

Deutsche Bank's 2016 Global Auto Industry Conference - Bill Fay

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Introduction: Kurt Sanger, auto analyst, Deutsche Bank

Thank you, Kurt.

You know, one thing we can always count on here at the auto show in Detroit... in addition to all the amazing cars... is a little bit of cold weather. It just comes with the territory.

But that's OK... because right now... the industry is red hot... and we're just getting warmed up.

But before we look down the road to 2016 and beyond, let's recap some of last year's highlights.

The auto business just wrapped up an historic year... highlighted by:

- The highest volume EVER... with sales of 17.5-Million vehicles, topping the previous record set in 2000...
- And sales have now increased for six straight years, also setting a new industry record.

Another big story was the phenomenal growth in light truck market share.

- Overall, SUVs and pickups skyrocketed to about 56 percent of the overall market...
- A trend that Toyota expects to continue through at least 2016 and possibly beyond

Toyota, Lexus and Scion outperformed our expectations as well... selling 2.5-Million vehicles...

- Our third best year ever...
- For a nearly 5.3 percent year-over-year increase...

And for the fourth straight year... our Toyota division was the industry's number one retail brand... led by...

- Camry... the best-selling passenger car for the 14th-year in a row...
- And Corolla... the second-best seller... which grew 7 percent for the year.

But we weren't done there.

Lexus... our luxury division... made history with an all-time record of nearly 345-Thousand vehicles...

- Paced by crossovers and SUVs... like NX, RX and GX... that climbed six points to 50 percent of our total Lexus volume.

All right... let's turn to 2016.

We believe the industry's robust sales momentum will continue this year... due to an improving labor market, stronger wage growth, rising consumer confidence and low fuel prices... though we expect the growth rate to ease in 2016 and in the coming years.

Auto analysts forecast sales to reach about 17.5-Million vehicles... and at Toyota, we also expect to see sales of about 17.5-Million... helping to drive a seventh consecutive year of growth.

Once again... the luxury market should outpace the industry... and we predict a continued bull market in small and midsize SUVs and pickup trucks.

For Toyota, we estimate a sustainable rise in our U.S. sales... of more than 2.5-Million... growing in line with the overall market.

And to reach our sales goals... we'll feature full-year sales of recently introduced models, including...

- Prius...
- RAV4 and RAV4 hybrid...
- Tacoma...
- RX...
- ES...
- Scion iM and iA...

To accompany an array of updated products later in the year.

And just yesterday... in response to years of customer demand... our global president Akio Toyoda took the wraps off our all new Lexus LC 500 sports coupe.

Four years ago, Lexus introduced the LC 500 as a design study... but we didn't intend to fully develop the concept. Well... when it captured the 2012 "Eyes On Design Award" for Best Concept Design here in Detroit, the response that followed was too positive to ignore.

I know our Lexus customers can't wait to slide behind the wheel... and put the pedal to the metal.

Now, sales volume growth alone doesn't paint the entire picture of recent industry accomplishments. There's also the many things automakers are doing to help improve lives.

For example, to strengthen the industry's reputation for safety and quality... automakers continue to invest in increasingly advanced safety technologies... and a portfolio of better cars.

Let's start with safety.

Under new proposals... the federal crash-test scorecard may be amended to include a battery of new tests... and an opportunity for higher ratings for specific collision-avoidance systems and pedestrian safety features.

Fortunately, virtually all automakers are ahead of the curve in their research and development of advanced safety systems.

For instance, at Toyota... we're rolling out new packages of advanced safety components, called Toyota Safety Sense... and Lexus Safety System Plus... designed to:

- Prevent or mitigate rear-end collisions,
- Help keep drivers in their lane,
- And enhance road safety at night.

And in November... we announced an investment of more than \$1 billion to establish the new Toyota Research Institute – based at both Stanford University and MIT.

At the Institute, we'll strengthen our research and understanding of artificial intelligence and robotics, to help us:

- Improve transportation safety, by decreasing the likelihood that a car will be involved in an accident...
- Make driving more accessible and enjoyable to more people, regardless of ability...
- And move existing technology indoors... by using robotics to improve indoor mobility solutions to the elderly or those with handicaps.

Today's automakers must also strike the right balance between meeting customer product demands with rising fuel economy standards.

Current fuel regulations will raise MPG across our fleets by about four percent per year through the next ten years. But... as pump prices continue to drop... a trend some analysts predict will continue for a few years... demand for SUVs and pickup trucks has soared.

So we want to give customers the vehicles they demand... while working to meet the increasing fuel economy standards.

This is a big challenge the industry's full-line automakers have to face... so we're upping the ante with a portfolio of improved powertrains for an array of customer preferences.

In fact, the EPA announced that across the industry, model year 2014 fuel economy stands as the highest level ever recorded. As a result... overall fuel economy has grown by five MPG in the last decade... a 26 percent

increase.

And... according to the Auto Alliance... for model year 2015... there were 492 cars, trucks and SUVs on the market that had highway fuel economy of 30 MPG or higher.

At Toyota and Lexus, we're proud to offer 13 hybrid models in the U.S. That's more than any other automaker... and represents more than 60 percent of hybrid market share. And with the introduction of our Mirai hydrogen fuel cell sedan last fall... we'll continue to grow Toyota's powertrain portfolio for future generations.

As you can see... the auto industry is riding a big crest of success... posting historic sales figures over a record number of years.

And the good news is... we're doing so much more.

At Toyota, we're strengthening our reputation for safety and quality... by investing in:

- Increasingly advanced safety technologies...
- And a broad portfolio of products that balance market demands with regulatory requirements...
- While developing and implementing mobility solutions for the next century.

That's why we're so excited about this year, and the future ahead, for both our company, and across our industry. By putting our customers first in everything we do... the auto industry will transform the future of mobility... making this is a terrific time to invest in the auto business, and in Toyota.

Thank you... and all the best for a successful year. Here's the usual disclaimer about forward-thinking statements, and now I'd be happy to answer your questions.