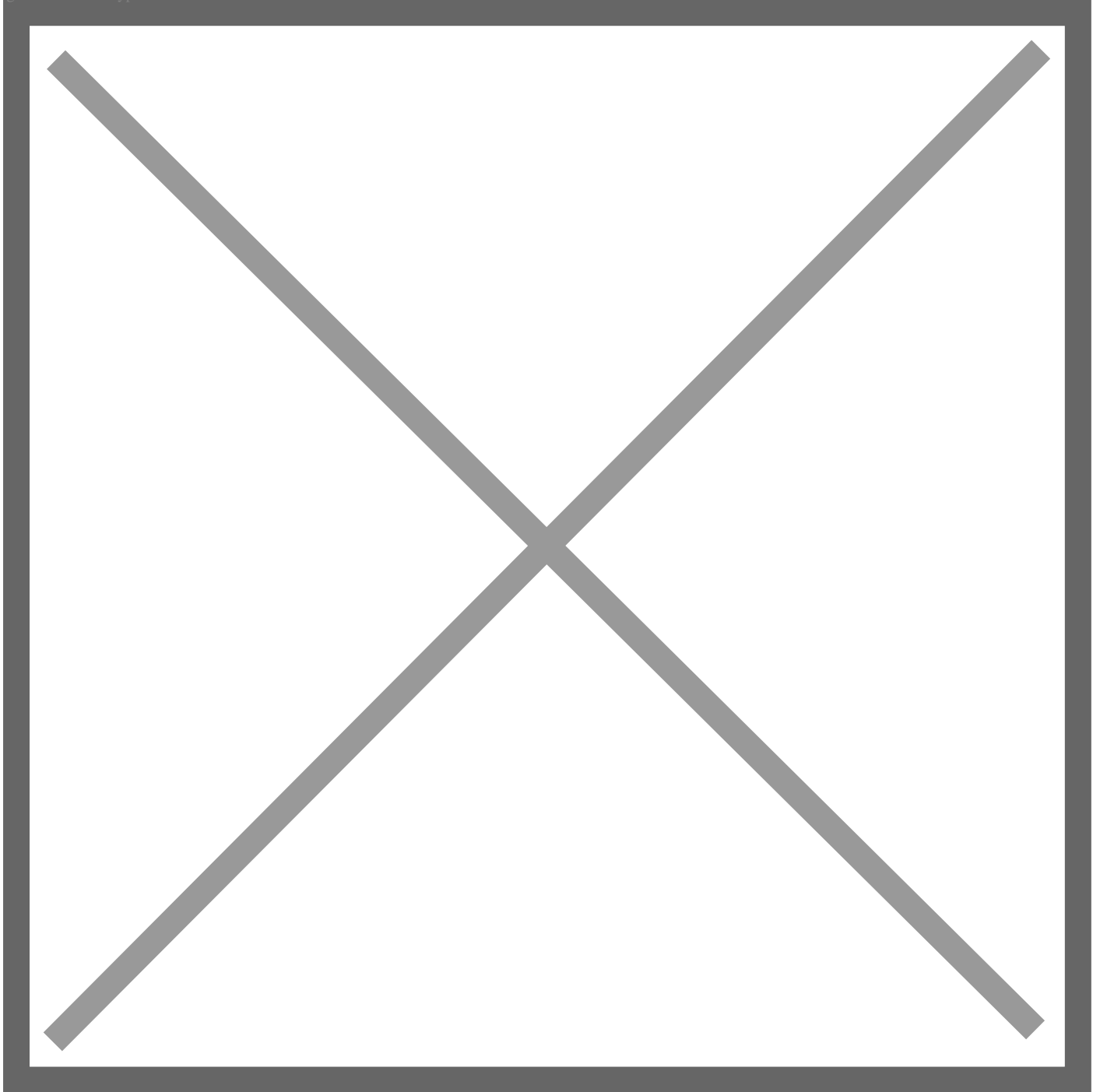


December 2018 and Q4 2018 Sales Conference Notes

January 07, 2019

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Jan. 3, 2019

[December 2018 and Q4 2018 Sales Conference Call \(Audio Clip\)](#)

Introduction: Toyota Motor North America Consultant, External Communications, Karen Nielsen

Happy New Year, everyone. Thank you for joining us to review Toyota and Lexus December quarterly and year-end sales results for 2018.

We've put all callers on mute to avoid background noise, and 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 press room, and our communications team is available to assist with any additional questions you may have at 469-292-5100. I want to remind the audience the 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 for a look at sales results for December fourth quarter and year-end.

Jack Hollis:

Well, thanks, Karen. Good morning. Happy New Year, and wow. I really couldn't have asked for a better finish to 2018. The industry surpassed last year, it looks like now. This is the fourth year in a row that we're enjoying this 17 million SAAR. Not only do I love it, but I'm assuming you love it as well, so let's just keep that going.

But I think we can all agree that's pretty great, so we want to just think back about 2018. This is what we had. We had industry tailwinds of low unemployment, consumer confidence, single-family housing starts were up, fuel prices were stable or even down, and there's always the great product that continues to drive sales with demand for trucks and SUVs leading the way for a second consecutive year. While sedan sales were down, they performed better than expected. It's a segment that Toyota, that we are very committed to, to ensure our customers have the right mix to meet their needs.

