

December 2013 Sales Conference Notes

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December 2013 and YE Sales Conference Call
Friday, January 3, 2014

[December 2013 Sales Conference Call \(Audio Clip\)](#)

Toyota Motor Sales Vice President of Corporate Communications Mike Michels:

Happy New Year everyone. Thank you for joining us to review December and 2013 CY sales results and to take a look at 2014.

Speaking today will be...

- Bill Fay, Toyota Division Group Vice President and General Manager;
- And Jeff Bracken, Lexus Group Vice President and General Manager.

Following the call, our communications team will be available to field any additional questions you may have.

Now I'd like to turn it over to Bill Fay, for a look at TMS and Toyota Division results.

Toyota Division Group Vice President and General Manager Bill Fay:

Hello everyone and Happy New Year.

Auto industry

- Grew by more than 1.1 million vehicles in 2013
- Total sales of about 15.6 million,
 - up 7.6%
- 4th straight YOY increase
- Best year since 2007
- Consumers spent a record \$375 billion on new vehicles
 - (J. D Power)

At Toyota Motor Sales, our 2013 highlights included:

- Camry
- Best-selling car in America
- 12th consecutive year
- 16 of the last 17
- Topping 400,000 for the second straight year
- Toyota Division
- Industry retail sales leader
 - Topping Ford Division by almost 55,000 units

- Lexus
- Sales of more than 273,000
- Up 12%
- Outperforming the industry for the year

- 12-model TMS hybrid lineup

- Set a new all-time record
- Nearly 345,000
 - Up 5.3%
- Accounting for about 60% of all industry hybrid sales

Industry December

- 1,360,000 vehicles
- About the same volume as last year
- Important to note
 - While SAAR down from 16.4 million in November
 - To 15.4 million in December
- Industry retail sales rose 87,000 units over that period
 - Despite having
 - One less selling day
 - One less weekend than last year
 - DSR basis, sales up 4.3%

Toyota, Lexus and Scion

- December sales of 190,843
- Also on par with last year
- Up 2.2% on a DSR basis

For TMS in 2013

- Sold more than 2,236,000 million vehicles
- Increase of more than 150,000 units from last year
 - Up 7.4%
 - Best year since 2007
- Reduced fleet sales slightly
 - 8.7% of mix (9.7% of mix last year)
- Driven by introduction of 9 all-new or updated models including:
 - Toyota RAV4, Tundra and Corolla
 - Lexus IS and GX
- And a full year of sales for the:
 - Toyota Avalon
 - Scion FR-S
 - Lexus LS, ES and RX

New models accounted for 60% of our growth

Toyota Division last year...

- 1,960,000
- Up 6.7%
- In addition to being the #1 retail brand
- Also #1 in passenger car sales
- And #1 in certified used vehicle sales
 - More than 370,000
 - Best year ever
 - First brand to surpass 4 million total CU sales
 - Important as entry-level vehicle to Toyota brand

The big gainers

- Avalon
 - Introduced just over a year ago
 - Sales of 71,000
 - More doubled (+140%)
- RAV4, which began arriving in dealerships last January
 - Had its best year ever
 - Total sales of more than 218,000
 - Up 27%
 - Red-hot compact SUV segment

Tacoma and Tundra

- Both updated during the year
 - Tacoma +13%
 - Tundra +11%
- Total pickup truck sales of 272,000
 - Best since 2008

As I mentioned, hybrids set a record in 2013

- Led by Prius family with sales of 234,000
 - Pretty much equal with last year
- Toyota Division hybrid sales up 4%

That's especially significant...

- Saw a steady decline in gas prices during year
 - 33-month low in mid-November (\$3.26)
- This sales stability
 - Indicates hybrids now accepted as mainstream products
 - And fluctuating gas prices are having less of impact on hybrid sales

Consumer Reports reinforced that point last month

- Prius named best overall automotive value
 - Second year in a row

- Recognized for performance, reliability and cost of ownership
- Wasn't just Prius
- Avalon hybrid and RXH also were category leaders
 - TMS took 3 of 10 categories
 - More than any other manufacturer

Finally, quality remains our primary target

- Key to future growth
- In 2013 we recorded several important accomplishments
 - Consumer Reports
 - Named Toyota and Lexus top two brands in reliability
 - Camry returned to the list of recommended models
 - Kelly Blue Book
 - Toyota and Lexus top brands in resale value
 - J. D. Power
 - Lexus #1
 - Customer Satisfaction Index (5th straight year)
 - Vehicle Dependability Study

