

# Deutsche Bank's 2015 Global Auto Industry Conference - Bob Carter

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Thank you, Kurt. It's a pleasure to join you again this year.

Today, I want to share one of the most memorable phone calls I've received in more than 30 years in a long time.

It was early November, and our Vehicle Services Manager called. My new Lexus RC F had just arrived and I could pick it up that afternoon.

The RC F is a gorgeous car built for the racetrack AND the open road. It's got a 5-Liter V8 with 467 horsepower and many of its design cues inside and out are inspired by our Lexus supercar the LFA.

Of course, I splurged and added on the carbon fiber roof and spoiler performance package.

Happy Holidays to me!

So over my lunch hour I met the manager, he gave me the keys and I was like that kid in the candy store.

I drove out to L.A.'s 405 freeway...miraculously, traffic was light and I put my new car through its paces. Now, I've driven a lot of sports cars but this one, well, let's just say, I'm glad my wife and daughter weren't in the car with me because I'd be paying a lot of money into our cuss jar. That RC F can fly! I hope you all get a chance to test drive one and see for yourself that we're delivering on our company's promise to build exciting products that will put a smile on our customers' faces!

And it's not just the RC F. When you consider our entire new and updated product lineup and the vehicles on display this week from ALL automakers, I think you'll agree. This is a TERRIFIC time to be in the car business.

And I'm going to talk about why we're optimistic for 2015 and the road ahead, including:

- Key elements that we believe will support industry-wide sales growth...
- Why we think Toyota is also well-positioned for a great year...
- And why we expect to be in the driver's seat for future success.

But before we look to the future, let's take a brief look at the past.

U.S. automakers just closed the books on the best year since 2006 with more than 16.5 million units sold. 2014 marked the industry's fifth consecutive year-over-year sales increase, a feat accomplished just one other time in

the past 80 years.

For Toyota, Lexus and Scion combined, we also had an amazing year selling 2.37-Million vehicles...

- an increase of over 6 percent...
- marking our best year since 2007...and our third best year ever...
- Our Toyota brand remained the number one retail brand in the industry... led by:
  - Camry...which continued its streak as the industry's sales leader for the 13<sup>th</sup> straight year...
  - Corolla continued as the best-selling subcompact...
  - While Avalon took the top spot in the premium mid-size segment...
- Our luxury division, Lexus, grew 14 percent, outpacing the luxury market...and topped the 300,000 sales mark for the first time since 2007.

This momentum will continue for the auto industry in 2015, but at a lower and more sustainable rate. We believe growth this year will be supported by several factors, beginning with strong replacement demand.

According to IHS Automotive, the average age of vehicles on U.S. roads is more than 11 years old, due in part to the recession and the increasing quality of today's cars.

And key economic indicators are showing signs of improvement, which analysts agree should support sales this year and beyond.

Specifically, we're seeing:

- Continued quarterly GDP increases up to 5 percent...
- And growing consumer confidence...
- The unemployment rate is at a 6-year low ...
- And home builders are confident the housing market will continue its recovery in 2015. A rise in housing starts also bodes well for pickup truck sales. When home building picks up construction companies hire more people...and buy trucks to get the job done.

In addition to replacement demand and an improving economy, auto loan interest rates are at near historic low levels. For example, the current prime auto interest rate is two points lower than just five years ago.

And consumers are in the buying mood. The percentage of households intending to purchase a new vehicle this year is at its highest point since 2007.

So what does all this good news mean for 2015?

Analysts currently predict industry-wide sales within a range of 16.6-Million to 16.8-Million vehicles... a slight uptick from last year's total to make it six years in a row of growth.

And this year, we believe sales will be led by compact cars, small and mid-size SUVs, pickup trucks and a continued surge in luxury vehicles that should surpass the overall industry.

This continued sales momentum will also carry Toyota to another successful year.

For 2015, we estimate our U.S. sales will increase to 2.4-Million vehicles, growing in line with the industry.

To achieve our sales targets, we'll continue to offer vehicles that meet the needs of a wide range of customers. In fact, this year Toyota, Lexus and Scion will launch 12 new or updated products and we'll also enjoy a full-year of sales of recently introduced models like:

- The 2015 Camry...
- Corolla...
- Lexus RC
- the all-new NX crossover.

In addition to our recently introduced models, Toyota's commitment to continuously improving our vehicles for our customers is evident in this year's new product lineup.

For example, last year, while *SOME* industry leaders and the media debated the viability of fuel cell technology, Toyota and other automakers were working hard to develop a fuel cell vehicle and the refueling infrastructure to support it.

This summer, the concept becomes reality, when our Mirai hydrogen fuel cell sedan goes on sale in California.

The Mirai will travel approximately 300 miles on a tank of hydrogen...takes about five minutes to fill and has ZERO emissions...it emits only water vapor.

And Toyota is playing a leading role in bringing together automakers, energy companies, government agencies and others to help build the required refueling infrastructure.

By the end of 2015, 20 refueling stations are scheduled to be opened throughout California, with 28 additional stations set to come online by the end of 2016, bringing the near-term total to 48 stations. Nineteen of these will be built by FirstElement Fuels, supported by a 7.3-Million dollar loan from Toyota.

We've also announced plans to develop refueling infrastructure throughout the Northeast. In 2016, Air Liquide, in collaboration with Toyota, will build 12 stations in New York, New Jersey, Massachusetts, Connecticut and Rhode Island.

We're investing in Mirai for the long-term and that includes sharing our fuel cell knowledge.

