

October 2011 Sales Conference Call

November 01, 2011

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Tuesday, Nov. 1, 2011

TMS Vice President of External Communications Mike Michels:

Hello everyone and thank you for joining us today to review Toyota Motor Sales' October results.

Joining us are:

- Bob Carter, Group Vice President and General Manager of the Toyota Division; and
- Mark Templin, Group Vice President and General Manager of Lexus.
- And Randy Pflughaupt, TMS group vice president for sales administration, who is responsible for our distribution operations.

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

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

Bob Carter:

Thank you Mike. And good day everyone.

It looks as if October auto industry sales will come in with a seasonally adjusted annual rate of about 13.3 million units, the best SAAR since February.

However, total industry volume declined from September.

In fact, Toyota is one of the few companies reporting month-over-month gains as Toyota, Scion and Lexus dealers combined to sell 134,046 vehicles, up 6.1 percent from September.

We also will pick up more than a point and a half of market share from last month.

Now I know I predicted at the start of the month that our October sales would exceed year-ago levels.

It was an aggressive goal, given our inventory situation at the time, but something we wanted to shoot for.

Unfortunately we came up a little short, down 4.3 percent compared to last October on a daily selling rate basis, and 6.8 percent on a volume basis.

So if you're watching on Skype, you can see I'm having crow for lunch.

Much of the shortfall can be traced to Corolla, with sales down 9.5 percent from last October.

We started the month with less than half the number of Corollas in stock that we had a year ago, and we just couldn't overcome that shortage.

The good news is that Corolla production at our new plant in Tupelo, Mississippi started last month and cars are already being shipped to dealerships, which will help rebuild inventories.

The most important October news for us, is that the all-new Camry is off to a flying start.

While we began the month with less than 13,000 cars in stock, Camry sales topped 22,000, as dealers did a great job turning around arriving vehicles and delivering them to customers.

As a result, Camry was the fastest turning car in our lineup.

We'll be shipping another 35,000 Camrys in November, including the first 2012 Camry Hybrid models, that have been getting such strong reviews.

So dealers will have a great selection of cars on hand to take advantage of the first full month of Camry launch marketing support.

I mentioned last month that early buyers were being attracted to the Camry value story and choosing to buy more Camry for less money.

That continues to be true, with our SE sport model accounting for nearly 40 percent of all sales and outpacing the LE, the traditional Camry leader.

And according to Edmunds.com, Camry is the most researched car on the market, as it has been every week since it was unveiled back in August.

In addition to Camry, light trucks continue to heat up, with sales up 6.5 percent compared to September.

The updated Tacoma, led the way, with sales up nearly 20 percent from last month.

We also continue to add new or updated models to our lineup.

The 2012 Yaris and new Prius v are now on sale, with launch support for the Prius v just getting underway.

These new models will join a lineup that received a big boost from Consumer Reports in October.

All three of our brands – Scion, Lexus and Toyota, finished in the top six of the magazine's annual reliability survey, with Scion and Lexus finishing one-two.

In addition, 16 of the 35 vehicles on Consumer Reports' "most reliable" list were from the Toyota family of vehicles, more than any other manufacturer.

Looking ahead, we're sticking with our fourth quarter goal of exceeding year ago quarterly sales.

To help reach that target, we're rolling out the 32nd edition of our annual year-end Toyotathon sales event to start November.

While Toyotathon advertising will begin closer to Thanksgiving, low interest rates and special lease programs are now available for many 2011 and 2012 models.

Finally, I want to touch on the situation in Thailand, where record flooding is causing widespread concern for the welfare of the people there.

In addition, as I'm sure you know, the situation also is having an impact on production for much of the industry.

Currently all of our North American plants are operating at normal levels, although overtime has been curtailed to conserve parts affected by the flooding and we continue to closely monitor the situation.

Now I'd like to turn this over to Mark Templin for a look at Lexus.

Mark Templin:

Thanks Bob and good morning everyone.

On the Lexus side, there was some positive news in October as our pipeline fills up.

Our sales for the month were 18,092, and, on a volume basis, we were up more than 20 percent from last month when the rest of the luxury industry will be down from September.

Now that we're back in full production, we had strong showings from some of our key models.

RX sales increased 30 percent from a month ago and the LS saw its best month of the year, even outselling October of last year.

Also, the CT is continuing to exceed our expectations and sell at 150 percent of our initial projections.

But perhaps the best news for Lexus is that our production has increased and we have a good, healthy inventory as we head into our most important time of the year.

Traditionally the last part of the year is Lexus' strongest and we expect that to be the case this year, as well.

In fact, I'm happy to announce that our famous "December to Remember" sales event is starting today.

Yes, I know it's just the start of November, and our marketing campaign won't begin until later this month, but the holiday incentives are in place right now.

Customers coming into Lexus dealerships will find great lease and APR programs for the best deals and the best selection of any time this year.

Also, I don't know if any of you are conferencing in from Las Vegas, but if you are, be sure to catch the debut of the GS 350 F SPORT at SEMA this afternoon.

This F SPORT takes the already high performance of the GS to a whole new level, offering a sportier appearance and increased agility without compromising our legendary quality.

The GS will go on sale early next year.

In the meantime, Lexus has plenty of cars and SUVs to satisfy luxury buyers' needs.

Before long you'll be seeing Lexus' traditional icon of the holidays...the big red bow.

But customers don't need to wait for that signal before heading to their dealerships for great deals.

We'll be just as happy making this a November...and December...to Remember for our customers.

Thanks, and now I'll open it up for Q&A...