2012 Barclays Capital Global Automotive Conference - Bob Carter

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Click <u>here</u> for the webcast (registration is required). A replay of the presentation will be available for 90 days after the event.

Thank you and good morning everyone!

Since there's a lot to cover, I'm going to jump right in so we have time for questions at the end.

In a nutshell, Toyota is getting back to the top of its game.

To make that case, I'm going to:

- provide an update on our business and industry forecast...
- talk about our brand and new vehicle strategy...
- and brief you on our future vehicle design and technology plans

Let's start with an update on our business.

What a difference a year makes! Last year, we were dealing with the tsunami crisis and struggling to deliver cars.

Today...after facing troubles that would have killed most companies:

- Toyota is the No. 1 retail car brand in America...
- Camry is the No. 1-selling car by a wide margin...
- And we're growing sales at twice the rate of the overall industry

And while it's true we had a difficult time meeting demand last year due to the earthquake in Japan, it would be a mistake to say that's the ONLY reason for our great growth this year.

Our sales are strong because we've launched some outstanding new products.

Take the new Camry. It's been the #1-selling car in America for 13 years. And today it's doing better than ever...holding a lead of over 68,500 units through October over the next best-selling car.

At the beginning of the year, we had planned to sell 360-Thousand Camrys... but... as the headline says... this car is KILLING it... and with only six weeks to go until the end of the year... we're tracking sales at 400-Thousand.

And it's because this car is attracting younger buyers, especially with the sporty SE model. The average mid-size sedan buyer is 58 years old. The average buyer for the lastCamry model WAS 60

But guess what?

The current average Camry buyer is now only 51! ...and the average age for the SE model is just 44!

Even better... there are 7 and a half MILLION Camrys on the road today and it continues to have one of the highest retention in the segment. As a result...Camry sales volume jumped 36% in October and is up 37% for the year.

And our Camry Hybrid...named by *Consumer Reports* as the "Best Family Sedan in America...is having a TREMENDOUS year with sales up nearly 800%!

In addition... sales of the new Prius C and Prius V have been phenomenal...with nearly 64,500 units.

You know, there was a time when Honda said the Insight and Nissan said the Leaf would outsell the Prius. And General Motors' CEO claimed that only "geeks" would by a Prius.

Well... there are 43 hybrids and electrics on the road today...all hoping to be a "Prius Killer".

But, the results speak for themselves ...

Let's take a look at sales...

Together, the Insight and Leaf have sold about 12,000 units so far this year ... And here are the numbers for some other hybrids... Not bad....

Now here are the Prius Family numbers...more than 200,000 units. That's right, the Prius family has outsold all other hybrids and electrics...COMBINED!

In terms of the Toyota Division, given our momentum and strong new product introductions this year, we're forecasting consistently improving sales over the next few years, eventually reaching nearly 2 million sales and a 13-plus share in 2014.

In terms of the overall industry for the rest of the year and beyond, I'll characterize it this way: the car business is all about the "Three C's" – cars, credit and confidence.

We have two of the three...more fresh products than we've seen in a decade and plenty of credit...but the wild card is consumer confidence...and it's crucial. But... we are seeing improvements there, too.

And there are many positive indicators out there...including pent-up demand and low interest rates...so we expect industry sales of about 14.3 million....or about a million and a half units higher than last year. And the forecast for 2013 is EVEN better.

We also believe most of the industry growth will come in retail sales, an area where TMS has traditionally performed best. And we continue to strategically apply incentives so they are among the lowest in the industry.

We're also ensuring our dealers are among the most profitable in the industry by holding our dealer count around 1,500.

During the past 8 years, Toyota dealers alone have spent 5 and a half BILLION dollars of their own money to improve, expand and upgrade their stores. 5 and half BILLION! ...that's enough money to buy THREE Space Shuttles and have money left over!

Finally, we continue to "build cars where we sell them."

In fact, we recently:

- opened a 2,000-job plant in Mississippi to build Corollas....
- announced the expansion of Highlander production in Indiana... RAV4 and Lexus RX production in Canada... engine production in Alabama... and transmissions in West Virginia...
- launched a dedicated office near our high-tech partners in California's Silicon Valley to develop future incar multimedia systems...
- And...last week...we announced a pact with Mazda to build a Toyota sub-compact car for North America at Mazda's plant in Mexico which is currently under construction.

