

2012 J.P. Morgan Auto Conference - Bob Carter

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Bob Carter, Senior Vice President, Automotive Operations, Toyota Motor Sales, U.S.A., Inc.

[Click here for the webcast \(registration is required\). A presentation replay 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.

One year later, our sales have taken off like a shot.

Overall TMS sales for July were up 26% and nearly 30% for the year.

In addition, Toyota was the No. 1 retail brand in July for the FIFTH consecutive month, showing strength up and down the lineup.

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.

We're also growing twice as fast as the industry because we've launched some outstanding new products.

Take the new Camry.

It's been the #1-selling car in America for ten years in a row and 13 out of the last 14.

And today it's doing better than ever. Sales are up 39% through July and it has a 60,000-unit lead over the #2 selling Honda Accord.

Even better, we've seen a big improvement in the model mix for the new Camry with the sporty SE model accounting for 40% of our volume.

As a result, Camry has the highest transaction price in the segment and it's attracting an average buyer that's a DECADE younger than the previous generation.

In addition, our new Prius family is off to a TREMENDOUS start.

Combined sales of our new Prius v and the original Prius Liftback have set new retail volume records EVERY month from November 2011 through July 2012, grabbing a 43% share of the entire hybrid market.

Beyond the numbers, the Prius v is having a positive effect on the overall Prius family brand image, driving perceptions of innovation and bringing incremental customers to the Prius brand.

And the March launch of the 95-mpg-e rated Prius Plug-in and the 53-mpg city-rated Prius c have added momentum to the family.

The results speak for themselves ...the Prius family has been selling about 20,000 units a month, or more...so it's a solid success.

Given our momentum and strong new product introductions this year, we expect total TMS sales of about 2 million units. ...up about 20%.

In terms of the overall industry in the second half, 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 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.

We also believe most of the industry growth will come in retail sales, an area where TMS has traditionally performed best.

And while we recently filled some fleet orders to make up for those impacted during the earthquake aftermath, we will keep our fleet sales below 10% this year...lower than most automakers.

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.

And, our dealers are so confident about the future that they plan to spend one BILLION dollars on facility improvements this year alone.

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...
- and launched a dedicated office near our high-tech partners in California's Silicon Valley to develop future in-car multimedia systems

In short, during the past 8 months, 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.

In fact...for the fourth year in a row...cars.com named Camry the “most American” car on the road.

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

And Toyota was rated #1 in overall brand perception by *Consumer Reports*.

On the safety side, 17 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, 6 of our 2013 models...Camry and Camry Hybrid, Prius, the Scion tC and 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 consumer loyalty, conquest and intention numbers are all rising...indicating a strong interest in Toyota products.

We’re also 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 nearly 3 times more likely to purchase their next car from that dealership.

Along with improvements across the board, we're in the midst of the most ambitious product launch in Toyota's 54-year history in America.

We are launching 19 new or updated Toyota, Scion and Lexus products during this calendar year...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.

The lead product for our product blitz is the all-new GS sports sedan with a new, more emotional design which debuted in late January.

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 with sales up 40% through July.

But Scion is about more than volume...it's a vital gateway for attracting new and younger buyers to the Toyota family.

And it's doing JUST that.

Today, 64% of Scion customers are new to Toyota...and with a median age of just 35...the brand is attracting the youngest buyers in the business.

And we expect that will come down now that we've introduced the new Scion FR-S, an authentic, low-slung sports car with exceptionally balanced performance and handling...compelling style...flexible utility...and surprising MPG.

With a starting price of just \$24,200 for the manual six-speed, we believe we've created an affordable sports car that true driving enthusiasts will enjoy.

And so far, people agree.

We've literally sold out of all our allocations for the sports car in June and July...and it's spurred interest in the overall brand, helping boost July Scion sales to 7,000 units, up 114%.

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 we're introducing THIS year are hybrids or electric vehicles.

But we aren't stopping there.

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 have been getting some negative press lately, 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're introducing two electric vehicles this year at different ends of the spectrum.

On one end will be 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 will strike a strong balance between cost, range and utility...and should prove 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 plan to bring 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 intend to appeal to the fun, emotional side of our customers with much bolder designs for our products.

You'll see some great examples hitting showrooms between now and the end of the year.

The first...on sale now...is the all-new Lexus ES 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'll also be introducing a 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 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.

We strongly believe that we have ALL the ingredients to make 2012 a break-out year for Toyota... 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...