

February 2012 Sales Conference Call

March 01, 2012

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Thursday, March 1, 2012

Toyota Corporate Manager of Media Relations Steve Curtis:

Good day and thank you for joining us to review Toyota's February sales.

Speaking today will be:

- Bob Carter, Group Vice President and General Manager of the Toyota Division
- And Tim Morrison, Lexus Division Vice President for Sales and Dealer Development

Following the call, our communications team will be available to field any additional questions you may have.

Now I'd like to turn it over to Bob for a look at February results.

Bob Carter:

Thank you Steve.

Hello everyone, and thank you for joining us.

The momentum we've seen in the marketplace the past couple of months continued in February.

Industry sales should top one million and come in with a SAAR of about 15 million, exceeding everyone's expectations.

That's the second straight month above 14 million and a million units more than a year ago.

Key economic indicators – from the stock market to the job market, are showing the best results in four years and that's also true of auto sales, off to their best start industry-wide since 2008.

For Toyota, Lexus and Scion, total sales of 159,423 leaped 12.4 percent on a volume basis from last February.

With one additional selling day this year, that works out to a 8 percent DSR increase.

Lexus had a big month with sales up nearly 21 percent and you'll hear more about those results in a minute.

For the Toyota Division, sales of 142,745 were up 11.5 percent.

With gas prices approaching \$4 a gallon and already up 14 percent this year, I think it's fair to say fuel economy is top of mind with many consumers.

And with the most fuel-efficient vehicle lineup in the industry, our results reflect that concern.

Toyota car sales were up 20 percent, with Camry, Prius, Yaris and Scion all posting increases of 25 percent or more.

Camry sales continue to surge since the introduction of the all-new model last fall, with sales up 27 percent to more than 34,500.

The Camry hybrid, still building inventory, saw sales up more than 260 percent.

Prius family was up 52 percent. Prius liftback sales rose 22 percent with additional growth provided by the all-new Prius v.

In fact, total Toyota Division hybrid sales were up more than 63 percent.

The Prius family continues to grow this month as the Prius c and Prius Plug-in, both with combined fuel economy ratings of 50 miles per gallon, begin arriving at dealerships.

Fuel efficiency also was important to truck buyers in February, with Tacoma up more than 35 percent from a year ago.

RAV4 benefitted from the increased emphasis on fuel economy and at the same time we're beginning to see improvement in inventory levels.

As a result RAV4 was able to show its first increase in several months.

Toyota Certified Used vehicles had a record month, with sales up five-and-a-half percent from last year.

Fleet sales were down from January, accounting for about 15 percent of our total.

That's slightly higher than normal as we continue to work with our fleet customers to make good on deliveries we delayed last year while we were rebuilding our retail inventories.

This process will continue in March, but by the end of the year, our fleet sales will once again be less than 10 percent of total sales.

The other big news in recent days is Consumer Reports annual selection of best in class vehicles.

Toyota products were named best in five of 10 categories and no other manufacturer had more than one product on the list.

Camry again led the way, with the Camry Hybrid on the cover and named Best Family Sedan.

It was joined by the Prius as the best Green Car, the RAV4 and Highlander as best SUVs and the Sienna as the best minivan.

In addition, J.D. Power and Associates released its Vehicle Dependability Study last month, with Toyota, Lexus and Scion models topping eight categories, more than twice as many as anybody else.

Lexus was first overall, while Toyota was the highest-ranking non-premium nameplate and tied for third overall. Scion also jumped 17 places and finished fifth.

We intend to keep the momentum going on all fronts in March.

From a production standpoint, inventories are excellent and getting better all the time. We have more than 25,000 Priuses in stock, with new models arriving this month as I mentioned.

A second shift was added at the Mississippi Corolla Plant during the month and we have announced plans to boost Highlander production beginning next year.

And just this morning we announced plans to increase production of 6-speed automatic transmissions later this year at our plant in Buffalo, West Virginia.

From a marketing standpoint, we'll roll out our first national sales event of the year in March.

Thanks to strong residuals and improving inventories, the campaign will feature zero percent financing and outstanding lease rates.

Six models will be available with zero percent financing, including Avalon, Tundra, Venza, RAV4, Highlander and Sienna.

Lease rates will vary by region, but special leases will be available on Camry, Corolla, RAV4, Avalon, Venza, Highlander, nearly everything in our lineup.

In closing, the February results provide an encouraging outlook for 2012...not only for Toyota and Lexus but for the entire industry.

And despite concern about rising gas prices, we're well-positioned to respond to shifts in customer demand.

In fact, five of our recently introduced new products: the Scion iQ, Camry Hybrid, Prius v, Prius c and Prius Plug-in, offer an average combined fuel economy of 44 mpg.

Now I'd like to turn this over to Tim Morrison for a look at the Lexus results.

Tim.

Tim Morrison:

Thank you Bob and good day everyone.

February was a strong month for Lexus.

We sold 16,678 vehicles, up 21% percent from year ago levels, and 36% vs. January.

Car sales showed continued strength with an increase of 66% over last February.

For the last several months we have been talking about an unprecedented wave of new Lexus products coming in 2012.

In fact, we said we'd launch nine new or updated models plus three F SPORT vehicles this year.

Well, in February, the first of these new products began arriving at dealerships, ...and departing dealerships just as quickly.

Based on early sales results, the new GS is exceeding even our expectations.

In February, GS sales totaled 2,396 units...

And we're very excited about the mix...25% of GS sales have been F-Sport Models...so true driving enthusiasts have taken notice...

This is one spectacular car that really delivers on the promise of world-class performance driving dynamics.

Early data indicates the new GS has also been successful in bringing a new buyer into our showrooms...with 30% new to the Lexus brand...and 40% under the age of 50.

Needless to say, GS is off to a great start, and we expect the momentum to continue.

The CT200h also performed very well in February with 1,640 units sold, an increase of 60% over January.

With increasing gas prices, the 43 city mpg offered by the CT is really resonating with more price-sensitive entry-luxury consumers.

February also brought great news on the Lexus quality and reliability front.

As Bob mentioned, Lexus topped the industry in the J.D. Power and Associates Vehicle Dependability study...for a record 13th time!

LS was once again the most trouble-free vehicle in the industry...and our volume leaders, RX and ES, took home awards in their respective segments.

We were also very pleased to see two Lexus vehicles designated as Consumer Reports Top Picks...LS in the Luxury Sedan segment...and RX 450h in the Luxury SUV category.

These studies provide further validation that Lexus continues to make the highest quality, most trouble-free vehicles in the industry.

In closing...2012 is off to a great start here at Lexus and there's a lot more great news to come.

Now I'll open it up to questions.