

# Deutsche Bank Access Global Auto Industry Conference - James Lentz

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**Deutsche Bank Access Global Auto Industry Conference**

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*Click [here](#) for the webcast (registration is required).*

*A replay of the presentation will be available for 90 days after the event.*

Good morning. I don't know about you, but I LOVE coming to Detroit in the winter.

When I mentioned that to the gentleman next to me on the plane flying here, he looked at me like I was on something. But for me, Detroit in January means a fresh new start where automakers, including Toyota, are re-energized and excited about what's to come in the New Year.

And that's what I'm going to talk about today. With an improving economy, an increased focus on our customers and communities, and NINE new or updated Toyota, Scion and Lexus products, we're optimistic 2013 will be a great year for the auto industry and Toyota.

Plus, we have great momentum from 2012:

- Combined sales of our Toyota, Scion and Lexus divisions increased over 26 percent to more than 2,082,000 vehicles, doubling the industry's performance for the year.
- Our all-new Camry was the number one selling car in America for 13 years in a row... that's nearly a decade-and-a-half of being number ONE in the most competitive segment in the industry.
- And that's not all, just a few weeks ago, Toyota and Lexus vehicles dominated the *Consumer Reports'* Best New-Car Values list. Out of more than 200 vehicles in the annual ranking, our products earned the top spot in six out of 10 vehicle categories.

We're also optimistic about 2013 because the U.S. economy is expected to continue improving. Some of the indicators for that optimism include:

- More people have jobs and unemployment is at a four year low
- Consumer Confidence dipped a bit last month but according to the Conference Board, consumers appear to be more upbeat about business and labor conditions
- And, the housing market seems to be turning the corner.

In addition, we've been getting a lot of questions whether or not the auto industry will be impacted by the fiscal

cliff situation. Well, the short answer is we haven't seen it so far.

And, according to economists at a recent symposium in Chicago, tax hikes and spending cuts by Washington won't prevent growth this year. They believe our economy will still grow, but at a modest rate.

Last year, we saw the economy grow on average about 2 percent, and this year will probably be about the same.

The auto industry will also grow this year. The current consensus among analysts is for total industry sales to increase by 500,000 vehicles to 15 million, up 3 percent from last year. Some predictions even show the industry reaching 16 million again within a few years.

At Toyota, we're building our plans around a 14.7 million industry. But, it's still early in the year and our forecast could change.

We expect growth especially in hybrids, small trucks and retail sales, which is why we're poised for a good year.

Now, there are a number of solid reasons why we expect the auto industry to grow:

- There's pent-up demand with the average age of the U.S. auto fleet hitting a record high of 11 years old
- Car loans are at historically low rates
- And, younger buyers are returning to the market at a higher rate than any other age category, which bodes well for market longevity and for us.

Our new, more dynamic product designs are helping us bring in younger buyers. For example, thanks to the sportier SE model, the median age for our Camry buyers dropped by almost a decade to 51 years old.

Also, the current Lexus IS sedan has the youngest buyer in the entire luxury industry.

And just yesterday, we revealed the all-new IS with an even more bold and powerful presence... which will continue to help draw in younger buyers.

Another reason we expect industry growth is that the U.S. remains the world's fastest growing industrialized nation and is projected to add at least 100 million more people by 2050.

On a side note, from 2012 through 2017, 93 percent of the U.S. population growth will be from an increase in Asians, Pacific Islanders, African-Americans and Hispanics. The Hispanic population alone will account for more than half of that growth.

This bodes well for Toyota because we have the highest share of any automaker for the Hispanic, African-American and Asian markets. And, the projected buying power of Hispanics will grow to One-and-a-half Trillion Dollars in 2015.

In fact, one report said, "If it were a standalone country, the U.S. Hispanic market buying power would make it one of the top 20 economies in the world."

All of this is good news for the auto industry, and it's why at Toyota, we're optimistic about 2013.

But, it's still cautious optimism because we all know, too well, anything can upset forecasts... exchange rates,

the strength or weakness of global economies, even Mother Nature with all the earthquakes, tsunamis, tornadoes and hurricanes she can bring.

But, it's the beginning of the year, and we're re-energized and looking forward to another good year. For 2013, we expect combined Toyota, Scion and Lexus sales to increase by about 100,000 units to approximately 2.2 million.

Our forecast is fueled by several factors, I already mentioned our strength in the growing diverse markets.