Looking ahead at 2014

- Most recent economic indicators are encouraging:
- After a strong third quarter
 - Current GDP growth forecast at 2.5% for 2014
- Unemployment at a 5-year low (7%)
- Consumer confidence rebounding
 - Highest level in December since July (U of M Consumer sentiment)
- Homebuilder confidence matched an 8-year high in December
 - (National Association of Home Builders/Wells Fargo builder sentiment index)

And while some challenges remain, the recent budget agreement provides added stability for the next two years and sets the stage for continued economic growth.

Based on those factors...

- Strong growth, more jobs and more new homes
- We expect
 - Economic recovery to continue in 2014
- Help auto industry transition
 - From relying on pent-up demand for growth
 - Which we see leveling off
 - To benefitting more from overall economic gains
- We'll also continue to benefit from
 - Auto loans near historically low rates (3-4%)
 - Good financing availability

For the auto industry in 2014

- Most analyst projections in excess of 16 million
 - Some as high as 16.4 million
- At Toyota planning for roughly 16 million
- Even this modest increase
- Returns the industry to healthy pre-recession levels

At TMS...

- Rollout of new models will continue in 2014
- Seven all-new or significantly updated vehicles

At Toyota Division

- Includes all-new Highlander, now arriving at dealerships
- Full year of sales for core models
 - Corolla and Tundra
 - Launched in the second half of last year
 - Still building inventory
 - Also have a surprise or two for you later this year
 - Don't miss our press conferences at CES and in Detroit

As a result...

- Total 2014 TMS sales should increase by about 100,000 units
- Exceed 2.3 million vehicles

In conclusion, we expect the auto industry will continue as a major factor in the ongoing economic recovery and also benefit from that recovery.

At Toyota our efforts to bring exciting, fun-to-drive products to market will continue to pay dividends and help us be one of the leaders in industry growth.

Now I'd like to turn it over to Jeff for a look at Lexus.

Lexus Group Vice President and General Manager Jeff Bracken:

And Happy New Year everyone.

At Lexus

- Capped off a great year
- With a great December
- Best volume month in seven years
 - (December 2006)
- Third best month in our 24-year history
 - 20% of dealers recorded their best month

- Total sales of 34,757
- Up 13.6% on straight volume basis

Leading the December surge

- All-new IS
 - Sales more than doubled to 5,400
- ES solid month with sales of more than 8,200
- CT closeout is going well
 - Sales up 12%
 - New model begins arriving later this month

All three SUVs also had good months

- RX sales topping 13,000
- Both GX and LX posting gains in excess of 30%

Now as Bill mentioned

- 2013 was a big year for Lexus
- Sales of 273,847 vehicles
- Up 12.2%
- Easily exceeding initial target for the year of 250,000 vehicles
- Best year since 2007, prior to the recession

Even more impressive

- Sales are up by 75,000 vehicles over past two years
- (38%)
- After the earthquake and Tsunami in Japan greatly limited product availability

Also undergone a complete revival of Lexus product lineup

- Featuring the new look of Lexus
- And dynamic driving characteristics
- Attracting new buyers to the Lexus family

The response to the our new products has been excellent

- First full year of new LS and ES sales
 - Both posted gains of nearly 30%

- RX up 9%

- Topped 100,000
 - First time in six years
 - (2007)
- Best-selling luxury SUV

- May all be trumped by new IS
 - Sales up 26% for the year
 - All of the gain coming since new model introduced in July
 - Sales pace more than doubled since the launch

- Hybrid sales up 14% for the year (43,582)
 - Lexus has more than 60% of all luxury hybrid sales
 - Outsold all luxury diesel models, combined

Looking ahead for Lexus

- Flow of new models will continue
- New CT arriving at dealerships this month
- F model debut at Detroit Auto Show
- Stunning all-new RC Coupe on its way
- Continue to evaluate LF-NX Turbo cross-over concept shown at the Tokyo Motor Show

Based on the success in 2013 of our new models, combined with a full year of sales for the new IS, GX and CT — along with a few more products I can't talk about just yet — we expect to see continued good growth for Lexus and the luxury segment in 2014.

Thank you for joining us today, and now we'd like to open the call up to any questions you may have.