

2018 June and First Half Sales Call Script

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Andrew Gilleland/David Christ
2nd Quarter/June Sales Conference Call
Tuesday, July 3, 2018

Introduction: Karen Nielsen

Thank you for joining us to review Toyota and Lexus June results and for the first six months of 2018.

With us today are:

- Andrew Gilleland, Vice President of Sales Operations for the Toyota Division
- And David Christ, Group Vice President and General Manager of the Lexus Division

Continuing in the same format as the last quarter, we'll hear from Andrew and David on the sales highlights and then we'll open it up for questions from the media. A transcript and recording will be available later today on our pressroom. And, our communications team is available to assist with any additional questions you may have @ (469) 292-5100.

At this time, we'd like the media to identify themselves, including their outlet.

Thank you.

Now, I'd like to turn it over to Andrew Gilleland for a look at sales results for June and the first-half of the year.

Andrew Gilleland:

Thank you, Karen.

Good morning, everyone. We're glad you could join us as we prepare to celebrate the Fourth of July holiday. Let's start with an industry overview. Our outlook for the industry remains a healthy, high 16 million SAAR for the year.

We are continuing to see SUV and light truck sales outpacing passenger cars

- Industry pushing 70/30 now
- But passenger cars remain an important segment

For **Toyota Motor North America**, our outlook for the year is 2.4M for the U.S.

- We continue to make more light trucks available to our dealers and

it's paying off with record sales.

- We're confident we have the right mix of products to meet customer demand, with more exciting announcements in the pipeline.
- Toyota also has announced additional investments, as part of our \$10 billion investment commitment to the U.S., that show we're all in when it comes to manufacturing, R&D and operational improvements.

Let's take a look at the highlights from our June sales.

- For **Toyota Motor North America**, which includes Toyota and Lexus divisions, sales for the month were 209,602
- TMNA light trucks posted a best-ever June

For the **Toyota division** in June:

- We posted sales of 185,852, up 4.4% YOY on a volume basis
- RAV4 and Highlander recorded a best-ever June
- And we had a record month for light trucks, up 13 percent YOY
- Avalon in its first full month of selling, saw a nearly 20% gain YOY.

Moving onto sales for the first 6 months of the year, I'm happy to report that the **Toyota division**:

- With sales of more than 1 million units is outperforming the industry on year-over-year growth basis
- making Toyota the number one retail brand.
- We are on track for another best light trucks record – ever.
- Since June 2017, we've successfully shifted our mix by 4 percentage points to better meet customer demand.
- RAV4 is the #1 selling vehicle in our lineup YTD.'
- Camry is up the first half of the year, with 5.8% growth in retail sales,
- and we expect it will be the number one selling passenger car for June (it already is through May). As we get results today, we will follow up on that.
- We're confident about the segment and believe passenger cars are still an important part of the market.
- To that point, we have two all-new cars that are quickly gaining traction.
- Avalon sales are in full swing. Customers can choose from four available grades, and we're hearing really positive feedback about the styling and performance.
- For the sportier-set, we have the Corolla Hatchback, which went on sale in late June.
- We're looking forward to a strong second half of the year.

Now, I'll hand it over to David to talk about Lexus sales results for the month-end and first half of 2018.

David Christ:

Thanks, Andrew.

With the holiday approaching, we're feeling patriotic about the seventh-generation ES. Our nearly 30-year-old ES is proudly made in Georgetown, Kentucky, and is available in Lexus dealerships this fall. While LUVs are insatiably popular, we still see strong support for this segment and will continue to deliver new options for our guests.

Now on to June sales for Lexus.

- Our total new sales volume for the month totaled 23,750 with LUVs accounting for nearly 70 percent of that volume
- RX is the top-selling vehicle in the luxury industry, with sales up more than 5 percent in June, up 7 percent on a year-over-year basis
- The NX luxury compact crossover family saw a 6 percent jump in sales in June, and up 10 percent on a yearly basis
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Moving on to the first half of 2018,

- Lexus sold 135,000 units, which is year-over-year growth.
- We successfully launched the RXL, which has been successful and accounts for about a quarter of the total RX volume.
- Not to be outdone, LS, our full-size luxury flagship, has experienced triple-digit increases this first half and up 22% in volume
- Our Luxury Utility Vehicle (LUV) volume delivered a best-ever for this time period.
- NX gas and NX Hybrid sales were up 10 percent, marking a all-time best-ever year to date
- It was the best GX finish to June in 13 years.
- We enter the last half of the year with great inventory position with supply at 71 days, and balanced with 74 days on passenger cars and 70 days for light truck.
- And we're about to launch the all-new ES, which we expect will be a home run.

We feel good about where we are and where we're going.

Thanks for your time everyone, and Karen — — back to you.

Karen Nielsen:

Thank you, both.

To those on the line, thank you for joining us today. Please visit the Toyota newsroom for more information on our results. Have a wonderful holiday.