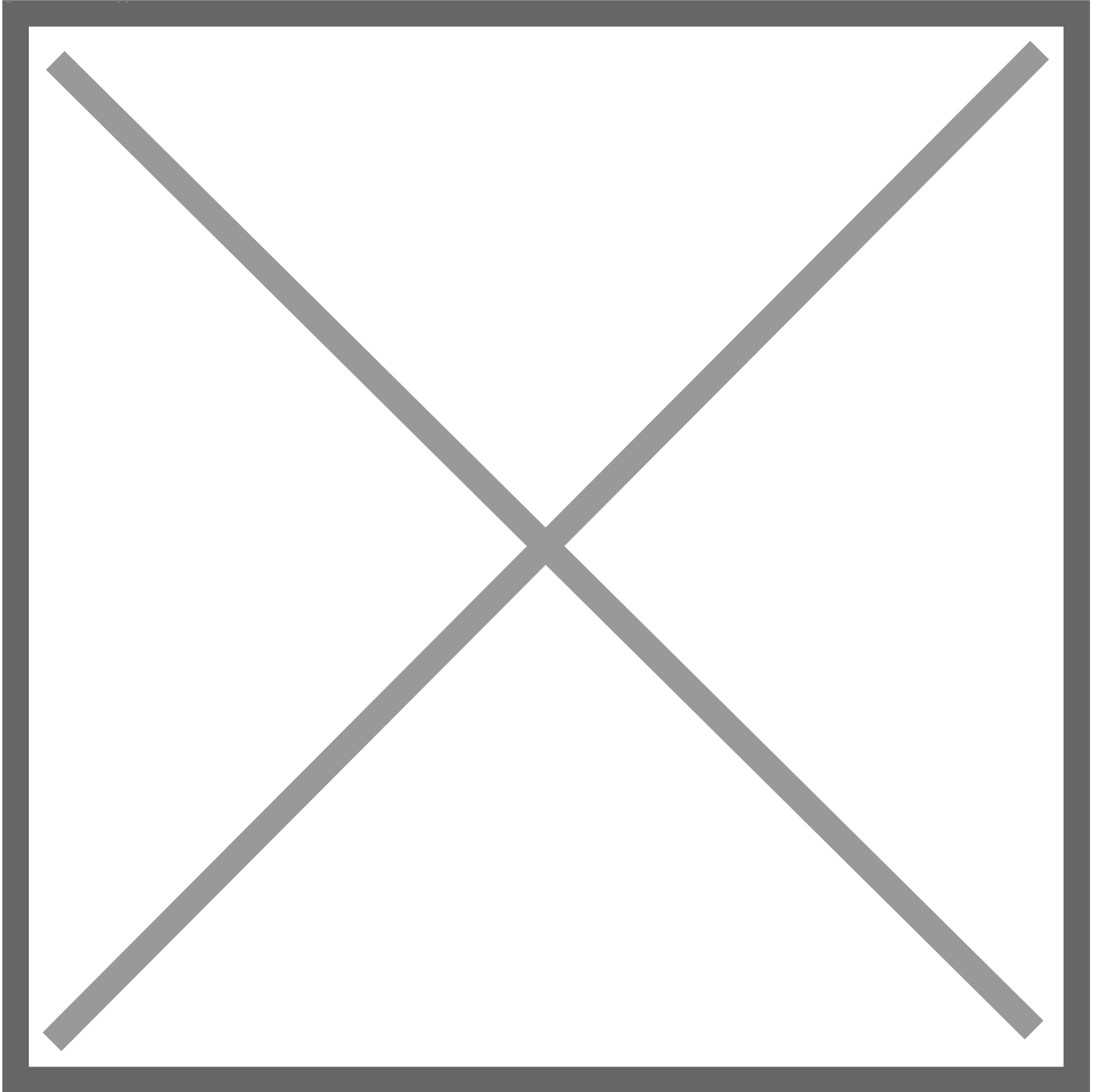


2014 Society of Automotive Analysts Automotive Outlook Conference - Jim Lentz

January 12, 2014

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As prepared for:

**Society of Automotive Analysts
Automotive Outlook Conference
Sunday, January 12, 2014, Detroit, MI
Jim Lentz, CEO, Toyota North America Region**

Thank you, Michelle... and good afternoon. I hope you all had wonderful holidays... and are ready to start a fresh new year here in the Motor City.

