

December 2015 Sales Conference Notes

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December 2015 Sales Conference Call
Tuesday, January 5, 2016

December 2015 Sales Conference Call (audio clip)

Toyota Corporate Communications Manager Aaron Fowles:

Happy New Year, everyone!

Thank you for joining us to review Toyota, Scion and Lexus year-end sales results for 2015.

Joining us and speaking today will be:

- Bill Fay, Group Vice President and General Manager of the Toyota Division
- Jeff Bracken, Group Vice President and General Manager of the Lexus Division

A recording of the call will be available at pressroom.Toyota.com about one hour after this call and our communications team is available to field any additional questions you may have @ (310) 468-5297.

Now I'd like to turn it over to Bill Fay for a look at December and year-end sales results.

Bill Fay:

Thank you.

Good morning and Happy New Year, everyone.

2015 was a standout year for both the auto industry and for Toyota! The industry has had a 6th consecutive year of growth, and the auto industry's all-time, best-ever year on record, surpassing 17.5 million vehicles. That's because of an improving labor market, declining gasoline prices and an overall stronger economy.

Thanks to these favorable economic conditions and within this record-breaking year for the industry, the month of December had 28 selling days, 5 weekends, 2 weekends in the last 10 days,

The month is anticipated to reach the highest level for any month since July 2005 by selling nearly 1.7 million vehicles industry-wide in the U.S., up approximately 11 percent on a year-ever-year monthly volume basis from 2014

The Seasonally Adjusted Annual Rate for new car sales

- Also set records in 2015
- With three consecutive months selling at an annualized pace of 18M units, September thru November,
- And December offered a strong close to the year.

Perhaps the biggest story this year

- Has been the growth of the total light truck share in the industry,
- Which surged to account for approximately 56 percent of the overall market,
- A trend that Toyota expects to continue through at least 2016 and possibly beyond
- As we recorded our best ever year in light trucks

Toyota Motor Sales ended the calendar year overall with

- Combined Toyota, Lexus, and Scion sales
 - Of just under two million 500 thousand vehicles,
 - Marking an overall volume increase of nearly 5.3 percent from last year

We had a great close to the year in December,

- Posting record sales in both Toyota and Lexus divisions,
- With Toyota division reaching 196,970 units
- Up more than 12 percent year-over-year
- Marking our best ever December light truck results by volume, with one hundred thousand 429 units
- While Highlander and RAV4 continued to set new records with their best ever December,
- December also became the best month of 2015 for 4Runner, Tacoma and total light truck sales.
- Mirroring industry trends, we saw our light truck mix shift in December to become 51 percent of total sales in the Toyota division.
- Jeff will review the Lexus division results in a few minutes.

Other highlights for the Toyota division over the past year:

- We expect Toyota to be the number one selling retail brand for December and the year
- Marking our fourth consecutive year to hold that position
- And Camry was the best-selling passenger car for the year,
- Leading to our 14th year of Camry as the best-selling car in America
- Notably, we have seen our best ever calendar year results with Corolla,
- Up 7 percent for the year, and potentially the second best-selling passenger car in the industry, all in a market where passenger car share is down.

Meanwhile:

- We have seen a best ever December and best ever calendar year sales result for the Prius family in the state of California,
- Our biggest market for the vehicles,
- Hopefully setting the stage for continued sales momentum
- For the launch of the all-new 2016 Prius,
- Based on our Toyota New Global Architecture (TNGA) platform,
- Which goes on sales this month.
- And 2015 was also the year that we launched the game-changing Mirai, our first commercially available hydrogen fuel cell vehicle
- We are also happy to report that Toyota Certified Used Vehicle had a record-breaking year, over 371,000 sales

And Scion:

- Thanks to the iA and iM,
- Scion had its best fourth quarter in 7 years,
- selling just over 16,500,
- A 42 percent increase over the same period in 2014.
- 70 percent are first-time Toyota buyers,
- And half are under 35 years old
- Scion continues to perform its role for Toyota, bringing in young millennial buyers who are new to our brands.

