

# 2013 Automotive Press Association - Bob Carter

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**As Prepared for**

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Good morning!

You know a month ago... Toyota had its National Dealer Meeting in Atlanta.

And, during one of the dinner receptions, I asked one of our dealers... "how's business?"

He said things were going great and he couldn't be happier.

Then he said... even when the economy was tanking, he was happy.

Well... that peaked my interest so I asked him to elaborate a bit. And... I love what he said to me.

He said, "Bob... winners are too busy to be sad. I'm too positive to be doubtful. Too optimistic to be fearful. And too determined to be defeated."

So... it got me thinking... that's why Toyota turned itself around in such a short amount of time.

Our dealers... associates... engineers... suppliers... every one of us had that same passion and drive... and I'm happy to say...

Last year... Toyota was on the comeback trail... and a year later... our business CONTINUES to improve... and it's getting BETTER every day.

The economy is on an upward curve...and at Toyota...we've increased our focus on customers and are launching NINE new or updated Toyota, Scion and Lexus products.

By the end of this year 60 percent of our entire lineup will be ALL NEW.

So, you can say... 2013 is shaping up to be a great year for Toyota AND the auto industry.

For the industry... the consensus 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 higher right now.

And, if you listen to the economists at the recent CAR event in Traverse City, the industry will "flirt" with 17 million sales as early as 2018.

Most analysts cite good available credit, the improving housing market and the aging vehicle fleet as key reasons for this sales boom.

And it should only get better as pent-up demand is fully realized.

Currently, the average age of vehicles on the road has increased to 11.4 years, according to R.L. Polk.

That's up from 10.8 years in 2011...and more than two years older than a decade ago.

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... and we're on track to hold onto our title as the number one retail brand in America.

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

And just last month...our three brands combined had they're best month in more than five years.

On a volume basis... sales were up 22.8 percent... well ahead of the industry pace.

Year-to-date... our three brands have sold over 1.5 Million vehicles combined, up nearly 10-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.

As Global President Akio Toyoda had planned for some time... Toyota is now leveraging diverse talent on a global scale for its next generation of leadership... regardless of nationality.

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 executives. [North America, South America, Europe and Africa]

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 22 months...we’ve invested over 2.1 BILLION Dollars on 11 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.

And let me tell you...this may be the home of the Detroit Three... but Toyota also has deep roots in Michigan as well... including our Toyota Technical Center here in Ann Arbor which houses four of our American chief engineers.

For example... the development of our new Tundra pickup that's now arriving in dealerships...was the result of our TTC engineers working closely with Caltex Design Research center in Ann Arbor.

And team members from our San Antonio, Texas plant... where the Tundra is built...came to TTC to be a part of the development as well.

And... it's not just Tundra... our Tacoma... Avalon... Sienna and Venza all have Michigan DNA.

On top of that... today, we're announcing that Toyota will invest 28-MILLION Dollars... to expand our powertrain R & D operations in Ann Arbor.

In all... Toyota directly employs more than 1,200 people here in Michigan... and when you count the spin-off jobs... that amount grows to nearly 8,000 jobs in this state alone.

In addition... Toyota has invested... over 1.3-BILLION Dollars in this state... and we'll continue helping improve local communities through further investments... and by providing funding and other support for Michigan-area charities.

OK... now that you know how 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.

Today... 11 generations later... there are 40-Million people worldwide who have bought a Corolla... that's more than any other car in history.

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 expressive, 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 this month.

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 also 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 adding 200 new jobs at our plant to increase our production of Highlanders next year.

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

With the new Corolla, Tundra 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, we plan on selling over 400-thousand units this year, keeping it the number one selling car in America for the 12<sup>th</sup> 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... Camry 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 second best month-ever in August... with sales of more than 23,500... up 50-percent.

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?

We've got plenty of products coming that will be better than ever and fully meet the needs of our customers.

In fact, we're just getting warmed up on product launches.

In addition to the new Tundra, Corolla and Highlander coming out this year...

we're planning to introduce more than TWO DOZEN new, updated or hybrid Toyota, Scion and Lexus models during the next 24 months ALONE.

I'm talking trucks to compacts... and luxury cars to our first-ever fuel cell hybrid in 2015.

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.

And let me be clear... Toyota is NOT giving up on pure electric vehicles.

We believe they DO have a role to play in the future as soon as battery and charging technologies significantly improve.

That's why we've ramped up development on new battery technologies like solid state...and lithium air, as well as devoting resources to new chemistries beyond lithium...like magnesium and other materials.

So...we're exploring all avenues that have potential for the future.

With that said... at the heart of any 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.

And while hybrids makeup just under 4% of the auto market now... we believe the segment CAN... and MUST grow.

To encourage that, we held a Hybrid World Tour event here last week where we assembled our entire global hybrid fleet... 23 vehicles... in one place and invited the media to drive them and talk to many of our hybrid experts... including the executive chief engineer of the Prius... Satoshi Ogiso.

Ogiso shared how the next Prius, arriving in 2015, will begin a “new era” of hybrids for Toyota and Lexus.

The new hybrid systems will be:

- more powerful...
- more compact...
- lighter in weight...
- more fuel efficient...
- AND lower in cost.

So, our commitment to hybrids remains strong.

In fact, I issued a good natured challenge last week to the auto industry to sell 5 million hybrids...the same number of hybrids Toyota has already sold globally... in the United States ALONE by the close of business in 2016.

Achieving this goal IS possible . . . and if the industry as a whole could achieve this ambitious hybrid shift it would have a tremendous value to consumers, saving 3-BILLION tons of gasoline per year.

From the beginning of this year through 2015... we’re launching 19 NEW or redesigned hybrid models globally, so we’ll continue to do our part.

It’s all part of our company’s vision to keep building 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.

That’s equivalent to the total liftoff weight of more than 15-THOUSAND Space Shuttles!

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 now, let's open it up for your questions.