Last week, at the Consumer Electronics Show in Las Vegas...Toyota announced it will offer royalty-free licenses to more than 56-Hundred fuel cell-related patents it holds globally. The licenses will be available to automakers and energy companies on mutually agreeable terms.

Toyota hopes sharing these patents will spur more widespread use of fuel cell vehicles, which will expand hydrogen station infrastructure... bringing us closer to achieving our vision of a future hydrogen society and helping us to improve lives for generations to come.

Now, for our truck-loving customers. Toyota's truck heritage began more than 50 years ago and the Tacoma has been the industry's best-selling midsize truck for the past ten years.

That's why we were so excited to reveal the all-new 2016 Tacoma on Monday.

The new Tacoma is improved in just about every aspect over the current model including styling, design and ruggedness, with more horsepower and fuel efficiency than ever before.

Now...we sell a lot of great vehicles...but every time I talk to one of our dealers...they're all begging me for one thing...more Tacomas. They'd love to sell more and we're trying to do everything we can to help on the manufacturing side.

In fact, to meet expected demand when the all-new Tacoma arrives in our dealers' showrooms late this summer...we're expanding to three crews and three shifts in our Baja plant...while trying to squeeze all the production possible from our San Antonio plant.

Okay, let's switch gears and talk about Lexus.

Three years ago...GS put the competition on notice with a new vision of Lexus design, which included bold lines and the now-iconic front grille that would become trademarks of future Lexus products.

The next generation of Lexus vehicles continues this bold new look...fueled by a high-performance stable that includes the all-new 2015 GS F we unveiled yesterday.

We built the GS F because we have customers who want even MORE performance from their luxury sedan and it has A LOT of race-inspired components like:

- Twin dual exhaust pipes...
- A carbon fiber rear spoiler...
- And a 5-liter V8 with 467 horses under the hood.

And with all these new products, we're continuing to deliver vehicles that offer high standards in the areas most important to customers, including safety, reliability, fuel economy and resale value.

For instance, this year, Toyota and Lexus will introduce improved active safety systems including:

- Pre-collision braking...to help detect and prevent a forward crash into another vehicle or pedestrian...
- Lane departure alert...
- And adaptive cruise control...to help drivers maintain a safe following distance...

And top safety research organizations have already recognized some of our 2015 models.

For example, the Insurance Institute for Highway Safety or IIHS, awarded Toyota with more of its highest awards than any other automaker, including eight Toyota and Lexus vehicles receiving "Top Safety Pick Plus" awards and four Toyota and Scion vehicles received "Top Safety Pick" awards.

And there's good safety news for the industry as a whole. This year, 71 model year 2015 vehicles received IIHS Top Safety Pick or better crash test awards...an 82 percent increase from 2014.

In addition, 11 Toyota, Lexus and Scion vehicles have received 5-Star overall crash test ratings from the National Highway Traffic Safety Administration or NHTSA for short.

And when it comes to reliability, this is where the rubber meets the road for our customers...we continue to deliver.

Consumer Reports ranked Lexus and Toyota one-two for the second consecutive year in its annual Reliability Survey, the 6th straight year that either Lexus or Toyota finished in the top spot. What's more, six of our Toyota,

Lexus and Scion models ranked number one in their categories of most reliable cars, trucks and SUVs.

Our customers also want products with exceptional fuel economy, especially Millennials...the nation's largest consumer group.

There are over 80-million Millennials and over half of those surveyed say they expect to be driving an alternative powertrain vehicle within the next five years and 65 percent say they're willing to pay more for these engines.

In the U.S., Toyota and Lexus offer customers 12 hybrid models and in 15 years we've sold more than 2.4-Million hybrids here.

Last year alone, Toyota and Lexus vehicles represented 62 percent of hybrids sold in the U.S and we remain the most fuel-efficient full-line auto manufacturer...according to latest NHTSA CAFÉ report.

Now, beyond safety, reliability and fuel economy leadership...new car buyers are looking for outstanding resale value, which translates to more bang for their buck at trade-in time.

This year, six Toyota models won ALG Residual Model Awards in their respective segments and we picked up a seventh award as Top Mainstream Brand.

In addition to growth at Toyota fueled by our dynamic product lineup, we believe our continued investments in North American production position us for future success.

Toyota produced nearly 1.99-Million vehicles in North America last year...that's more than 70 percent of all vehicles we sold in the U.S. And that number will increase this year when we move ES production to our Kentucky plant... the first Lexus assembled in the U.S. With this 360-Million dollar expansion, we'll create 750 new jobs... and once fully operational this fall, we'll build 50-Thousand ES units in America each year... continuing our commitment to building vehicles where our customers live.

That's important to us because building our vehicles close to our customers, benefits the communities where our vehicles are assembled, state and local economies and helps our dealer partners better respond to customer demand.

And we're not stopping there. Since 2011, we've invested more than 2.3-Billion dollars to increase engine, transmission and vehicle production and expand R&D operations in North America... creating nearly 5-Thousand new jobs.

Well, I hope you can understand why we're optimistic about 2015. And with the industry's predicted...unprecedented SIXTH year of consecutive sales gains...let me tell you...it feels great to be part of an industry poised to make history.

And it feels even better to be part of Toyota.

Our fun-to-drive models, our stellar 2015 lineup...along with our safety...reliability...fuel economy... and resale value...coupled with strengthening our North American operations...puts Toyota in a position to meet every customer need.

Ladies and gentlemen...this is a TERRIFIC time to be in AND invest in the car business and we have an even

brighter future ahead of us.

Thank you...and best wishes for a successful year.

Here's the usual disclaimer about forward-thinking statements...and now I'd be happy to answer your questions.

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