

2024 CIAS CORPORATE RECEPTION SPEECH

TOYOTA IN CANADA – LEADING INTO THE FUTURE (CUSTOMER FIRST)

By Larry Hutchinson – President and CEO, Toyota Canada Inc.

Hello Everybody,

Thank you for joining us this evening.

We know it's a busy week, so we appreciate you spending some of your time with us – and for those of you who drove, thank you for taking on game day traffic. I'm not sure if I should say GO Leafs or NO Leafs in front of this crowd, so I'll just stay out of it.

Well, the video you just saw did two things... saved me a lot of time with sales highlights... and confirmed 2023 was a fantastic year. As will 2024...which also marks our 60th anniversary in Canada.

I can remember when we celebrated our 50th ...and 40th... and 25th...I'll just stop there.

In that time, we've built a strong foundation here in Canada which supports the achievements we made last year.

Those 60 years have taught us how to successfully meet the driving needs of every Canadian...by putting customers first.

Our commitment to delivering high quality, durable, affordable, and environmentally responsible vehicles underpins everything we do now, and this commitment will continue to lead us into the next 60 years and beyond... and help us remain leaders as the automotive industry transforms.

LEADERSHIP

Now, if I go back to the video, what really jumps out at me is Toyota Canada being number one in Retail Sales ... to me, this is the most important indicator of our performance. We've held this spot now for five consecutive years – which is remarkable.

And I'll share a few reasons why it's important.

First, this tells us when Canadians choose to spend their own money on a new vehicle, Toyota and Lexus emerges as their preferred choice over any other brand.

If you compare our best-selling vehicles with other top sellers in the same segments, it's easy to see why Canadians choose a Toyota or Lexus – a range of pricing, powertrains, and products that can best meet the needs of every driver.

For example, the Corolla. The best-selling car in the Canadian market. So, what does this tell us?

It tells us that affordability is key. Consumers want options without compromising quality.

While other automakers have abandoned this segment, we offer a wide range of body styles and drive trains...because Canadians want choice.

And we continue to offer a wide range of body styles and drivetrains in this segment...because Canadians want choice.

And choice is the reason why we also remain committed to our diverse portfolio of vehicle options, as the only full-line automaker left in the industry.

In fact, we continue to offer several vehicles with a manual transmission – including our all-new 2024 Tacoma and GR lineup. Because driving should still be fun.

Canadians continue to demonstrate trust and confidence in our products, and we see this as a driving force in their purchase decisions.

CONFIDENT IN OUR PRODUCTS

I'd like to speak to a few examples...

First, the Canadian-built RAV4. Our most popular model.

I remember when we first launched the RAV4 in Canada in 1996, with modest sales targets and selling just 1,899 in its first year. Almost 27 years later, it remains Canada's best-selling non-pickup truck, selling over 74,000 units in 2023, with over 50% of those sales being electrified.

A true Canadian success story that ties us back to our foundation, putting the customer first.

We can't talk about putting our customers first, without talking about Lexus. Lexus started off the new year with a bang – launching the all-new Lexus GX, that you may have seen just behind you. An SUV tying luxury and off-road functionality together.

They also had a record setting 2023. With over 30,000 Lexus vehicles sold last year, for the first time ever.

And more than half of those sales were electrified, led by Canadian-built Lexus RX and Lexus NX.

Even better, two thirds of our Lexus vehicles sold last year were built right here in Ontario at Toyota Motor Manufacturing Canada. In fact, TMMC recently celebrated a 20-year milestone of building Lexus vehicles.

Speaking of achievements, TMMC was also, once again, the #1 manufacturer in the country...by a large margin. Building over 525,000 vehicles last year. Demonstrating our commitment to building vehicles where we sell them. We're quite proud of that.

Now, I want to speak to another noteworthy mention... the upward trajectory of our electrified vehicle sales.

ENVIRONMENT

We booked record sales of electrified vehicles in 2023.

And by electrified we mean hybrid, hybrid plug-in, hydrogen fuel-cell electric, and battery electric vehicles.

So, the numbers should speak for themselves – we'd hope. But we sometimes hear suggestions that we're lagging, not innovating fast enough, or slow in environmental advancements and the adoption all-electric vehicles.

I'll be frank. That is not true.

So before I go on, I'll share a fact to help put this into perspective. In 2023, we sold 99,824, let's call it...100,000 electrified vehicles in Canada. With an estimated 30% ghg reduction for hybrid vehicles, and 70% for plug-in hybrids, that improvement equates to approximately 38,000 zero emission vehicles.

No other OEM comes close to that. We will continue to lead in actual GHG reduction, because that is the priority.

Toyota has a longstanding and well-documented commitment to achieving net zero carbon emissions.

And our electrified vehicle sales, products, and continued investments are all proof that we are accelerating at full speed ahead.

Toyota's first-generation Prius, the world's first-ever hybrid vehicle, was introduced in Canada in the year 2000. It started the conversation about sustainable mobility and has since transformed our company in many ways.

Fast forward 20-odd years to 2023, and we see the Prius Prime -- looking better than ever. It continues to support Canadians in driving down their vehicle emissions, and in case you haven't heard, it was also recently named North American Car of the Year.