In short, during the past year, Toyota has hired or announced 3,500 new jobs and will invest an additional 1.6 BILLION dollars in North America.

As a result, 70% of the vehicles we sell here are now made here... and contain an average of more than 75% domestic content from North American suppliers.

That's why...for the fourth year in a row...cars.com named Camry the "most American" car on the road.

And that's not all. We're also expanding our export operations...meaning Toyotas made by Americans are increasingly being sold overseas.

In fact, I'm happy to announce this morning that Toyota just began to export our Venza crossover outside of North America for the FIRST time.

Venza is built by team members at our Georgetown, Kentucky plant...and we'll export approximately 600 units annually to our distributor in South Korea.

Today's announcement is part of our continuing strategy to use our North American plants as a manufacturing base to supply global markets.

In total, we plan to increase our exports by 52% this year to more than 130,000 units...an all-time high for Toyota. And, we'll continue looking for more opportunities to expand this side of our North American business.

So...overall...in terms of sales and operations...we're in excellent shape and getting stronger every day.

OK...now let's talk about the Toyota brand and our new vehicle strategy.

As you know, we dealt with a series of recalls several years ago. But thanks to a lot of hard work, Toyota is once again recognized as among the best in the industry.

In terms of quality, Toyota/Lexus/Scion dominated the 2012 JD Power Vehicle Dependability Study:

- TMS models won 8 of 14 segments...
- Lexus finished #1 and was the top-rated brand overall...
- Toyota ranked #3, the highest non-premium nameplates...
- And Scion ranked #5...up 17 slots in the rankings

In addition, the highly influential Consumer Reports... rated Toyota #1 in overall brand perception... and most recently... named Scion, Toyota and Lexus as the top three brands for reliability.

On the safety side, 19 Toyota, Lexus and Scion vehicles have been named 2012 "Top Safety Picks" by the Insurance Institute for Highway Safety... more than any other automaker.

In addition, 7 of our 2013 models...Camry, Camry Hybrid, Prius, Venza, the Scion tC, the Lexus RX and RX hybrid...have earned 5 stars for overall safety under new, more stringent NHSTA standards.

Along with strong quality and safety numbers, our conquest, intention and consumer loyalty numbers are also rising.

Specifically, Experian recently reported that our loyalty rate during the 2nd quarter increased to nearly 50%, passing both GM and Ford. This increase marks the first time, Toyota has achieved the top spot in corporate loyalty since 2009.

In addition, we're making great progress on further improving the service side of our business through our Toyota Care 2-year complimentary maintenance program.

In fact:

- More than 1 in 4 customers (28%) say it positively influenced their purchase decision...
- 98% of Toyota Care customers say they will return to their dealerships for service...
- And Toyota dealers retained 232,000 MORE service customers in 2011 than the year before

Those results mean better profits for our dealers and our company... AND will boost future sales because our research shows satisfied service customers are twice as likely to purchase their next car from that dealership.

Now... along with improvements across the board, this year... we embarked on the most ambitious product launch in Toyota's 54-year history in America.

This year through the first quarter of 2013, we're launching 19 new or updated Toyota, Scion and Lexus products...a record for our company.

In fact, the new and revised products we began rolling out late last year will represent nearly ONE-HALF of our total growth this year.

In other words, our new products are driving above-industry growth with below-industry incentives.

What's more, our new products are even better in quality and are attracting new and younger buyers to the Toyota family. And we're very optimistic about the future because we have many more new products in the pipeline.

2012 is also "The Year of Lexus".

We're introducing much bolder designs and 9 new or updated products along with 3 F-SPORT models.

It started in February with the all-new GS sports sedan which introduced the signature face for Lexus ... the new spindle grille.

As a result, GS sales are up by more than 400% for the year, so we have great expectations for this car and our other new products this year.

Our Scion brand launched two new products this year and is on a growth curve again.

One of the two new vehicles... the FR-S has received an IMMENSE amount of praise and has graced the covers of many influential car magazines, including Road and Track and Motor Trend.

We're quickly selling every one we can get our hands on... and the average age of our initial buyers is 31 years old ...that's among the youngest buyers in the entire industry.

