

2013 J.D. Power/NADA Automotive Forum - Bob Carter

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Thank you, Neale... and good morning everyone.

It's been said that 'there's nothing so royal as truth.'

As an industry, we need to live by those words.

With the many challenges Toyota faced a few years ago, we were the poster child for the need to be open, transparent and honest with our customers, which I'm proud to say we have done. We're a much different company than we were a few years ago.

But, in this age of social media and 24-hour news feeds, if any automaker or any business even SEEMS like they're not fully telling the truth or hiding something, right or wrong, the information travels faster than the speed of light.

I'll talk more about that in a few minutes, but today, I'm also going to cover:

- Our take on the economy and auto industry
- Toyota's stronger focus on our customers and communities
- Highlight some of our 9 new or updated products this year
- And talk about where we are headed in the future.

Let's start with the economy.

We're optimistic about 2013 because the U.S. economy is forecast to continue improving. Some of the indicators for that optimism include:

- More people have jobs. In fact, last month, the jobless rate dropped to a four-year low.
- According to the Conference Board... consumer confidence is rising again.
- Stock markets, manufacturing and construction are all up
- And, the housing market seems to have turned the corner.

These positive indicators, and others, are the reason analysts believe our economy will grow this year, but at a modest rate.

Last year, the economy grew on average about two-percent, and this year will probably be about the same.

Fortunately, we believe the auto industry will grow even more than the economy in 2013.

Currently, the consensus among analysts is for total industry sales to increase by 500-Thousand vehicles to 15 million, up three-percent from last year; although, it's tracking higher to around 15.4 million. And beyond 2013, the future is even brighter with some predictions showing the industry reaching 16 million again within a few years.

We're already off to a great start.

For the first two months, total industry sales were more than Two Million Two-Hundred Thirty-Five-Thousand, an 8.4% increase from a year ago.

At Toyota, we're planning for a 15.3 Million industry.

And we expect a lot of that growth to be in hybrids, small trucks and retail sales... areas of strength for Toyota... so we believe we're poised for another solid year.

Now, there are a number of reasons why our industry will grow:

- There's pent up demand with the average age of the U.S. auto fleet hitting a record high of 11 years old
- Car loans are at historically low rates
- Younger buyers are returning to the market at a higher rate than any other age category, which bodes well for market longevity and for all of us...
- And bottom line, all automakers are bringing out damn good cars!

In addition, the U.S. remains the world's fastest growing industrialized nation, and is projected to add at least 100-MILLION more people by 2050.

All of this is good news for our industry, and it's why at Toyota, we're optimistic about 2013.

Now for this year, we expect combined Toyota, Scion and Lexus sales to increase to over 2.2 million vehicles.

We're already on track to hit that target. For the first two months of the year, our three brands combined have sold over 324,100 vehicles, that's a 14.1 percent increase from a year ago, and nearly double the industry growth.

So, with everything going so well for us why did Toyota recently make major executive changes?

Well, the changes announced March 6th by Global President Akio Toyoda are actually a continuation of the Global Vision he announced in March of 2011.

It's always been Akio's plan to build better cars, improve profitability, and give each of the key regions around

the world more autonomy to design, develop, manufacture and sell products tailored to their markets.

The recent changes and promotions are a key part of that overall plan.

These were not just routine management shuffles. They signify a huge turning point for our company.

In the past, critics have complained that Toyota's global efforts were hampered by resisting bringing in outsiders and non-Japanese into the inner circle of decision-making.

Well, not anymore.

For the first time in our 76-year history, Toyota has appointed three new outside board members.

One is Mark Hogan who has deep knowledge of the auto industry, previously serving as a group vice president with General Motors and president of Magna International, a major auto supplier.

Toyota has a long history with Mark, going back 25 years. He was the head of our former joint venture plant in Fremont, California, at the same time Akio was the head of production control there.

In addition, Toyota is combing all of our North American operations, including sales, marketing, manufacturing and vehicle development, and asked Jim Lentz to lead the teams in a new position as CEO, Toyota North America Region.

This is the first time a single leader has operational and earnings responsibility for the entire North America region, including Canada.

I told Jim with the amount of job titles he now has, his business cards will have to be the size of a poster board.

But, it's a great move for Toyota because Jim has an excellent business mind and is a terrific leader.

There were several other significant management changes that demonstrate Toyota is now leveraging talent on a global scale for its next generation of leaders, regardless of nationality.

In fact, four of our eight regions will now be led by non-Japanese, including our Latin America and Caribbean region where Steve St. Angelo, currently head of our North America manufacturing operations, will serve as CEO.

Mark Templin, who ran the U.S. arm of Lexus, is the first non-Japanese executive to oversee Lexus global operations at Toyota's headquarters in Japan.

And, as we seek faster responses to market changes, we're aligning our sales, service, marketing, customer initiatives, vehicle distribution, and parts operations for our three divisions.

And, I have been given the responsibility to make sure we're one well oiled machine.

As a result of all these changes, I believe Toyota is now thinking and acting like a global company, designed to help us make even faster decisions and better tailor our operations and products to suit the local needs of our customers worldwide.

And that's what these changes are really all about, our customers, and our ability to better serve them.

Bottom line, we have a much stronger focus on our customers and communities than ever before.

From its founding, Toyota's vision as a company has been to "enrich society through building cars".

This is a great altruistic view, but it's also good business.

Each year, Edelman, the world's largest public relations firm, issues its "Trust Barometer" survey to measure people's trust in various industries.