I also remember during our 50th anniversary celebration in 2014, we marked the sale of 100,000 hybrid vehicles since the launch of the Prius -- hybrid vehicle since the launch of the Prius, spanning 14 years.

And as I said, in 2023, we sold 100,000 electrified vehicles in one year alone. Which accounts for various powertrains -- hybrid, plug-in hybrid, all-electric, and hydrogen fuel cell -- ensuring there's something for everyone.

Another example, the all-new 2025 Camry, over here, is now exclusively hybrid. This means that out of 24 Toyota vehicles in our lineup, 19 will be electrified.

Now, the Government of Canada has finalized its regulation to mandate the sale of Zero Emission Vehicles (ZEVs) across the country. We are supportive of the regulation's overarching goal to reduce carbon emissions from transportation.

However, achieving this regulation will not be possible without a sustained and collaborative approach from all stakeholders, including government.

Everything -- from battery supply chains, to building out additional clean energy generation and distribution, to installing a nationwide network of charging infrastructure that ensures the right to plug in. This includes the ability to charge at home, which to me, will become the biggest issue...not just public charging.

This must advance quickly (and in alignment) for us to collectively meet the government's new deadline.

And no one can forget the most important factor in all of this: The consumer.

I can promise we certainly won't. Our objective is, and will continue to be, achieving the company's global net-zero carbon commitment by offering a diverse selection of carbon-reducing electrified vehicles to meet the needs of every Canadian driver.

If we go back to the numbers, an astounding 43.9% of our vehicle sales were electrified last year. This is up 92.8% year over year.

Of that 43.9%, over 16,000 units were zero-emission vehicles. And I'd like to speak to each of these briefly.

First, plug-in hybrid vehicles: Our plug-in line-up not only plays a critical role in lowering carbon emissions, but it also meets the needs of Canadians while offering a balanced approach to environmental sustainability and the varying driving requirements in Canada's diverse landscape.

In 2023, we sold 11,645 plug-in hybrids.

With this momentum, I'm confident we'll see the demand for plug-in hybrid vehicles continue this year, especially with the strong line-up of RAV4 Prime, Prius Prime, Lexus NX plug-in, and Lexus RX plug-in.

Second, hydrogen fuel-cell technology: Just last year we announced our partnership with Edmonton International Airport to deliver 100 zero-emission hydrogen fuel cell electric vehicles, the first fleet of its kind in Alberta.

And third, battery electric vehicles. We're pleased that Canada is the #4 market in the world for bZ4X sales and we're also seeing promising demand for the all-electric Lexus RZ.

BATTERY TECHNOLOGY

And we're working on a plan so battery electric vehicles can meet the needs of even more Canadians – while being accessible and affordable.

We continue to advance our battery technology – including batteries with reduced size and reduced costs; batteries offering longer ranges and quicker charging.

We expect to introduce solid state batteries in certain production vehicles around 2027 or 28.

How does 1,000 km cruising range with approximately 10-minute recharging sound? Two of the most common reasons for rejecting an electric vehicle amongst Canadians would simply be put to rest.

This is all a part of the plan.

LOOKING AHEAD

Over the past 60 years, we have built a reputation of credibility and leadership because Toyota has taken great care to listen to what Canadians want. And then we've delivered it.

And I'll add, a large part of our success is also attributed to our strong dealer network that plays a crucial role in helping us identify the needs of our customers– and I think our numbers speak to this.

Looking ahead, we are committed to continuing to keep customers – Canadians – at the centre of everything we do. And we'll do this by providing quality, durable, reliable vehicle options that reduce emissions and meet their needs.

Toyota is committed to building the future we need. And it's more than just talk.

Yes – the automotive world seems remarkably different here in 2024 than it was just a few short years ago.

But despite some headwinds, all signs suggest that the economy will navigate through governments effort to combat inflation, and the performance in our sector is expected to remain robust.

Although global supply chain issues still impact our industry, worldwide we set record production volumes...our north American plants are running at high capacity... and are doing everything possible to fulfill our consumer demand and shorten wait times.

And at Toyota, we're investing approximately \$1 million US per hour on R&D... 24 hours a day... 365 days a year... And from this we see some really exciting outcomes today and just down the road for drivers.

And we're just scratching the surface.

CONCLUSION

In the meantime, Toyota Canada will continue to focus on the most important stakeholders: Our customers.

We'll continue to stay true to our DNA...continue to lead the industry in safety, electrification, and customer satisfaction. And our products will continue to be our biggest proof points.

Now, in a few moments you'll see the return of two new iconic vehicles. But before I hand it over for that, there's another exciting milestone coming up this year – and that's the Paris 2024 Paralympic and Olympic Games this summer.

Toyota is honoured to be the official worldwide mobility partner. To further our commitment, Toyota will also be supplying the Games with over 2,600 electrified vehicles.

And we are especially proud of our new roster of Team Toyota athletes, some of Canada's most elite athletes and Olympic and Paralympic hopefuls. We can't wait to cheer them on as they take the global stage.

To further our commitments, Toyota will also be supplying the Paris 2024 Games with over 2,600 electrified vehicles.

So, as I said, an exciting year ahead...