And excitement about the new FR-S is bringing more people into dealer showrooms, helping sell other Scion products. Last month, total Scion sales were up more than 50% from a year ago.

In addition to great success with our current products, we are working on impressive technology and vehicle designs for our future products.

Toyota has always been a future-oriented company... we pride ourselves on anticipating the needs of our customers and society both today and tomorrow.

We fully intend to play an important role in being part of the solution on important issues like harmful emissions and energy independence.

That's why nearly half of the new products were hybrids or electric vehicles.

But we aren't stopping there. We have plans to roll out 21 new or redesigned hybrids globally by 2015.

We are pursuing a broad range of technology initiatives from hybrids to fuel cells that will allow us to address the different needs of different customers in different regions around the world.

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

But whichever way consumers decide to go, we strongly believe hybrids will remain a CORE technology because our hybrid systems can easily be adapted to other powertrains to further conserve energy.

For example, if you team a hybrid system with a fuel-cell, the vehicle will get better fuel economy than a standard fuel cell vehicle.

And hybrids can be teamed with larger batteries to increase the range of plug-in models.

Now, electric vehicles are getting some negative press, but we think they do have a role to play in the portfolio of future products. However, that role will be limited until battery technology, costs and range can be significantly improved.

So to begin testing the waters on consumer acceptance, we introduced two electric vehicles this year at different ends of the spectrum.

On one end is our RAV4-EV, a larger vehicle with amazing utility and flexibility and a potential range of more than 100 miles on a single charge.

It strikes a strong balance between cost, range and utility...and is proving to be popular among those consumers considering an electric vehicle.

At the other end, we will launch our iQ-EV micro car for short-range vehicle sharing programs in urban areas where trips are short and parking spaces limited.

We're bringing these vehicles to market in low volume...but we will learn from them ...and continue working on battery technology that will best meet the needs of consumers in the future.

Along with dealing with the practical, rational side of technology in future vehicles, we're also appealing to the fun, emotional side of our customers with much bolder designs for our products.

For example... the all-new Lexus ES... on sale now... with:

- A lower, progressive profile...
- Crisp, confident handling...
- A luxurious and spacious interior...
- Advanced safety features like a segment-leading 10 airbags...
- And the latest in-car multimedia system.

We also introduced the first-ever ES hybrid that offers all of those features, plus achieves an EPA-estimated 40 mpg in combined driving...double the mileage of BMW 3-series models.

The second is an all-new Avalon, designed, engineered and built right here in North America.

It features:

- A futuristic design...
- Dynamic performance...
- A spacious, refined and comfortable interior...
- And an abundance of high-tech touches, including iPad-like screens to control in-car functions

Even better, we'll offer two different Avalons: A 268-horsepower, V6 gas version rated at 31 mpg on the

highway...

And an all-new hybrid version that gets an estimated 40 mpg in combined driving...that's HIGHER than the tiny Fiat 500.

And I assure you this is JUST the start of a stronger, bolder more assertive Toyota.

In fact, next year our company will have five MAJOR launches of products that include the rational aspects... quality... dependability... reliability... safety... and high value... all the things Toyota and Lexus are famous for... but... what you'll see from us is more emotional designs and styling that... quite frankly... we really haven't offered before.

Our new direction started with the all-new Avalon... and in just two weeks, you'll see the next generation Toyota RAV4 makes its debut at the Los Angeles Auto Show.

In the future, our vehicles will not only be reliable, fuel efficient and environmentally focused... they'll be exciting to drive and fun to be seen in.

For instance, our Lexus LF-LC concept coupe that debuted earlier this year – it's not only a HOT looking coupe... it's a HYBRID! So you can look great while helping to meet the needs of our environment and society. It's just a concept now, but it's has received a fantastic reception from the public, so stay tuned.

So, there you have it... some phenomenal products coming now...and in the near future.

2012 was a break-out year for Toyota in terms of recovery. 2013 will be another break-out year for us, in terms of product... and we're in a great position for even STRONGER growth in the future.

It's not about being the biggest in the world; it's about being the best for our customers all around the world.

Thank you...and here's the legal disclaimer about forward-looking statements.

Now, I'd be happy to answer your questions...