

2013 J.P. Morgan Auto Conference - Bob Carter

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As prepared for

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Good morning!

At last year's conference... I told you Toyota was getting back to the top of its game.

Well, a year later... I'm happy to say... our game CONTINUES to improve... and it's getting BETTER every day.

With an economy on an upward curve... an increased focus on our customers ... and NINE new or updated Toyota, Scion and Lexus products... 2013 is shaping up to be a great year for Toyota AND the auto industry.

For the industry... currently, the consensus forecast among analysts is for annual sales to increase by about a million vehicles to 15.5 million, up nearly 7-percent from last year; although, it's tracking a bit higher right now. Some predictions even show the industry reaching 16 million again very soon.

Most analysts say the key reason for this robust growth is from the improving housing market... and partly due to pent-up demand.

The proof... the average age of vehicles on the road increased AGAIN in 2012 to 11.2 years, according to data from market researcher R.L. Polk.

That's up from 10.8 years in 2011...and more than two years older than a decade ago. (source: <http://cbtnews.com/article/2013/05/pent-demand-still-climbing-higher-heights>)

So, as the economy improves... we'll see more replacement demand and that should continue well into the future.

At Toyota... we're seeing growth in hybrids, small trucks, SUVs and retail sales... areas of strength for us... so we're well positioned for another good year.

In fact for 2013, we expect combined Toyota, Scion and Lexus sales to increase to over 2.2 million.

And we're already on track to hit that target. Through July, our three brands combined have sold over 1.3 Million vehicles, up nearly 8-percent from a year ago.

Our growth is fueled by several factors.

First, Toyota has the highest share of any automaker in the Hispanic, African-American and Asian markets...

and diverse groups represent 93-percent of the U.S. population growth through 2050.

Second... our three brands have been recently recognized as leaders in automotive excellence.

Toyota, Scion and Lexus earned seven segment awards in the J.D. Power Vehicle Dependability Study... that's the most of any auto maker. Lexus was the number one brand and Toyota was the highest ranking non-premium nameplate.

In addition, highly influential 'Consumer Reports' ranked Lexus as THE top brand in its 2013 annual report... and recommends ALL Lexus vehicles. The Toyota Prius, Highlander and Scion FR-S were also chosen as top models in each of their segments.

And... because we've been adding content and value to our products...Kelley Blue Book recently honored our brands with 18 "Best Resale Value" awards... the most of any automaker.

Third...In terms of safety...19 Toyota, Scion and Lexus models have been named 'Top Safety Picks' by the Insurance Institute for Highway Safety... that's more than any other manufacturer.

And...fourth...in these days of spiking gas prices...Toyota is still the most fuel-efficient full line automaker in the industry.

Our recent top executive changes are also contributing to our growth because they've strengthened our ability to respond faster to our customers and changes in the marketplace.

For the first time... a single leader... Jim Lentz... has operational and earnings responsibility for the entire North America region, including Canada and Mexico.

And four of our eight regions worldwide are now led by non-Japanese.

It's clear... Toyota is now leveraging diverse talent on a global scale for its next generation of leadership... regardless of nationality.

As a result, we're now making faster decisions and tailoring our operations and products to suit the local needs of our customers.

A great example of this... is our decision in April to move production of the Lexus ES sedan to our Georgetown, Kentucky plant.

This idea was on the table for several years and was stuck in neutral... but once Jim was in charge ... he threw it into high gear. So, starting in 2015 ... the ES will be built on a new, dedicated assembly line in Kentucky, one of our largest and most-experienced plants.

And that's just part of the new wave of investments we're making in North America to build better cars.

In all... during the past two years... we've invested Two-BILLION Dollars on NINE new North American manufacturing expansions and created more than 4,000 NEW jobs.

Currently, Toyota operates 14 plants in North America which produce 70-percent of the vehicles we sell here... and last October, we celebrated a milestone...building our Twenty-FIVE-Millionth vehicle in North America.

The expansions will also help us establish Toyota North America as a strong export hub for global Toyota. Our North American-built exports jumped by 45% last year... and while the numbers are still relatively small... we expect our total export units to increase again this year.

Right now, we export U.S.-assembled vehicles to 23 countries around the world... and we plan to pursue more opportunities to expand this side of our North American business.

Today, in total, Toyota directly employs over 37,000 people in North America... and... according to the Center for Automotive Research... every direct job created by Toyota, our dealers and suppliers... creates over 10 'spin-off' jobs.

So by that measure, Toyota is actually responsible for 370-THOUSAND North American jobs... equivalent to the population of New Orleans.

Our dealers have also made HUGE commitments to their business and to their communities.

In just the past eight years... our dealers have invested over SEVEN-BILLION Dollars to rebuild and upgrade their facilities to improve our customer experience and keep loyalty to our brands among the highest in the industry.

OK...now that you know how Toyota the company is positioned for the future, let's talk products.

As I mentioned earlier... we are launching nine new or updated Toyota, Lexus and Scion models this year... and I want to share a few with you today.

First... our all-new 2014 Corolla.

When people think of Corolla... they think... great quality... dependability... value... and MPG. There are 40-Million people who have bought a Corolla... but I guarantee you... few of them bought it for its looks.

Well... that's about to change.

