

December 2014 Sales Conference Notes

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December 2014 and YE Sales Conference Call
Monday, January 5, 2015

December 2014 Sales Conference Call (Audio Clip)

Toyota Division Group Vice President and General Manager Bill Fay:

Hello everyone and Happy New Year.

I'd like to thank to Mike.

Mike is certainly going out on a high point

As auto industry sales hit 1.5 million last month up 10.2%

- For the best December since 2004 (best-ever @1,542,886)
- And a Seasonally Adjusted Annual Rate of about 16.8 million

That pushed the industry total for the year

- To more than 16.5 million
- An increase of nearly a million units
 - Or 5.5% over 2013 (15.6)...
- And ahead of virtually every forecast at the start of the year as the industry posted its 5th year of YOY gains and returned to pre-recession level

Toyota and Lexus dealers had an even bigger month

- With sales of more than 215,000
- Up 12.7%
- Including a best-ever month for Lexus and a combined best-ever December for light truck sales

That brings our total for the year

- To nearly 2,374,000
- An increase of 6.2%...
- Our best yearly total since 2007 and our third best year ever

In many respects our results reflected industry trends

- As light trucks, especially SUVs and crossovers
 - Accounted for much of the gains...
- Our combined SUV sales
 - Set an all-time record last year
 - Up 16.5%
 - At more than 687,000 vehicles...

Our other big stories from 2014

- Include the Camry which repeated as the best-selling car in America for the 13th straight year

In the industry's largest and most competitive segment

- ...Which was flat overall last year...
- Camry sales were up 5%

- At nearly 430,000
- It's best year since 2008 despite transitioning to a new 2015 model in the 4th quarter
- And just last month the new Camry hybrid was named the industry's best new car value by Consumer Reports Magazine

Lexus also was a major reason for our corporate increase

- With sales up nearly 15% for the year
 - More than double the industry average
- And exceeding 300,000 for the first time since 2007
- You'll hear more from Jeff on Lexus in just a minute

For the Toyota Division in December

- Sales of 175,178
 - Were up 12%
- As passenger car sales rose 11%
- And light trucks were up 13 ½ percent
- SUVs set a new record for the third straight month
 - With both RAV4 and Highlander posting new December highs
 - RAV4 sales of nearly 23,000 were up 10%
 - While Highlander topped 15,000, an increase of 22%
 - And 4Runner had its best volume month of the year
 - At more than 8,100, up 60%
- Combined pickup truck sales
 - Totaled nearly 25,000
 - Led by a 12% increase in Tacoma
 - To more than 14,000
- Camry was our passenger volume leader
 - With sales of about 31,600
 - Up 5.5%
- While Corolla was close behind
 - Also topping 30,000
 - And up 33.5% for the month

For the year

- Toyota Division sold 2,062,000 vehicles
 - Up 5% from 2013
- And it was the industry's #1 retail brand
 - Leading Ford Division for the year by 157,000 units

RAV4 and Highlander

- Paced the record year for SUVs
- As both posted best-ever results

RAV4 sales exceeded 267,000

- And up 23% in the red-hot compact SUV segment

While the new Highlander

- Broke a 10-year old mark
- With sales of more than 146,000
- Up 14 ½ percent

Combined Tundra and Tacoma pickup truck sales

- Were up slightly from last year as we continue to sell everything we can build.
- We adjusted our production mix slightly during the year to support the updated Tundra
- And that resulted in a 5% increase for that model

The Toyota Division

- Also led the industry in passenger car sales last year
- And will have best-selling model in 3 different segments
 - When the final numbers are in...

In addition to Camry

- The Corolla recorded sales of nearly 340,000
- A 12% increase from 2013...
- And it appears Corolla will regain its position as the best-selling subcompact in America

While Avalon is the best-selling car

- In the premium mid-size segment with sales of more than 67,000 for the year

Finally, from a sales standpoint

- Hybrid sales came in at 270,000
- As we sold more than 200,000 Prius for the third consecutive year
- As it continues to be a key volume member of our lineup

Looking ahead at 2015

- The economy picked up a nice tailwind at the end of last year
- Thanks to better than expected growth improving consumer confidence and increased employment levels

This strength will help carry the auto industry to a 6th straight year of growth in 2015 with analyst projections ranging as high as 17 million.