Detroit is a place where the auto industry gathers to discuss our shared future... and display products and technologies to excite consumers from all around the world. For more than a century... Detroit has been a sparkplug for American ingenuity.

Detroit's inventions... like the moving assembly line... created mobility for America's middle class... and in the process transformed the nation's manufacturing sector... making goods of all types more affordable.

Today... every automaker is contributing new ideas and technologies to meet the needs and desires of today's customers...and in the process... pushing the industry toward a very bright future.

So today... I'd like to share several reasons why we think 2014 will be another great year for the auto industry...and why I think the future of our industry is even brighter.

Let's start with our economic and industry forecast.

At Toyota, we're confident the auto industry WILL continue to grow in 2014... but at a more moderate pace.

Automakers have enjoyed four consecutive year-over-year sales increases... propelled largely by pent-up demand for new vehicles as the economy struggled to recover from the recession. (Sources: autoalliance.org "Auto Marketplace/Sales Data" section; "U.S. auto industry posts best sales year since recession," by Karl Henkel, The Detroit News, January 3, 2014)

This year... we believe the industry will start entering a "leveling-off" period... and continued sales growth will be more a result of economic gains rather than pent-up demand.

That's good... because pent-up demand can carry you just so far... and by several measures... the economy IS showing signs of a more robust rebound.

First, GDP climbed steadily throughout 2013... and some economists predict economic growth will reach 3% this year... a full point increase over the past 4 years.

Second, the unemployment rate is dropping... and is expected to continue declining as our economy gains steam.

At 3% GDP growth... employers could add 250-Thousand new jobs each month this year... compared to about 190-Thousand jobs each month in 2013. (Source: "U.S. economic recovery is expected to gain strength in 2014," by Don Lee and Shan Li, *Los Angeles Times*, December 16, 2013)

As a result... the unemployment rate could hit about 6.5%... and recover most of the jobs lost during the recession. (Source: "Hopeful signs for U.S. Economy in 2014, by David Wessel, Wall St. Journal, Jan.1, 2014)

Steady economic growth and a falling unemployment rate means Americans could start spending more freely again... especially on new homes.

And that brings us to our third sign of economic recovery... new housing starts.

In November... new housing increased nearly 23% to a 1.1-Million yearly rate... the most since February 2008.

Further... economists believe the increase could be sustainable throughout 2014... since permits for future home building also reached a five-year high... showing resilience to the recent rise in mortgage rates. (Source: "U.S. Housing Starts Jump to Highest Level in Five Years," by Lorraine Woellert, bloomberg.com, December 18, 2013)

A big boost in GDP... more jobs... and more new homes paint a rosy picture for consumers in 2014 and should lead to increased household wealth.

In fact... economists predict middle-class household wealth will increase in 2014... as gains are generated more by home equity than in financial markets. (Sources: "U.S. economic recovery is expected to gain strength in 2014," by Don Lee and Shan Li, *Los Angeles Times*, December 16, 2013)

And... U.S. household net worth rose 2.6% in the 3rd quarter of 2013... the highest increase on record... due mostly to rising stock prices and a recovery in home values. (Source: "Americans Continue to Regain Lost Wealth," by Neil Shah, Wall Street Journal, December 9, 2013)

So... what does all this good economic news mean for automakers?

Currently... analysts predict industry-wide sales within a range of 16.2-Million to 16.4-Million vehicles. (Source: "U.S. auto industry sales to hit 16.4 million in 2014, forecast says," Reuters, Oct. 8, 2013)

At Toyota... we're planning for roughly 16-Million units... healthy growth but slower than the past few years.

That said... the industry has a very powerful ally for sales again this year... historically low auto loan rates.

Thirty years ago... we saw loan rates in the mid-to-high teens... but rates have steadily receded to the 3-to-4% rates we see today. Now auto loan rates may go up again as the fed eases its stimulus, but we believe they will stay relatively low and quite affordable for most Americans.

So... despite the beginnings of a leveling off period... we DO have a have a positive auto industry outlook for 2014.

At the same time... we believe Toyota is positioned to have another solid year... and it's due to "The Big Mo."

That's shorthand for... "The Big Momentum"... and at Toyota... we have lots of "Big Mo" on our side.

Let me give you some examples.

First, for 2013... combined Toyota, Lexus and Scion sales topped 2.23-Million vehicles... our best sales year since 2007... for a 7.4% increase from last year.