They've found that people's impression of a company's character, particularly among young consumers, is a big part of purchase consideration these days.

And that brings me back to my earlier comment about the need to be open, transparent and honest with our customers.

You know in the past several months, there's been a lot of media coverage about the lack of credibility our industry has in the eyes of many consumers.

And quite frankly, they're not totally wrong.

Between conflicting stories about MPG claims, pick-up tow ratings, safety statements, and other issues, we really can't blame customers for not fully trusting any of the marketing we put out there.

And, I get it... it's not easy for automakers. It's so competitive out there, we're all coming out with great product, and it's getting harder to find an edge over the competition.

But as an industry, we all need to think carefully about what we do now and how it affects our long-term reputation.

It will benefit our customers and all of us, now and in the future.

Okay, now let's talk about some of the nine new or updated products that Toyota, Lexus and Scion have coming this year.

First up, the all-new 2013 RAV4 that went on sale in January.

It has a new bold, athletic design and six-speed automatic transmission, providing improved fuel economy and performance.

It also offers great technologies like a Blind Spot Monitor with Rear Cross Traffic Alert, normally found on larger, more expensive cars.

And consumers are responding!

Last month, we sold 11,610 units, that's up 18%!

So, we're well on our way to meeting our annual sales goal of 200,000 units, adding a nice volume boost to our

line-up.

Last month, we unveiled the new Tundra to the world at the Chicago Auto Show.

And let me tell you, it's getting some great reviews.

That's because we listened carefully to consumers to develop the new model.

They told us the Tundra met their expectation for power and towing, but lagged in terms of styling, both inside and out.

So now, the Tundra has a bolder, more chiseled design, including a more aggressive and contemporary front grille, giving it a wider, brawny appearance.

Even the tailgate has a new look with an integrated spoiler and the Tundra name stamped into the metal.

The cabin has been COMPLETELY redesigned with:

- premium materials
- an easy-to-reach center stack
- a new audio system
- a standard back-up camera
- and the roomiest Crew Cab in the full-size market.

The new Tundra hits showrooms late this year.

Lexus will also introduce some fantastic new products this year.

We unveiled the all-new 2014 IS at the Detroit Auto Show and we made sure everyone knew that there's something different going on over at Lexus.

Take a look...

[IS Reveal Video]

Quite a departure from Lexus of the past.

And this next-generation IS demonstrates the youthful, sporty side of our luxury brand.

The IS has bold, distinctive styling that includes the most aggressive execution of the Lexus spindle grille design.

Every aspect of this car has been engineered with a renewed focus on:

- a more sporty performance
- agile handling

- and accurate driving response to ensure it delivers the most engaging and entertaining driving experience in its segment.

The new IS will also be the FIRST Lexus equipped with a new state-of-the-art multimedia system. In an industry-first, our new system provides subscription-FREE traffic and weather information delivered through the HD radio service on BOTH the standard Lexus Display Audio system and the new Navigation system.

The new IS goes on sale in June and we believe it will be very well received by the public.

Now tomorrow at the New York Auto show, Toyota presents the global debut of our all-new 2014 Highlander, and on Thursday, Scion will unveil our new tC along with some other product news.

In terms of products for the future, we're taking a portfolio approach to environmentally advanced vehicles.

Currently, we have eleven Toyota and Lexus hybrid vehicles on the market, and we'll continue offering a variety of alternative fuel choices, including plug-in hybrids, electric vehicles, and in 2015, a fuel cell hybrid.

And to help make that launch successful, we're already pursuing several hydrogen initiatives.

We worked with Shell Oil Company to open a hydrogen filling station adjacent to our headquarters campus in Torrance, California. It's being used to fuel Toyota's and other manufacturers' fuel cell vehicles.

If you're ever in the area you should stop by and check it out. It's part of the solution to our sustainable future.

We also recently entered a two-year agreement with the U.S. Department of Energy's National Renewable Energy Laboratory.

Through this agreement, we've loaned them four of our fuel cell hybrid vehicles to study and research everything from renewable hydrogen production, vehicle fueling equipment infrastructure, and vehicle performance.

There's no doubt, this market is growing. But at Toyota, we're not putting all of our eggs in just one basket.

In fact, we recently signed a collaborative agreement with BMW to work on FOUR projects including:

- an automotive fuel cell system that will help gain widespread usage
- a shared-platform for a mid-size sports car with the highest level of environmental performance
- lightweight technology to help cars weigh less and go further on fuel
- and new battery technology that will outperform today's lithium-ion cells

At Toyota, our goal is to create a variety of vehicles for the future that can run on gas or other fuels, and then let CONSUMERS decide what works best for them.

But at the heart of those choices, we strongly believe hybrids will remain a CORE technology. That's because our hybrid systems can easily be adapted to other powertrains to further conserve energy.

For example, hybrid technology is a key component of most hydrogen fuel cell systems.

And hybrids can be teamed with larger batteries to increase the range of plug-in models.

So, we are fully committed to hybrid technology. In fact, we plan on launching 20 new or redesigned hybrids globally by the end of 2015.

This is all part of our company's global vision to build better products that respect the planet and help enrich lives around the world.

Well, by now, I hope you can see why I'm optimistic about the auto industry and Toyota for 2013 and beyond.

With great products coming from all manufacturers, and working together to earn the trust of our customers, we will gain credibility, respect and business from consumers everywhere.

In short, we all have a very bright future ahead. We just need to make sure we do the right things for our customers and put their needs before our own.

Thank you everybody and best of luck for the year.

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