

July 2012 Sales Conference Call

August 01, 2012

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Toyota National Manager of Business and Field Communications Celeste Migliore:

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

Speaking today will be:

- Bill Fay, group vice president and general manager of the Toyota Division;
- And Mark Templin, group vice president and general manager of Lexus.

As you may know, Bob Carter, who has participated on many of these calls in the past, was promoted to Senior Vice President of Automotive Operations in July, replacing Don Esmond, who is retiring.

And as this is Bill Fay's first sales call since being named to head the Toyota Division, I'd like to take a minute and introduce him to those of you who might not have met him yet.

Bill has been with TMS for 30 years and is certainly no stranger to the Toyota brand, having served most recently as Group Vice President of Toyota marketing, responsible for advertising, merchandising, incentives, sales promotions, motor sports — including NASCAR — and Internet activities.

He also has worked extensively in our field operations, holding sales positions in New York, Boston, Cincinnati and as vice president of the Los Angeles region.

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 Bill for a look at July results.

Bill Fay:

Thank you Celeste, and thank you all for joining us today.

I look forward to talking with you in the months ahead about Toyota's sales results and meeting those of you I don't already know in the near future.

Industry sales should come in at more than 1.15 million vehicles for July, up nearly 9 percent from last year on an unadjusted basis, and the best July for the industry since 2007.

As a result it looks like the seasonally adjusted annual rate will come in at 14.1 million, the sixth time this year we've topped the 14 million mark.

Toyota, Lexus and Scion dealers just about tripled the industry results, with sales of 164,898, up 26 percent from last year, when we were dealing with the aftermath of Japan's earthquake and tsunami.

TMS sales got a nice boost from the 4th of July holiday, slowed somewhat at mid-month, then closed strong.

And although both industry and TMS sales are down from June on an unadjusted basis, it's important to note there were three additional selling days in June and sales were actually up slightly when that is taken into account.

For the Toyota Division, July sales of 146,663 were up 26 percent from last year.

As expected, fleet sales made up a smaller portion of the mix, just about 4 percent in July.

As a result, Toyota was once again the industry's number one retail brand, for the fifth consecutive month.

Passenger car sales accounted for a slightly larger portion of the increase, up 32 percent.

As it has all year, Camry led the way with sales of nearly 30,000 units up 11 percent from last year.

The midsize segment is probably the most competitive in the industry right now and Camry was actually able to stretch its lead — not only as the best-selling midsize car, but as the best-selling car in America.

Corolla sales continue to grow thanks in part to an improving inventory situation. Sales are up 34.5 percent for July and Corolla was the fastest turning vehicle in our lineup.

And Prius family sales are up 110 percent for the month and are now running 92 percent ahead of last year.

At Scion, the FR-S is drawing people to showrooms and although it remains in a sold-out position, with sales of more than 1,600 in July, it helped push total sales for the brand up 97 percent.

xB sales were up 43 percent, the xD nearly 37 percent and the tC 26 percent.

Over on the truck side, the RAV4 also is benefitting from improved inventories, with sales up 73 percent in July.

And pickup trucks topped 20,000 for the third consecutive month, with combined Tacoma and Tundra sales up 23 percent.

Finally, Toyota Certified Used Vehicle sales recorded another strong month at more than 27,000.

For August, the Toyota Division will be holding its annual Nationwide Clearance sales event marking the end of the model year.

Consumers are responding to long-term, low interest rate financing and low lease rates and we'll be focusing on the value and affordability of our products this month.

Zero percent financing will be available on seven models including Corolla, Avalon, Tundra, Venza, RAV4, Highlander and Sienna.

Camry will head a list of other models with available 1.9 percent financing.

And thanks to strong residuals, great lease rates are available across the board.

While leases vary by region, Camry, for instance, will be available in most markets with leases under \$200 a month.

Thank you again for joining us today and I look forward to answering you questions in a few minutes.

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

Mark.

Mark Templin:

Thanks, Bill...

And thanks to all of you for joining us today.

Continuing a trend that started with the introduction of the GS in February, our new models continue to drive sales growth for Lexus. We sold 18,235 vehicles in July, a volume increase of 25 percent over year ago levels...and with two fewer selling days and one less weekend this year, we were up 36 percent on a DSR basis.

What makes these numbers more impressive is that our two highest volume vehicles, RX and ES, are in various stages of model year transitions.

The new RX, which began arriving in dealerships in late May, set the pace with sales of 7,357, a 35 percent increase over last July. We are now exclusively selling the 2013 RX, and as production continues to ramp up, we expect to see continued momentum from the industry's best-selling luxury utility vehicle.

Speaking of RX production, last week we announced that we are investing more than 100 million dollars and hiring approximately 400 team members to increase RX production at our Cambridge, Ontario plant. Overall Lexus capacity will increase by 30,000 vehicles to 104,000 units, including 15,000 RX hybrids.

ES, with sales of 3,759, was our best-selling car thanks to an orderly sell-down of our 2012 models. The all-new ES and ES Hybrid officially go on sale today at Lexus dealers across the country. With significantly improved driving dynamics, a host of new luxury, safety and technology features, and a starting price under forty thousand dollars, the stylish new ES will continue to provide the best value in the luxury sedan segment. In fact, the new ES is priced almost two percent lower than the vehicle it replaces.

And the 40 mile per gallon ES hybrid will have the lowest premium in our hybrid lineup. We expect it to make up about twenty-five percent of the ES mix.

As we have been saying since January, we are in the midst of an unprecedented product blitz that will see us launch nine new vehicles and three F Sport models in 2012.

We made good on that promise on Monday night when we introduced the significantly redesigned 2013 LS, including the all-new LS 460 F Sport, at an exclusive, invitation-only event in San Francisco.

The LS was introduced to the world in a very non-traditional way...as the centerpiece of an international photo exhibit in the heart of San Francisco's Arts district. The reveal was broadcast live to the world on Lexus.com and the Lexus Facebook page, reaching an audience of over 80,000 viewers in 99 countries.

Arriving later this year, the new LS will offer bold new exterior styling, a completely redesigned driver-focused interior that combines modern refinement with intuitive technology, a more engaging driving experience, and the most advanced pre-collision safety system in the industry.

Looking ahead to August, we are expecting a strong month supported by our annual "Golden Opportunity" sales event. With fantastic new product on the lot, more to come later this year, and strong advertising support, our

dealers are energized and ready for a great finish to the summer selling season.

Thank you. We'd now like to open it up for questions.