This year... we'll offer 8 new or updated products to complement full-year sales of 3 core models... including:

- Corolla...
- RAV4...
- and Tundra

As a result... we estimate our 2014 sales will increase by about 100-Thousand to about 2.3-Million vehicles.

Of course... our success wouldn't be possible without our loyal owners. With their help... we've achieved some significant company milestones:

In 2013:

- Toyota was the industry's number 1 retail brand
- Camry was the best-selling U.S. car... for the 12th consecutive year
- Our 12-model hybrid lineup set a new all-time sales record and retained about 60% of the hybrid market
- And Lexus sales increased by 12% to more than 273-Thousand vehicles, outperforming the industry for the year

Another reason we're confident about this year... is the advantage we have through our partnership with Toyota Financial Services ... or TFS for short.

TFS enjoys some of the highest credit ratings in the business... and that allows our dealers to offer low interest rates... make more loans... and offer more aggressive lease rates to attract new and younger customers.

So... the prognosis for both Toyota and the auto industry is very positive for 2014.

And that's great news for consumers because automakers are delivering better and safer cars with great MPG and exciting designs....you'll see that here on display at the Cobo Center over the next few days.

Like other automakers, our focus at Toyota, Scion and Lexus is on building fun-to-drive cars for how consumers want to live today... and developing better vehicles... and new technologies...to meet consumer and society's needs tomorrow.

One of our new products for today is the hot-looking... 2015 Lexus RC sports coupe we unveiled last November in Tokyo.

It features a 3.5-Liter V6 engine... and a sporty 8-speed transmission. And when the RC comes to market this fall... it will compete with...

- BMW 4 Series,
- Mercedes C Class Coupe,
- and Audi A5.

Also at the Tokyo Motor Show... we revealed a concept SUV... the LF-NX... a compact premium crossover... powered by the first Lexus turbocharged engine. The LF-NX will pave the way for turbos in future Lexus models... and turn more than a few heads.

And on Tuesday... you'll see another fantastic vehicle from Lexus...the RC-F...one that will continue to show our vision for the brand's very bright future.

So... we have a lot of great products coming this year that will meet consumers' current needs and desires, but we aren't stopping there.

We're also developing vehicles to meet the future mobility needs of consumers and society, including many advanced environmental technologies.

In the U.S... Toyota and Lexus now offer 12 hybrids for sale. In total... we've sold more than 2.2 million hybrids here in the U.S.

Globally... that number goes up to 5.9 million...resulting in an estimated 34-Million-ton reduction in CO2 emissions... the equivalent of taking 4.8 million vehicles off the road.

And we're just getting started.

Between August of last year and 2015... we're on track to introduce 15 new or redesigned hybrid vehicles globally. (Source: TMC "Global Hybrid Rollout" event, Ypsilanti, MI, Aug. 28, 2013)

And while hybrids are a huge part of the future, we're also developing other promising automotive technologies for tomorrow.

In fact, last week we unveiled our new hydrogen fuel-cell sedan that will go on sale here in 2015.

Our industry-leading fuel cell sedan will travel approximately 300 miles on each refueling... takes about three minutes to fill... and emits only water vapor.

I know some in the automotive world have been negative about fuel cell vehicles, but many other automakers are moving forward with the technology and we believe IT IS viable in the foreseeable future.

And the good news is... some states are stepping up to build the infrastructure necessary to support consumer acceptance and vehicle sales.

For instance... in California... 9 hydrogen stations are currently in operation.

And... the state has approved funding to support construction of about 20 new stations by 2015... and double that number by 2016.

Further... the State of California has implemented an innovative public-private partnership for individuals who want to construct hydrogen stations. This program provides 50- 70% of the capital costs to install a station... and could jumpstart future infrastructure development. (Source: cafc.org)

And states aren't limiting their environmental leadership to building a fuel cell infrastructure.

In October... the governors of eight states signed a memorandum of understanding to put 3.3-Million zero emission vehicles on their roads by 2025... and to construct the required refueling infrastructure.

The memorandum includes battery electric... plug-in hybrid... and fuel cell vehicles. (Source: cafc.org)

So, we'll continue to work with fellow stakeholders, other automakers and government agencies to advance the development of this needed infrastructure.

And...as an industry...I'm confident we'll continue to strengthen our environmental leadership in the future.

That's important... because...one...consumers want environmentally advanced vehicles...and two... it will help our industry meet the upcoming, stringent Corporate Average Fuel Economy...or CAFE...standards.