Additionally, our three brands have been recently recognized as leaders in automotive excellence in a number of categories:

- Lexus, our luxury brand, hit the grand slam for the industry. It continues to be number one in Vehicle Dependability, Initial Quality, Customer Satisfaction, and Sales Satisfaction
  - For Dependability, Toyota and Scion were also recognized as the number three and five brands in the industry
  - *Consumer Reports* rated Scion, Toyota and Lexus the top three brands for reliability
  - 19 Toyota, Scion and Lexus models were named 'Top Safety Picks' by the Insurance Institute for Highway Safety
  - and 10 of our 2013 models have earned 5 Stars for overall safety by the more stringent standards of the National Highway Safety and Traffic Administration.
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- In addition, because we've been adding content and value to our products, on top of *Consumer Reports'* recognition, Kelley Blue Book honored our brands with 18 best resale value awards... the most of any automaker.
  - And, in these days of high gas prices, Toyota is the most fuel-efficient full line automaker in the industry.

Now, along with earning high marks for quality, safety, value and customer service, our Global President, Akio Toyoda, has pushed the company to introduce products with more expressive styling. And, we've responded to his call.

For proof, take a look at our all-new [Toyota Avalon](#), the [new IS](#) and our [Lexus concept coupes](#), the LF-LC and LF-CC.

Akio also urged us to add better handling and unmatched craftsmanship to our products.

For handling, get behind the wheel of a [Scion FR-S](#) and you'll have a blast driving it around corners and through straightaways.

For craftsmanship, check out the hand stitched interior of the Avalon or every inch of the new Lexus LS interior, especially the uniquely crafted steering wheel. Along with this amazing craftsmanship, the LS is also one of the most technically advanced vehicles in the industry. For example, the pre-collision active safety system in the LS is designed to assist the driver in avoiding or mitigating collisions with vehicles and pedestrians under a wide range of city and highway speeds, day or night.

We believe it's the first of its kind anywhere in the industry, and we intend to keep introducing leading safety

technologies.

Along with those advantages, we're also putting stronger focus on our customers and local communities across North America.

When Akio Toyota came on board, he wanted to build better cars and give each of the key regions around the world more autonomy. His goal is for each region to make decisions that are best suited for their customers, and improve the communities where we do business.

That's why in the last 13 months, we have completed or are in the process of expanding our North American footprint with a One-and-a-half BILLION dollar investment to open up new or expand manufacturing plants.

Right now, Toyota operates 14 plants in North America which produce 70-percent of the vehicles we sell here. Some of the expansions help accommodate the increase in our North American-built exports, which jumped by over 50 percent last year, and we expect that number to increase this year.

Currently, we export U.S. assembled vehicles to 21 countries around the world.

In all, our vehicle production jumped by 41 percent last year. In fact, our manufacturing plants are near capacity. Today, our direct investment in the U.S. is over 18 BILLION dollars and counting... that's enough to buy 10 Space Shuttles.

The even better news, with this boost in manufacturing plants and shift needs, we added 3,500 new jobs in the last 13 months. Overall, Toyota directly employs over 30,000 Americans. And according to the Center for Automotive Research, every direct job created by Toyota, our dealers and suppliers creates additional 'spin-off' jobs.

As a result Toyota is actually responsible for over 365,000 American jobs... that's equivalent to the population of St. Louis.

In addition our dealers have made huge commitments to their business and to their communities. In just the past eight years, our dealers have invested over 7 BILLION dollars to rebuild and upgrade their facilities to improve the customer experience. And their efforts go beyond just improving brick and mortar.

Last year, our Lexus dealers added new roles at each of their facilities. The Lexus Delivery Specialists and Technology Specialists are there to help every customer enjoy all the benefits their vehicle has to offer. And, if customers need additional support while they own the car, these specialists are always available to take care of our customers' needs. In most cases, they're available 24-7.

As a result of these investments, our customer loyalty remains high for our brands.

In fact, just last night, both Toyota and Lexus picked up RL Polk Loyalty awards. And, it's this loyalty that helped us recover from the many challenges we faced in the past few years.

That's why I'm so thankful for our customers and their ongoing confidence in our products.

In fact, that tremendous loyalty is one of the primary reasons we decided to change our Toyota brand tag line to 'Let's Go Places.'

It's our way of saying that... Toyota wants to be a part of our customers' lives and will always be there for them...now and in the future. It's an invitation to get out there together and do great things.

And our commitment to customers and America goes beyond jobs and work investments.

From its founding, Toyota's vision as a company has been to "enrich society through building cars." This is a great altruistic view and it's also good business sense.

Each year, Edelman, the world's largest public relations firm, issues its "Trust Barometer" survey to measure people's trust in various industries. They've found that a company's character, particularly among young consumers, is a big part of purchase consideration these days.

To make that link at Toyota, we're helping customers and communities through corporate support of many charitable organizations. During the past 20 years, we've donated more than 600 million dollars to worthy causes that improve the quality of life in America.

