

August 2011 Sales Conference Call

September 01, 2011

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Speaking today will be:

- Jeff Bracken, Vice President of sales for the Toyota Division, will sit in for him.
- Mark Templin, Group Vice President and General Manager of Lexus.

Jeff Bracken:

Thank you Mike. And good day everyone.

August sales were pretty much unchanged from July for both Toyota and the industry.

Toyota sales, along with those of the overall industry, were obviously slowed along the East Coast during the last week of the month by Hurricane Irene and its aftermath.

Fortunately, all Toyota associates are safe and all dealerships remain open for business.

While we had been tracking the industry a little stronger earlier in the month, it now looks like August will come in at about 12.1 million units.

For the year, we continue to hold to our original projection of more than 12.5 million.

For Toyota, Lexus and Scion dealers in August, sales of 129,483 were down 1 percent from July.

Compared to year ago levels, sales were down 16 percent on a daily selling rate basis as dealers continued to operate with less than ideal inventory levels.

The good news is, all North American production will return to normal levels this month, for the first time since the March 11 earthquake and tsunami in Japan.

In addition, most of our North American plants are now running at maximum operating rates, including overtime.

So production for the second half of this year will now actually exceed initial plans.

As a result, we should begin seeing dealer inventories grow in September for the first time since the twin disasters in Japan disrupted production.

For the Toyota Division, August sales of 111,380 were down 4 percent from July.

Camry had a great month, with sales of more than 30,000, up nearly 12 percent.

The sell-down of the 2011 Camry is going extremely well and has actually increased its lead as the best-selling car in America.

Prius sales continue to bounce back and were up 20 percent from July.

Prius inventories also are improving and we ended the month with about the same number of cars in inventory as we had a year ago.

And certified pre-owned sales had another big month, with sales topped 28,000.

Of course the big Toyota news last month was the unveiling of the all-new 2012 Camry.

The best-selling car nine years running — and well on its way to making it ten straight — the new Camry will continue as the benchmark for quality, dependability and reliability.

It is the most technologically advanced Toyota ever, and will offer best-in-class driving dynamics, refinement, safety features, fuel economy and connectivity.

And if you haven't already heard, we've added an unprecedented level of value to the Camry lineup.

In spite of all the new features and refinement, prices on all popular 2012 models will be lower than they are today, with the SE down \$1,000 and the XLE down \$2,000.

In fact, according to Edmunds.com, the MSRP for the new Camry gives it the lowest-inflation-adjusted MSRP in the models 22-year history.

Initial response is excellent, with Edmunds reporting the new Camry had the highest number of visitors to its site of any vehicle in more than three years.

And in just one week, more than 50,000 people raised their hands and said they were considering a new Camry.

So with only about a 30-day supply of current generation Camrys, and Georgetown production of the 2012 model beginning in just a few days, we plan to pull forward the new Camry on-sale date and begin shipping models to dealers this month. Also going on sale in September is the new Yaris.

Camry and Yaris will be followed closely by the Prius V and Scion iQ, making it four all-new models before the end of the year.

Finally, our current summer clearance marketing programs will run through Labor Day Weekend.

These programs include zero percent financing for 60 months on both Camry and Tundra, with an additional \$500 available for down payment assistance.

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

Special lease rates are available on most models, with Camry leases starting at less than \$200 a month.

And Toyota Certified Used Vehicles will continue to offer 2.9 percent financing.

Looking ahead for the rest of September, we expect those programs to continue with minor adjustments. Thank you for joining us today.

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

Mark...

Mark Templin:

Thank you Jeff.

August is traditionally a strong sales month for Lexus, and the luxury industry as a whole.

With our Lexus Golden Opportunity sales event and our ever-improving supply of vehicles, we're very pleased with our August sales of 18,103.

One vehicle that continues to be a bright spot for us is the CT 200h, which logged sales of 2,087.

If you recall from our launch plans in March, our goal was to sell 1,000 per month, but we're actually selling more than double that number. It's also doing a terrific job bringing new, younger buyers into Lexus. About 40 percent are younger than 45 years old and half of them are new to Lexus.

Another strong performer for us this month was the RX with sales of 6,504. It continues to be the luxury SUV sales leader and our dealers are looking forward to receiving even more of them in the near future.

Production of the RX from our North American plant in Canada is now full steam ahead. In fact, they're actually going to build 140 percent of planned production for the 4th quarter.

The most important news for Lexus is that overall Lexus production has improved dramatically and will continue to rise. Vehicle production will be 18 percent higher than the 4th quarter of 2010, so we'll have plenty of models and variations for customers to choose from through the end of the year.

Then, at the beginning of 2012, we'll be adding the all-new GS to our line-up. The global premiere of that car was held last month at Pebble Beach and the response has been tremendous. People are really liking what they see, and I know they'll be even more impressed after they drive it.

In a couple of weeks at the Frankfurt Show we'll be debuting the GS hybrid, followed by the F-sport version of the GS at SEMA in November.

There's a lot of excitement about that car, and it's just the start for Lexus as we're introducing nine new or updated vehicles in the next year.

We're in a good place right now, but I'm happy to say it's looking even better for the future.

With that, I'd like to open it up to Q&A.

Thank you.

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