Our new Corolla is radically different than previous models and is geared to entice younger generations of consumers. Take a look...

We built upon Corolla's solid reputation for reliability... and THIS time... wrapped it up in a great looking design.

The more advanced, modern styling... makes this the most gorgeous and capable Corolla yet.

The new Corolla is longer and lower in height... creating a sportier image. And... with its wheels pushed to the

corners... and compact overhangs... the car has a more confident wide stance.

But as good as it looks on the outside, the interior seals the deal for me.

The front seats are shaped for the comfort and support of a wider range of body types... and with a longer wheelbase... interior roominess is comparable to a mid-size sedan, including more space for backseat passengers.

The Corolla comes in four grades, including a new ECO grade... which will achieve an EPA-estimated highway rating of 42 miles per gallon...that's better than the first-generation Prius!

The all-new Corolla... built in our Blue Springs, Mississippi plant... arrives in dealer showrooms in about 6 weeks.

In addition to the Corolla... we'll launch the new 2014 Highlander later this year... take a look.

Our customers spoke... loud and clear on what they wanted in the new Highlander:

- a bolder exterior...
- bigger third row seats...
- and easier access to the third row seats...
- all WITHOUT making it any bigger so it's still easy to park.

Well... we listened to them... the 2014 Highlander's exterior is bolder, more aggressive and is accented by new 18- and 19-inch wheel designs.

The new, more stylish interior has a third-row seat design that's easier to get in and out of... and now accommodates three people... improving the Highlander's maximum seating capacity from 7 to 8 people.

And our designers thought of EVERY little detail. To better meet the needs of women... a new front-seat roll-top center console box can hold a large purse or serve as a comfortable armrest. My wife, Jane, loves this feature... and she's even happier that we're adding features women have been seeking for a long time.

There are also many standard and optional premium convenience features like:

- a power back door with height control...
- a blind spot monitor...
- rear parking sonar...
- and an 8-inch touch screen display with Navigation

We're planning on moving production of the Highlander Hybrid to our Indiana plant, so eventually all Highlanders... gas or hybrid... sold in the U.S. will be manufactured here as well.

And... since this product is in such high demand... we JUST announced that we're increasing our production of Highlanders next year. This increase is expected to create more than 200 new jobs at our Indiana plant.

The gas version arrives in December... followed by the hybrid next February.

With the new Corolla and Highlander... plus the Lexus IS that debuted two months ago and is moving fast off dealer lots... we're building on the momentum that began last year with the launch of the all-new Camry and Prius family... along with the RAV4 earlier this year.

For Camry, this year we plan on selling over 400-thousand units, keeping it the number one selling car in America for the 12th consecutive year.

And why is that important for Toyota?

Well... the mid-size sedan market is the largest segment in the industry... and we want Toyota to be America's favorite car...PERIOD.

You know, I've read a few articles about how we're throwing incentives on Camry. Well, yeah... Toyota has slightly increased our support of Camry... because it's appropriate for this highly competitive segment. But...our incentives are still LESS than the competition.

Bottom line... this is a GREAT car... and we're confident that if people drive it...they'll buy it.

In addition to Camry... our Prius family continues to be one of our top volume leaders. In fact... this year, we forecast that we'll sell 250-Thousand... that's more than last year's Acura and Volvo sales...COMBINED!

And our new 2013 RAV4 is doing great. It recorded its best-ever July, marking the sixth straight record-setting month! So, we're well on our way to meeting our goal of selling 200,000 units for the year.

So...what about next year and beyond?

Rest assured we have plenty of products coming that will be better than ever and fully meet the needs of our customers.

At Toyota... we're taking a portfolio approach to environmentally advanced vehicles... and offering a variety of alternative fuel choices, including plug-in hybrids... electric vehicles... and in 2015... our first fuel cell hybrid.

Our goal is to create a variety of vehicles for the future that can run on gas or other fuels... and then let CONSUMERS decide what works best for them.

But at the heart of those choices, we strongly believe hybrids will remain a CORE technology. That's because our hybrid systems can easily be adapted to other powertrains to further conserve energy.

We currently have twelve Toyota and Lexus hybrid vehicles on the market here in the U.S. That's helped us sell more than two million hybrid vehicles in this country...70% of the hybrid market...and over five million hybrids worldwide.

So, our commitment to hybrids remains strong. In fact, since the beginning of this year through 2015... Toyota will launch 19 NEW or redesigned hybrid models globally.

It's all part of our company's global vision to always build better products that respect the planet and help enrich lives around the world.

And... our hybrids are doing JUST that. All told, Toyota estimates that its global fleet of hybrid vehicles has

resulted in approximately 34 million fewer tons of CO2 emissions than those emitted by gasoline-powered vehicles. Even better it's saved our owners more than three BILLION gallons of gasoline.

Well, by now, I hope you can see why Toyota is optimistic about the future of the auto industry and why we're well positioned for future growth this year and beyond.

All automakers can expect a rising tide because of pent-up demand, long-term population growth and millennial consumers who are maturing, getting jobs and starting families.

At Toyota, we firmly believe we have the right people...the right direction...and the right products to meet the various needs of consumers all around the world.

And...we're confident we're positioned to have another breakout year and an even brighter future!

Thank you... and the best to all of you in your future endeavors.