We're also doing some great work through our Collaborative Safety Research Center based here in Michigan. The center is working with universities, hospitals, research institutions and federal agencies on a variety of projects. Our goal is to develop new safety technologies to help reduce the number of traffic injuries and fatalities on our roads.

The best thing about this center is that it focuses on research that will benefit the entire industry rather than purely focusing on proprietary technologies. This way, all cars, no matter what brand, can be improved in the future to help consumers all around the world.

In addition to our Research Center, we're also sharing our Toyota Production System knowhow and expertise with other companies and nonprofit organizations, including schools and hospitals, to increase their impact.

So far, we have aided nearly 190 groups. For instance, after hurricane Katrina, with Toyota's help, the St. Bernard Project, one of the primary housing recovery organizations, was able to reduce the amount of time to build a new home from 12 to 18 weeks to only six weeks...more than a 50 percent improvement.

So how are our products helping enrich society?

Well, besides helping people 'Go Places,' our products provide: freedom, comfort, independence, livelihoods, and pride. They're also helping to improve the environment.

We currently have eleven Toyota and Lexus hybrid vehicles on the market... and sales of our hybrids globally since 1997 have resulted in a 26 million ton reduction in CO2 emissions.

That's like taking over 4.8 million passenger vehicles off the road... not any of our vehicles, of course.

Now, 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.

For example, hybrid technology is a key component of most hydrogen fuel cell systems. And hybrids can be teamed with larger batteries to increase the range of plug-in models. So, we are fully committed to hybrid technology.

And consumers seem to agree with us. In 2012, Toyota and Lexus sold over 1 million hybrids, globally, for the first time ever... three years earlier than our goal.

In total, our company has sold nearly 5 million hybrids around the world 2 million of those were sold here in North America, and we're just getting started.

We plan on launching 21 new or redesigned hybrids globally by the end of 2015, starting with the all-new Avalon hybrid which our dealers began selling last month.

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

So, let's talk about some of our products that will help do just that here in North America.

As I said earlier, Toyota, Lexus and Scion are launching nine new or updated products this year, including two that recently made their world debut.

In November at the Los Angeles Auto Show, we revealed the all-new [2013 Toyota RAV4](#).

This crossover SUV will help young, active families and couples seeking utility and fuel efficiency 'Go Places' when it goes on sale this month.

To the mountains, lakes, skiing, off-roading, and yes, even to work, although that doesn't sound as fun and adventurous, the RAV4's new bold, athletic design with a six-speed automatic transmission provides improved fuel economy and performance.

It also offers technologies like a Blind Spot Monitor with Rear Cross Traffic Alert normally found on larger, more expensive cars. Our annual sales projection is 200,000 units, so it will provide a nice volume boost for our lineup.

We'll get another strong volume boost later this year when we launch an all-new Corolla that will pick up many of the design cues seen in the [Furia concept](#) we unveiled Monday at the Detroit Auto Show.

The other vehicle making its global debut yesterday the all-new [2014 Lexus IS](#) sport sedan. This next-generation IS has a bold, distinctive styling that includes the most aggressive execution of the Lexus spindle grille design.

Every aspect of the new IS has been engineered with a renewed focus on:

- a more sporty performance
- agile handling
- accurate response to driver input

Basically, to ensure this sedan offers customers the most engaging and entertaining driving experience in its segment.

The new IS will be the first Lexus to have our next generation multi-media system and offers an upgraded Navigation system with Lexus Enform.

For safety, our IS models add several new advanced active safety features including a Lexus first, a pop-up hood design. It creates space to absorb pedestrian impact force, allowing for the lowest possible vehicle front profile while optimizing pedestrian impact protection.

You'll be hearing a lot more from our brands as we continue introducing new products throughout the year.

And, as we did for the RAV4 and IS, we will heed Akio Toyoda's call to action for better, more exciting and expressive vehicles.

Well, by now, I hope you can see why I'm optimistic about the auto industry and Toyota for 2013 and beyond.

Automakers can expect a growing number of opportunities as young consumers mature, get jobs and start families, their need for cars will continue to increase.

We just need to have the right products and services to meet the various needs of consumers all around the world.

And at Toyota, with nine new or updated products this year alone, we will help our customers 'Go Places' and in the process, continue building our strong reputation for:

- Quality
- Dependability
- Safety
- Value
- and MPG leadership.

And, as we add more expressive product styling and better driving dynamics, along with our stronger focus on our customers and communities, we're confident Toyota will have another breakout year!

Thank you. Best wishes for 2013 and here's the legal disclaimer about forward-looking statements.

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