

September 2019 and Q3 2019 Sales Conference Notes

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September 2019 and Q3 2019 Sales Conference Call (Audio Transcript)

Introduction: Toyota Motor North America Manager, External Communications, Carley Hummel

Good morning. Thank you for joining us to review the Toyota and Lexus sales results through the third quarter of 2019. We've put all callers on mute to avoid background noise. We'll open it up to questions after we hear sales highlights. With us today are Jack Hollis, group vice president and general manager of the Toyota Division and David Christ, group vice president and general manager of the Lexus Division. A transcript and recording will be available later today on our pressroom. In the meantime, our communications team is available to assist with any additional questions at 469-292-5100. A quick reminder and disclaimer to everyone on the phone ... This meeting is being recorded. By staying on the call, you consent to being recorded.

Now I'd like to turn it over to Jack Hollis who will talk us through Toyota sales results.

Jack Hollis:

Well, thank you Carley. Good morning everyone. It's good to be back with you and let's go through this here. So, we had a great summer and we're excited to update you on where we are for the quarter, for year-to-date, because it's really been a good one. From an industry standpoint we are still very confident in our outlook of a high \$16 million SAAR range. For Toyota Motor North America, our outlook remains steady at really close to 2.4 million in the U.S., and 2.75 for all of North America. As we round out the year, there are some trends that I do want to highlight including how Toyota is meeting our end guests... the guest demands.

The light truck and SUV market obviously continue to soar. Now, it's been hovering around that 70/30 mix for a couple of years and we see that pace of change slowing down and leveling off some here, but for right now the light truck market remains red hot. In this quarter, we had a best-ever August where we also saw best-evers from RAV4, Tacoma, Highlander, and what I'm probably most proud of is that this was the second-best month ever in the history of Toyota. So, pretty proud of that.

So how are we meeting light truck demand? Well, we just announced we are investing an additional \$391 million in our San Antonio facility. Now think about that. You put that on all the rest of the investments and the total investment in that plant will now top \$3 billion. So, what will those investments look like? They will be internal to the facility, making the plant even more competitive for our long-term. And as we upgrade these efficiencies and introduce new advanced manufacturing technologies, it will help us so that we can continue to improve our multi-vehicle production.

We're committed to our guests and their desire to drive the best trucks made right here in Texas, and we're dedicated to the local San Antonio community as we reinvest in the local workforce and its educational pipeline with a \$1 million grant over the next five years. Like I mentioned on our last call, we are investing in the U.S. and in the technology and infrastructure to ensure that our guests get the products that they want, and that is not going to change. We are still growing and evolving to meet our guest needs and that's very plain and simple.

So, let's talk sales highlights. Now, Labor Day, as everyone knows, fell in August this year, which left us with just 23 selling days in September, as opposed to last year where we had an extra weekend and a more robust 25

days of sales. Now with that in mind, we saw September sales of 169,656 vehicles for Toyota Motor North America with only 6,000 of those coming from fleet, leading us to a solid third quarter with sales of 627,194 vehicles.

From the Toyota Division, key players that led us to a steady third quarter include best-sellers from RAV4 Hybrid, Corolla Hatchback, Toyota Highlander, Prius Plug-in, and C-HR, as well as strong growth in Avalon, C-HR, RAV4, Highlander, Sequoia, and increased hybrid sales of over 50 percent. To give you another perspective, if we looked at year-to-date, the Toyota Division reports total sales of 1,569,751 vehicles. I'm very proud of the team as we've had best-sellers from total RAV4, led by the RAV4 Hybrid, Corolla Hatchback, Mirai and Tacoma. And as a result, Toyota is on track to retain our title as the number one retail brand for the eighth year in a row. That sounds good. I like that.

