Manufacturing (HVM) Park as a managed and green-rated industrial park**



**In the first year of the prolonged COVID-19 crisis, global manufacturing was one of the hardest-hit. However, throughout 2022, Malaysia's external trade performance and robust domestic economy, enabled a pick-up in the local manufacturing industry. This spurred the Division to secure commendable sales of RM460 million in 2022.**

The 861 acres HVM Park incorporates integrated Industry 4.0 infrastructure and an underlying Green concept that contributes to our sustainability efforts. This complements the nation's ambition towards a Net Zero pathway by 2050 and accelerates our vision to be 100% carbon neutral by 2050.





## KEY PERFORMANCE HIGHLIGHTS

### INKED SALES AND PURCHASE AGREEMENT VALUED AT

(RM million)

▼  
**460.0**

2021: 42.9

### REVENUE

(RM million)

▼  
**73.9**

2021: 17.1

## 2022

In 2022, interest for industrial land increased, in line with expanding domestic manufacturing activity.

Sales secured rose substantially from RM42.9 million in 2021 to RM460.0 million in 2022, an increase of 972.3% with a total of 213 acres of industrial land sold, including 140 acres sold to LONGi (Kuching) Sdn Bhd for RM304.92 million, the largest transaction for UMW HVM Park to date. Accordingly, UMW Development has more than quadrupled its revenue, from RM17.1 million in 2021 to RM73.9 million in 2022.

OUR PERFORMANCE

ACHIEVEMENTS



Within the purview of UMW Group’s Sustainability Roadmap, various sustainability and low-carbon initiatives have been implemented at HVM Park. Among them are 100%-LED street lighting, rainwater harvesting, compost bins, recycling bins, designated walking and bicycle lanes, and solar panels at the UMW Aerospace factory.

HVM Park tenants are also encouraged to get their buildings green-rated and be Environmental, Social, and Governance (ESG) compliant. As a one-stop solution provider, the Division assists tenants on industrial material handling, warehouse automation, Water Reclamation Plant (WRP) and collaborative robots (COBOTS). UMW Development also assists investors in obtaining planning and construction approvals and applying for government incentives.

All five core pillars of the CREST@UMW transformation strategy spurred the Development Division’s growth in 2022. A key highlight from the customer pillar is gaining potential new investors, introduced by existing customers. In developing stronger relationships, key stakeholders like Majlis Perbandaran Hulu Selangor (MPHS), Invest Selangor Berhad (ISB) and Malaysian Investment Development Authority (MIDA) provide continuous support.

Improved road connectivity along with ready utilities enhanced HVM Park in 2022. Additionally, teamwork, unity and a dedication to superior customer service was evident through the cross-selling and promotion of other UMW businesses to prospective customers. From a sustainability standpoint, the final Green Certification was obtained for the new UMW Campus office and factories. Upon completion of all infrastructure and landscaping works in 2023, HVM Park’s Southern Zone will be awarded a Green Township certification, one of the first in Selangor.

AWARDS & CERTIFICATIONS

REHDA GreenRE Certification

UMW Campus for offices, workshops and warehouses

UMW CREST@2021 Excellence Award

– Most Improved Employee Engagement

UMW CREST@2021 Excellence Award

– Best Cost-Saving Initiatives



### CHALLENGES

UMW Development is cognisant of the challenges going forward despite a positive recovery in 2022. End financing remained an uphill task for some investors as financial institutions will be selective in giving loans. Additionally, high material costs, supply chain issues, and manpower shortages may potentially result in margin compression.

### OUTLOOK

UMW Development will continue to target V-shaped recovery industries and high-value manufacturing sectors such as automotive, F&B, medical devices, construction, and electrical & electronics (**E&E**).

The Division will continue to strengthen its capacity. It will support investors in creating new facilities and promoting other UMW businesses, particularly in meeting the automation requirements of new factories.

For 2023 the Division will focus on growing the automotive and solar ecosystem within the HVM Park. For long-term sustainable revenue, the Northern Zone will be planned as a managed and green-rated industrial development. Plans are in place to provide a Centralised Labour Quarter (**CLQ**) to cater for HVM Park investors.

UMW Development will endeavour to attract more multinational (**MNC**) presence in HVM Park, their base to expand their business and facilities in this region.