As we look to 2016:

- We are optimistic
- And we expect that Industry growth will start to level off at these historic volumes,
- Our TMS plan is sustainable growth in line with the market growth
- We'll have the help of a full year of sales for recently introduced models, which include:
 - Prius
 - RAV4
 - RAV4 hybrid
 - Tacoma
 - RX
 - ES
 - iM
 - and iA
- Along with some updated products, including mid-line SUVs, as we get further into the year.
- And we believe that we'll continue to see strong growth in the small/midsize SUV and pickup truck segment,
- Which we are preparing for as we add more production this year
- at our Baja and San Antonio plants
- Improving availability and overall sales volume in the segment.

Finally:

- You'll get the first look at some of our new and upcoming technology this week at the Consumer Electronics Show in Las Vegas,
- Where, in a few hours, we will be sharing new details related to connected vehicles and telematics
- And next week at the North American International Auto Show in Detroit, where we'll have more to share

Now I'd like to turn it over to Jeff Bracken for a look at Lexus results.

Jeff Bracken:

Thank you, Bill and Happy New Year everyone.

For the 2015 calendar year

- Lexus Dealers drove results to all-time best-ever levels in almost every measure we track
- Beginning with new vehicle sales volume totaling 344,601
- Exceeding our last record, which was set in 2007,
- By more than 15,000 vehicles.

Our December-to-Remember sales event

- Contributed to Lexus Division sales exceeding 41,000
- Marking an all-time best-ever any month for Lexus
- And making the 4th quarter our best-ever quarter as well
- Just shy of 100,000 total vehicle sales.

The luxury segment

- Has also been driven by the industry trend and push for SUVs and crossovers
- Jumping from around 44 percent of the Lexus volume last year to 50 percent

- Up 6 percentage points for 2015

Specifically, with a full-year of NX

- Nearing 44,000 units in sales,
- It has surpassed even our own expectations,
- And proven to be an integral core part of our line-up.
- The GX was up 11 percent year-over-year, totaling over 25,000.
- The redesigned LX is off to a great start realizing 892 sales just in the month of December.
- Our RX sell-down nearly cleared the lots of any remaining 2015's,
- Plus a 72 percent turn rate on our 4th generation 2016 model year RX
- All this makes 4 highly competitive SUV's for this year
- 3 of which are virtually brand new.

While the '16 RX is just a month into launch, our early buyer reports reveal overwhelming buyer interest in the:

- F SPORT & Luxury packages
- The 12.3 inch navigation
- The Lexus Safety System plus
- The interior & exterior styling, including a 20 inch wheel option,
- All this before we've officially launched our advertising support,
- Scheduled for this first quarter.

We expect our SUV's to outpace our passenger cars in 2016,

- As the surge for utility vehicles,
- Especially luxury SUV's,
- Continues.

On the passenger car side, highlights include:

- Almost 15,000 RC's
- More than 23,000 sales of the refreshed GS
- And the all-new GS-F just now hitting showrooms,
- Plus 3 new turbo's with IS, GS and RC also now available.

Lexus dealers also had a record year in 2015

- With the Lexus L/Certified program
- Totaling 85,719 sales,
- Up 12 percent year-over-year.
- And on a monthly basis,
- Not only exceeding 8,000 L/Certified sales in a single month for the first time ever,
- But exceeding 9,000 for the month of December at 9,040.

When you total up 344,000 new, 85,000 L/Certified, and another 34,000 Lexus Pre-owned/non-L/Certified:

- The total throughput is almost 465,000
- That's just shy of 2,000 vehicle sales per Lexus Dealer on average in the 2015 calendar year.

We were honored in 2015 to be named

- By Kelley Blue Book as the Luxury Brand
- With the “Best Resale Value”
- For the 5th consecutive year,
- And further recognition from JD Power as the most dependable brand in the industry.

We look forward to seeing all of you next week in Detroit

- During our World Premier reveal
- As we’ll open yet another new chapter for the brand
- And what we feel is an even brighter future for Lexus.

Thank you for joining the call today. Now we’d like to open the call up to any questions you may have.