

# June 2011 Sales Conference Call

July 01, 2011

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Speaking today will be:

- Don Esmond, TMS senior vice president for automotive operations. Don is responsible for all TMS automotive operations and will provide an overview for both the Toyota and Lexus divisions as we mark the midway point of 2011.

### **Don Esmond:**

Good day everyone, and thank you for joining us on today's call.

June marked a significant turning point for Toyota.

For the first time since Japan's earthquake and tsunami disrupted worldwide automotive production and reduced vehicle inventories, total TMS sales increased compared to the previous month.

Toyota, Lexus and Scion June sales totaled 110,937 vehicles, up 2.4 percent from May.

Compared to last June, with inventories down nearly 40 percent, sales were down 21 percent on a volume basis and 24 percent on a daily selling rate basis.

Perhaps even more important, eight of the company's 12 North American built models returned to 100 percent production in early June, including Camry, Corolla, Avalon, Highlander, Matrix, Sequoia, Sienna and Venza.

Production of the remaining four North American built models, Tundra, Tacoma, RAV4 and Lexus RX, will continue to increase, returning to 100 percent by September.

Those vehicles are now arriving at dealerships in ever-increasing numbers, helping to rapidly rebuild inventories.

In addition, production in Japan is expected to return to normal levels by the end of this month.

We can't say enough about the remarkable efforts our team members and suppliers have made here and in Japan to restore production.

The effort in Japan has been incredible, especially in the midst of such tragedy and devastation.

For the Toyota Division in June, sales of 100,937 were up more than 4 percent from May.

On the car side, Camry and Corolla led the way, with both models showing double digit increases over May.

Although Prius sales were down from May and it currently has about a 5-day supply, that pipeline is quickly filling with at least 36,000 slated to arrive at dealerships this summer.

In addition, Prius production for the remainder of this year will top year ago levels.

Light truck sales were up 8.3 percent compared to May, led by Tundra and Highlander.

Toyota Certified Used Vehicles also continue to be in high demand, with sales of about 27,000 in June.

Obviously Lexus has been among the hardest hit by the production disruptions and sales there were off 12.5 percent from May.

The new Lexus CT200h continues its great launch. Although it's down to just a 2-day supply, it has maintained a turn rate of nearly 100 percent since its launch, a good indication of the strong demand for the product.

In addition, the Insurance Institute for Highway Safety just named the CT a Top Safety Pick.

The good news on Lexus is that the majority of its models, the LS, ES, IS, CT and LX are already back at pre-quake production levels.

Those models are starting to arrive at ports now and shipments to Lexus dealers will double in July and increase again in August, as the pipeline to dealers fills to near normal levels.

Certified pre-owned sales are helping to bridge the gap for Lexus, setting a new record for June as CPO sales continue to run ahead of year ago levels.

June's other big industry news was J.D. Power's Initial Quality Survey, where Lexus once again leads all nameplates.

Lexus also captured four segment awards, more than any other premium brand, for the ES 350, GS, GX 460 and LS 460.

The Toyota Division also performed well in IQS and jumped 14 places into the top 10, as virtually every model registered improved scores.

Of course any discussion of mid-year results is skewed by the earthquake and subsequent interruptions in production.

TMS sales were up 11 percent for the year when the earthquake struck back in March. In the second quarter, however, sales slowed as inventories dropped and as a result, we find ourselves at virtually the same position we were a year-ago on July 1.

We won't finish the year that way.

Looking ahead, with production approaching normal levels in both North America and Japan and an influx of new products slated for later this year, we're extremely optimistic about the second half of 2011.

Four all-new models will arrive before the end of the year. Leading the way, as we announced earlier this week, will be the all-new Camry and Camry Hybrid.

Camry will usher in a new level of product excellence for the Toyota brand, designed to meet the changing needs of the 21st Century driver.

The new Camry will provide technologically advanced features, a contemporary design inside and out, improved performance and refined ride and handling.

In addition to the Camry, the Prius v will go on sale this fall providing nearly 60% more cargo capacity than the current Prius, but with an estimated EPA combined fuel economy rating of 42 mpg.

As we've previously announced the Scion iQ will go on sale this fall.

And for the first time today I can confirm there will be a new Yaris in Toyota dealerships by the end of the year.

Those vehicles will be followed in 2012 by the Prius c, Prius Plug-in, RAV-4 EV and several other all-new models that it's a little too early to talk about at this point.

To take advantage of the momentum we started to build in late June, the surge in inventories we'll see in July, and the blitz of new products coming this fall, the Toyota Division is launching a series of new marketing programs just in time for the 4th of July holiday weekend.

Zero percent financing will be available for 60 months on both Camry and Tundra, with an additional \$500 available for down payment assistance.

Five other core models Corolla, Sienna, Highlander, Venza and Avalon, will offer zero percent financing for 36 months.

That's seven models with available zero percent financing.

Special lease rates also will be available on most models with Camry leases under \$200 a month.

And Certified Used Vehicles will continue to have available 2.9 percent financing.

These will all be highlighted beginning later this month when the Toyota Division launches its Summer Clearance marketing campaign.

In closing, I'd like to again thank the many people, both here and in Japan, who helped us reach this important turning point well in advance of initial projections.

I'd like to thank our dealers for the responsible way in which they worked with customers during this period.

And I'd like to especially thank our customers who have shown patience and a willingness to wait for their new car or truck, even when we didn't have all the answers.

We now have those answers.

Toyota dealers have a good supply of cars and trucks –and that selection is growing every day.

Returning production and new marketing programs will put Toyota dealers in a great position to take advantage of the summer selling season.

The recovery is well underway on the Lexus side as well, with vehicles beginning to flow into the pipeline.

Thank you for joining us today and now I'd like to open it up for questions.