However, the industry also experienced headwinds, or this may have just been the best year ever. Those headwinds were led by multiple interest rate hikes, higher vehicle costs due to tariffs, NAFTA discussions and trade discussions, incentives, off-leases, used cars, and heavier demand for trucks versus sedans with a ratio of 70 to 30. It's interesting because where we stand today is almost exactly where we were a year ago. And because of that we anticipate for Toyota Motor North America, that the North American industry sales were going to be relatively stable over the next three years, but with some cyclical, yet modest, decreases. Toyota expects to pick up market share during these cycles.

Now through 2021, we plan to introduce 31 new, redesigned, or refreshed models in the Toyota and Lexus lineups. For comparison, that's seven more vehicles than the previous three years. That includes our unfortunate, our worst kept secret, the Supra which will be revealed in Detroit on January 14th, and we look forward to seeing you there.

Now let's take a look at December sales. We've got to start by just being really proud of our dealers' efforts to finish the year strong.

For TMNA, which includes Toyota and Lexus divisions, sales for the month were 220,910 vehicles sold. For the Toyota Division in December, sales were 185,386, exceeding our own internal objectives and showing the strength of the December market. It was the best ever light truck record again this month, the 12th consecutive month. Tacoma now has 13 consecutive best-ever months. It was also best ever, like I said, for Tacoma, but RAV4, 4Runner, and C-HR. I'm really excited about seeing Corolla Hatchback sales continuing to grow, and up 14.5%. For the quarter, very similar. We had best-overs for Tacoma, RAV, 4Runner, C-HR, and

total light trucks.

Let's take a look at the year, some highlights for the year for the Toyota divisions. RAV4, at over 427,000 sales, remains the number one selling vehicle in our lineup, and the number one SUV in the industry. Camry is number one again. Tacoma is number one again. Prius, number one again.

In fact, Toyota was the number one retail brand for the seventh year in a row. Again, we need to thank our awesome dealers for their efforts every single day to make that happen. We had best ever in our light trucks every single month of the year. Highlander and 4Runner both had best-ever years and had double-digit growth. Year to date, volume has exceeded expectations, and at the same time the fleet total for the year is below 10% again, as it has been for nearly 20 years, which is well below industry.

Also, excited about breaking ground on the Mazda Toyota plant, our newest U.S. investment of over \$1.6 billion. When it opens in 2021, it will create over 4,000 jobs in northern Alabama and produce the world's best-selling car, the Corolla.

We're seeing record sales on Avalon, RAV4, and Camry hybrids. Now we're adding a new 20/20 Corolla hybrid to the mix with over 50 miles per gallon. Together, Toyota and Lexus account for 36%, over a third, of all alternative-fuel vehicles in the industry. Our hybrid powertrains will continue to be a very important part of our core strategy. With that, I'm going to let David and Christ to share the phenomenal success Lexus is having in the hybrid luxury space. So David, it's yours.

David Christ:

Thanks, Jack. Congratulations on a great month. We've got some good news to share at Lexus. Once again, Lexus dealers finished strong with the December to Remember sales event.

Sales for the month total 35,524, which exceeded last year. And luxury SUVs accounted for 73% of that volume, continuing our success on the SUV front. RX had its best month of the year. RX Hybrid had its best December ever. NX and NX Hybrid also recorded best-ever December. For the fourth quarter, Lexus SUVs had a best-ever quarter, and LS had its best fourth quarter in five years.

Lexus sold for the year, 298,310, which was a strong year for us. During the year we launched three new vehicles which helped with exciting results.

LS, our luxury flagship, launched in February, and the results have been awesome. Sales have doubled since launch and we have more than doubled our market share in the segment. Next, we launched RXL, which was a great addition to the RX family, and in the summer we launched the seventh generation ES. The ES is off to a phenomenal start. Sales in December were 5,385, which was up 6.7%. We added ES sport model to the lineup, which has appealed to a younger customer, bringing younger customers to the ES brand.

The UX, our new luxury compact crossover, went on sale in December, but officially launches this month in January. It's still early, but customer reviews have been very positive. We've already sold nearly 400 units. UX is also attracting a new and younger guest to the Lexus family. Other highlights for the year include the RX remaining the top selling luxury SUV in the industry. 2018 was an all-time best-ever sales year for RX sales, fueled by the introduction of RXL.

NX and NX Hybrid also had a best-ever year. So LS, RXL, and ES have helped make 2018 a big success, and we expect UX to help us start 2019 with a bang.

Our outlook for the luxury market remains at 2.1 million, but our share is expected to grow slightly in '19. Jack was right when he said Lexus is taking a bigger piece of the hybrid pie.

Lexus hybrid sales are up 40% year over year, and we expect that to continue to grow. UX 250 Hybrid will go on sale this month. Right out of the gate, the 250h has won the 2019 Wards 10 Best Engines award, which recognizes the best mpg of any SUV without a plug. Very importantly, we cannot have success without our dealers.

Lexus and Toyota are proud to be the top NADA Dealer Attitude Survey results brands once again. Dealers ranked Lexus number one, and Toyota number two, as their most-liked automotive brands. It's a ranking we take very seriously, and we work very hard to earn. We'll hope to see you at the Detroit Auto Show, which is around the corner, where we'll be sharing more information about the 2020 RC F Track Edition. It's a scream. You're going to love it.

Thanks for your time, everyone. Karen, back to you.

Karen Nielsen: Thank you both. Now I'd like to open it up to journalists. What questions do you have for us? Please tell us your name and media outlet before asking.

That concludes our call for today. Thanks for joining us.