

February 2014 Sales Conference Notes

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February 2014 Sales Conference Call
Monday, March 3, 2014

February 2014 Sales Conference Call (audio)

Good day and thank you for joining us to review February sales results for Toyota, Scion and Lexus.

Speaking today will be:

- Bill Fay, Group Vice President and General Manager of the Toyota Division
- And Jeff Bracken, Lexus Group Vice President and General Manager

A recording of the call will be available at Toyota.pressroom.com about one hour after its conclusion and of course our communications team also is available to field any additional questions you may have @ (310) 468-5297.

Now I'd like to turn it over to Bill for a look at TMS and Toyota Division February results.

Toyota Division Group Vice President and General Manager Bill Fay:

Thank you Carly.

Hello everyone, and thank you for joining us today.

Recent economic reports

- Indicate the unusually harsh winter
- Continues to have an effect on economic activity in general
- Certainly had an impact on auto sales in February

Not only affecting consumers

- We've had disruptions in production and rail service
 - Especially in Canada
- Which has had an impact on three of our core models
 - Corolla, RAV4 and the Lexus RX
- Sure some other manufacturers had similar experiences

Despite those challenges

- Total industry was on a par with last year
- About 1.2 million vehicles
- SAAR at 15.3 million
 - Again, about the same as last year
 - Up slightly from last month

Industry retails sales a little stronger

- Up about 2% from last year
 - Offsetting 6% drop in fleet deliveries

For Toyota, Lexus and Scion

- Total sales of 159,284
- Down 4.3% from last year
 - Primarily result of a 20% reduction in fleet sales
- Toyota Div. repeated as industry leader in retail sales
- Lexus showed an increase of nearly 9%
 - Hear more about that in moment from Jeff

Toyota Division

- Sales of 140,000
- Off about 6% from last year
- Sales up slightly on West Coast and South
- Improvements nationwide following President's Day
- Encouraging as we enter spring months

As we've seen in recent months

- Light trucks continue to outperform passenger cars
- With increased sales in February compared to last year

SUV sales alone were up 15.5 %

- Both all-new Highlander and RAV4
- Posted best-ever February results
- Highlander showed the biggest increase
 - Sales up nearly 30%
- Right behind was the RAV4
 - Launched last February
 - Remains one of the industry's hottest vehicles
- Sales of nearly 16,500
- Up 23%
- 4Runner also had good month
 - Posting 17% increase

And finally on the truck side

- Tundra up 8.5 % for the month
- Best February since 2008

Other February highlights include

- Camry
 - Total sales of 29,000

- Also named #1 car in midsize segment
 - J. D. Power Vehicle Dependability Study
- Corolla
 - Up slightly
 - More than 25,300 units
 - Best February since 2007
 - Second best results for the month in more than a decade

Hybrid Lineup

- Saw sales of about 16,000
- Account for more than half of industry's hybrid sales
- Weather conditions
- May be having a bigger impact on Prius results
- Than some of other models in our line-up
- One bit of good news
 - Consumer Reports recognized Prius as best green car on market

Toyota Certified Used vehicles

- On a par with last year at about 28,000 units

Looking Ahead

- March kicks off the spring selling season
- Looking forward to getting this winter behind us
- Delayed purchases the past couple of months
- Which should make for a robust spring
- Optimistic about overall economic outlook
- Expect long-term modest growth
 - Both the general economy
 - And the auto industry
- Holding to 16 million industry forecast for the year

To Help Get Things Going

- Launched first national marketing campaign of the year
- The successful *#1 For Everyone* theme used last year
 - Highlight leadership positions for quality, fuel economy and retail sales, amongst others
- Low interest rates
- Lease payments
 - Including a 24 month lease option that has proven to be very popular
- Also focus on several recently launched models
 - Including Corolla and Highlander

Thanks again for joining us today. Now I'd like turn this over to Jeff Bracken for a look at the Lexus results.

Lexus Group Vice President and General Manager Jeff Bracken:

Thanks Bill. Hello everyone.

- Luxury segment continues to outperform the general industry
- Posted across the board gains in February

At Lexus

- Able to build on momentum of recent months
- Up 8.7% from last year
- 18,855
- Best February in six years (2008)
 - Western and Southern areas had very good months
- Would have been even better
 - weather-related issues involving RX Bill mentioned

Passenger car sales especially strong, up 20%

- Led by IS
 - continues to be one of the hottest cars in the industry
 - Sales rose 130% from last year
 - Fourth straight month of triple digit gains
 - Typically some seasonality with this type of car
 - Haven't seen it yet
 - Continues to attract younger buyers
 - Median age of 43
 - Dealers report shoppers mostly in the 30-40s
- New CT hybrid model
 - Up 4% in February
 - One interesting note
 - Admittedly small early buyer sample
 - Most CT buyers adding car to their lineup
 - Rather than replacing vehicle

Also see continued resurgence in GS sales

- Up 30% (CYTD)
- Second straight month of double digit gains
- \$499 lease

Luxury Utility Vehicle lineup posted another good month

- Led by the RX,
 - the luxury segment volume leader
 - Sales of nearly 5,700 in February
- Continued strength of new GX
 - Sales more than doubled

- Fifth straight month since launch
- 1,600 units
- Lexus Certified Pre-owned best February ever
 - Further indication of the strength of the luxury segment
 - (about 6,000)

February also a big award month

- Lexus finished on top of three major automotive awards
- Named best brand by Consumer Reports
 - Only brand to receive excellent overall reliability score
- Topped J.D. Power's Vehicle Dependability Survey
 - Third straight year
 - Just 68 problems per 100 vehicles
 - Increased margin over second place Mercedes-Benz with 104
 - Lexus also had six of the top 10 ranked vehicles
- Kelly Blue Book top luxury brand 5-year cost of ownership

In March

- Also stage national marketing campaign
- *Command Performance*
 - Highlight performance characteristics of IS and GS
- Also continue focus on our luxury utility vehicles
- Finally, unveil the RC F Sport tomorrow
 - Press conference at Geneva auto show
 - Build on the buzz surrounding this car
 - In advance of its launch in the U.S. this fall

Thank you for joining us today, and now we'd like to open the call up to any questions you may have.