The 2015 to 2025 CAFE regulations will require automakers to significantly reduce emissions... and increase fuel economy across their fleet of vehicles.

That won't be easy, but at Toyota... we plan to EXCEED these new standards. And with our wide-ranging lineups and lead in hybrid vehicles... we think we're in the pole position on CAFE.

Environmental leadership benefits ALL of us...and I'm proud to see our industry stepping up and doing its part.

For instance, Ford and Coca-Cola recently announced a partnership to construct interior fabrics for a research vehicle... with the same renewable material Coca-Cola uses in its plastic bottles. This partnership could potentially save millions of pounds of petroleum-based materials. (Source: media.ford.com)

Along with our new fuel cell vehicle, Toyota is developing vehicles and cutting-edge technology to meet all types of mobility needs in the future.

At the 2013 Tokyo Motor Show, we showcased three concept vehicles that reach new levels of connectivity between the vehicle and driver.

The first is our Toyota Winglet, a stand-up electric scooter the driver can maneuver forward... backward... and turn left or right by shifting their body weight. It can be used on sidewalks and urban areas that are inaccessible by cars.

The next step up is our Toyota FV2 concept vehicle.

Drivers intuitively shift their body to move the car... while intelligent transport technology connects with other vehicles and traffic infrastructure to enhance safety.

Finally, there is the Toyota iRoad... a thrilling... ultra-compact... two-seater vehicle that provides the convenience of a motorcycle and the comfort and stability of a car.

The iRoad's active lean technology automatically raises and lowers its wheels to optimize the vehicle's angle... ensuring stability and a feeling of unity with the vehicle.

These three concepts show some of our vision for the future... a future where new forms of transportation will supplement the cars we use today.

Besides providing some of the best cars in history, one of the most exciting things about our industry is that we're doing our part to enrich the lives of the people and communities across this nation.

And that's important because today's consumers not only want great products; they also want to do business with companies that share their values.

And now...more than ever... that's what automakers are doing.

One prime example is the Chrysler Foundation... which partnered with the Detroit Public Library... to provide free snacks to school-aged children who attend after-school reading programs.

Children can have trouble learning when they're hungry... and this partnership has increased participation in after-school reading programs by 23%. (Source: <http://3blmedia.com/News/CSR/After-School-Reading-Program-Provides-Students-Nourishment-Body-and-Mind>)

Another example is Kia Motors... which is dedicated to promoting a healthy planet. Kia's sustainability efforts include a partnership with the Pacific Marine Mammal Center in Laguna Beach, California... a non-profit that works to save marine mammals stranded along the California coastline.

Kia's employees volunteer at the Center, and even participate in marine mammal release ceremonies. (Source: <http://www.kia.com/us/en/content/why-kia/community/sustainability-and-environment>)

At Toyota... we're concerned about protecting our youngest drivers...especially since statistics show automobile crashes are the leading cause of death for teenagers.

So we're working closely with teen drivers – and their parents – to increase road safety and help save lives.

Our driving safety platform... called TeenDrive365... features a collection of resources for teen drivers and their parents.

One component of this platform... Toyota Driving Expectations... offers behind-the-wheel defensive driving courses for both teens AND their parents together so they can witness the dangers of distracted driving first-hand.

I'm happy to report that one teenager who attended put what she learned to good use immediately after the course.

While driving alone, a box on a truck in front of her fell off and she had to use a quick evasive maneuver to swing around it and get safely back in her lane.

She immediately pulled off the road... called her father... and said, "Dad! I'm sitting on the side of the freeway shaking in my shoes... but that crazy class you made me go to saved my life. Thank you for taking me there... I love you."

That's one life saved... and one more "I love you" from a daughter to her dad. You really can't put a price on that.

So... what's it all mean?

Well...first...the auto industry IS poised to take advantage of the improving economy and achieve another year of sales growth.

And...second...to be successful in the future, we'll need to continue coming together as an industry to meet the future needs of our customers and society.

That will require a long-term focus from all of us, including:

- automakers...
- dealers...
- parts manufacturers and suppliers...
- engineers and designers...
- state and federal policy makers...
- regulatory agencies...
- and all of our associates and team members.

It won't be easy...but I AM confident...that if we all work together, our industry WILL continue to thrive and enjoy a VERY bright future.

Thank you... and I wish you all the best for a successful 2014.

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