- As you probably know we tend to be a little conservative early in the year
- And right now we're looking at about 16.7 million...
- That would be the industry's best year since 2005 with plenty of room for upside

The growth will be driven by

- Stable and historically low interest rates
- Strong replacement demand with the average vehicle age now at 11 years
- And the continued emergence of Gen Y

- Who bought 10% more cars last year than the year before and now account for more than a quarter of all new purchases

Toyota, Lexus and Scion

- Are primed to take advantage of this growth
- With 12 new or significantly updated models rolling out in the year ahead...
- And as a result we'll be looking to outperform the industry again in 2015

The Toyota Division and Scion

- Will account for eight of those new models to help drive our growth
- And we'll also have a full year of the new Camry

You'll get your first look at some of what we have planned for 2015

- Next week at the Detroit Auto Show where we'll take the wraps off the all-new Tacoma
- And don't forget to visit us at CES this week in Las Vegas

Thank you again for joining the call today and now I'd like to turn it over to Jeff for a look at Lexus.

Lexus Group Vice President and General Manager Jeff Bracken:

Thank you Bill and Happy New Year everyone.

I'd also like to thank Mike for all his hard work over the years, especially those as head of Lexus PR, and wish him the best in retirement.

Now for Lexus...

- We finished the year with our second straight record-breaking month
- In fact it truly was a December to Remember
- As we posted the best-ever month in our 25-year history
- With sales of 39,879
- Up nearly 15% from last December
- And breaking the previous mark set back in 2006

That pushed our total for the year

- To 311,389 vehicles
- An increase of nearly 14%

The luxury market as a whole...

- Was one of the industry's bright spots last year
- And Lexus was at the top of the segment's growth chart
- Leading the other major luxury manufacturers

And not only was 2014 our 25th anniversary

- It also marked a significant turning point for the brand as we completed the transition to the new face of Lexus
- Adding new levels of design and performance across the model lineup and bringing new and younger buyers to the Lexus family

Providing an added boost last month

- Was the arrival of two all-new products
- The RC sport coupes and NX compact luxury utility vehicles
- These are two of the most highly anticipated new models to arrive at Lexus in a long time
- And they'll play a big part in our 2015 growth plans that I'll get to in a minute

In December, our luxury utility lineup

- Set a new high for the month of 19,742
- Up 26%
- And breaking a 10-year old record (2004)

The Lexus RX

- Which helped pioneer the market for luxury utility vehicles when it was first introduced easily retained its position
 - As the best-selling vehicle in the segment
- And when the final results are in for 2014 it may be the best-selling luxury vehicle – period

We sold

- 13,625 RXs in December
 - An increase of 3 ½ percent
- For the year that brings us to 107,490
 - Up 3.4%
 - And topping six figures for the second straight year
- And while we don't know yet how the BMW 3-series sedan did in December it will be very close between the two for luxury sales leadership

The new GX also continued to do well in December

- With sales up 48% to 2,700
- And topping 22,500 for the year
- Nearly doubling its 2013 total

And the NX

- Was an immediate contributor to our results last month
- With nearly 3,000 sold

Passenger car sales in December

- Were up 5.5%
- And it should be no surprise that the IS had a big month
- With sales of nearly 6,000
 - up 10%
- And pushing its total for the year above 51,000
 - Up 47%

On the market now for over a year

- The IS launch is one of the most successful in Lexus history
- And not only has it provided a great deal of sales growth
- It also has been a major source of younger buyers with a median age of under 45

The GS

- Saw sales rise 5 ½ percent in December
 - And 12% for the year at more than 22,000
- While the CT hybrid sales were up 17% for the year
 - A key reason Lexus accounts for about 70% of all luxury hybrid sales
- And of course the ES was our volume leader
 - With nearly 7,800 sold in December
 - And more than 72,000 for the year

Now in addition to our sales growth last year

- Lexus also led the industry in key quality and customer satisfaction areas
- Lexus was the #1 brand in Consumer Reports' Reliability Study and the hybrid versions of the ES and RX
- Were just named the best overall value in their class
- Lexus was the #1 brand in J. D Power's Vehicle Dependability Study
- And the #1 brand in resale value according to Kelley Blue Book...
- And we're honored to be named the industry's most trusted brand by Kelley for the second straight year

Bill touched on some of the economic reasons

- We expect the industry to have another good year in 2015
- And we believe the luxury segment will continue to outperform the overall market as it did last year

At Lexus we're especially excited

- About the addition of the two new models I mentioned
- The RC sport coupes and NX luxury utility vehicles

- Giving us entries into segments we were not competing in
- The RC enters the near luxury coupe market
 - That showed solid growth last year, up 20%
- While the NX will join the compact luxury utility field
 - One of the industry's hottest segments at the moment
- Where we believe it will be among the volume leaders
 - With first-year sales of about 40,000...

We'll also have four

- New or significantly updated models this year
- Along with several additional new powertrain packages
- And special editions models
- So you can see why we expect 2015
- To be another growth year
- And very possibly a *record* year for Lexus dealers

You can get your first look at some of what we have coming

- Next week in Detroit and I hope to see you all there

Thank you for joining us today, and now we'd like to open the call up to any questions you may have.