Now, one trend I want to recognize as we approach the end of the year is our continued hybrid leadership. Since 2000, Toyota has put more vehicles with electrified powertrains on U.S. roads than any other automaker. We were hybrid before hybrid was cool, and before the government required it. And since we set the bar high, well, we can raise it, which is why we continue to expand our hybrid lineup on our most popular models. And since last year, our hybrid vehicles like Camry and Corolla, RAV4 and Highlander are experiencing incredible growth with our total hybrid sales number increasing almost 16 percent.

Our guests love the added value and fuel efficiency, without giving up their favorite amenities. We promise that by next year more than 15 percent of our U.S. lineup will have an electrified option, and by 2025, we will offer an electrified option for each Toyota and Lexus model, globally. These recent hybrid launches are a direct answer to that promise and they're performing better than even our high expectations. And although we have much to be proud of, I'm even more jazzed about what's next.

In the fourth quarter, we have some surprises up our sleeve for the Tokyo and LA auto shows that you definitely don't want to miss. And in December, the all-new Highlander hits the dealer's lots, putting a nice bow on the close of another great year.

As we approach 2020, we have even more to look forward to. Although next summer feels a long way away, we're headed full-speed into the Olympic and Paralympic Games of Tokyo 2020. Our team Toyota athletes have truly started their impossible by competing their hearts out in trials and competitions, and meanwhile our team members across the globe are working on future mobility options from people movers to electric vehicles. And as I mentioned earlier, we are doubling down in our commitment to hybrid and electrified technology both in our vehicles and at the Tokyo games. In fact, 90 percent of Toyota's vehicles at those games will be electrified and we will have the lowest emissions of any vehicle fleet ever to be used in the Olympic games.

You've been asking for us for updates on our announcements about future mobility, electrification, reducing our footprint, and so today I want to really make the message clear. Over the next couple of years, those concepts we've been telling you about will become realities. We have a steady cadence of technology and innovation to share with you as we approach the games, and come 2020, we're going to knock your socks off.

With that, I'm going to hand it over to Dave to talk about Lexus.

David Christ:

Morning everyone. Thank you, Jack. Jack mentioned our expansion as a mobility company is truly a cross-brand and a company-wide vision. We're looking beyond traditional forms of mobility to get people from point A to point B, even if that means across the ocean.

Last month, Lexus held the world premier for our ever luxury yacht, Lexus LY 650 in Boca Raton, Florida. Bearing the iconic Lexus high-quality craftsmanship with a time-tested Toyota Production System method, our

maritime flagship was born. As we move into the fourth quarter, we're excited for the updated RX and GX to arrive at dealerships and into our guest driveways. We're continuing with the success of our special edition vehicles, which recently launched 2020 NX Black Line and we look forward to a few more unique additions to the line-up this fall.

As Jack mentioned, Labor Day weekend falling in August decreased our weekends and selling days in September, which led the Lexus Division to September sales of 18,860 vehicles and third quarter sales of 73,816 vehicles. In the third quarter, we saw a total hybrid increase last year up 22 percent, maintaining our place as the hybrid leader. For the first nine months of the year, we saw 209,551 sales with a best-ever total for SUVs. Total hybrids were up 46 percent, total ES was up 10 percent, led by ES Hybrid, and RC was up a full 30 percent.

As we look to the fourth quarter and to 2020, it's smooth sailing for Lexus and the new LY 650. But in all seriousness, we're as determined as ever to stay true to our roots and provide a world-class guest experience, continue to push beyond the envelope on innovation, technology and lifestyle products, as well as extending our hybrid leadership in the luxury market.

2019 has been a revolutionary year of hard work at Lexus and we can't wait to end on a high note as we tie on the iconic red Lexus bow with our December to Remember sales special. As Jack mentioned, we can't wait to show you what we've got at the upcoming Tokyo Motor Show and the LA Auto Show. You are not going to want to miss it.

Thanks for your time. And Carley, back to you.

Carley Hummel:

If you have any follow-up questions, feel free to reach out to the communications team. We'll talk to you next quarter. Thank you.

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