



THE RELENTLESS PURSUIT OF PERFECTION

THE MARKET

In the latest sales year prestige and luxury cars performed marginally better than the overall Australian motor vehicle market.

The traditionally sensitive luxury sector is usually the first to reveal the effects of general economic downturn, so its ability to stay buoyant in an uncertain economic environment is viewed as a good sign for the automotive industry.

In a near-to-free market, 24 prestige and luxury brands battle for almost 50,000 sales each year, just under 10 percent of total passenger vehicle deliveries.

Luxury market strength has been helped by the introduction of a goods and services tax in 2000 which has reduced the mandatory 45 percent luxury car tax on vehicles costing above \$55,134 to 25 percent. The complex formula is deemed to offer real savings to luxury vehicle buyers.

ACHIEVEMENTS

Lexus has entered its second decade of manufacture as a mature brand with strong potential. In just over 10 years it has achieved credibility equal to that of marques established for more than a century.

Lexus was introduced with a view to eventually becoming competitive with the world's great makes. It achieved that goal virtually from start up and is now regarded as an equal in all market segments.

Although initially a one model brand with LS400, Lexus now competes in all prestige and luxury market segments including four wheel drive.

In Australia it offers a seven model line up, headed by LS430 saloon.

Lexus' principal achievement has been to establish a new value for money benchmark in the prestige and luxury car segments. The latest round of new Lexus releases in Australia has seen vehicles come to market on average 20 percent less expensive than their logical competitors.

The launch of the SC430 luxury convertible at \$162,000 placed the vehicle in direct competition with less well specified roadsters costing from \$210,000 up to \$270,000. More than 100 orders were taken for the SC430 before prices were known, creating a three month order bank.

Lexus continues to win international awards. In the US a panel of stylists proclaimed new LS430 flagship saloon as having the best interior of any car in the world. Market pollster JD Power awarded Lexus its fourth award for initial quality - more than any other make. In Australia Lexus has won Wheels Car of the Year, and its LX470 has been Four Wheel Drive Wagon of the Year in both Bushdriver and Overlander magazines.



Lexus is believed to enjoy one of the highest owner loyalties in the motor industry. More than 68 per cent of Lexus owners repurchase the same brand.

HISTORY

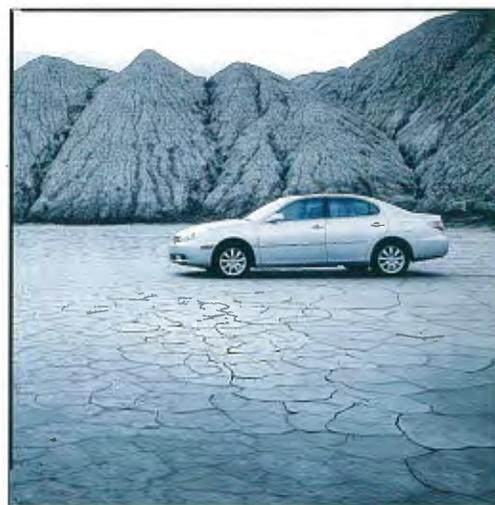
Entering its second decade, Lexus is seeking to create separation from its parent company, Toyota Motor Corporation, and to even more firmly establish its own brand image. The separation is more than a marketing stance. Internationally, Lexus has created standards, especially in build quality, which surpass most car makers. High quality

requirements in NVH (Noise, Vibration and Harshness) are quantifiably greater for Lexus than they are for other cars built by the same company.

Nonetheless, lessons learned in the Lexus program continue to flow down to all vehicles produced by its parent. Lexus (from: Luxury Export to the US) was conceived in the 1980s as a flagship brand to challenge the best makes of both Europe and the United States. More than \$4 billion was initially invested in the Lexus program. An additional \$1.2 billion was spent to create a purpose-built proving ground, replicating road conditions from throughout the working world.

Since start up more than 2.75 million Lexus have been built and delivered worldwide. The USA is by far the largest market. Lexus sales in the US outperform those of all rival European makes, a remarkable feat in a market so hidebound in tradition. Lexus is the Number One selling luxury make in the USA. It has entered the idiom. Lexus is the preferred vehicle of many heroes in fictional novels and ownership of a Lexus is regarded as a symbol of achievement.

Lexus development in Australia has been carefully stage-managed. The Lexus name has been applied only to events and activities of great importance. The charity visit by the late Diana Princess of Wales, the single performance by the Three Tenors, the naming by the National Trust of Australia of the country's 100 Living Treasures,



were all Lexus-supported. Lexus created the great challenge in the Australian automotive industry by establishing the first three year/100,000km comprehensive warranty. A decade later most of the industry has followed Lexus' lead, although one German manufacturer still offers only two years. To celebrate its second decade Lexus raised the warranty bar again - to four years. It is the best warranty in the luxury car market.

THE PRODUCT

Lexus has now introduced its most comprehensive product lineup ever in Australia.

It ranges from the flagship LS430 saloon to the IS200 sports sedan which is at the entry level of the prestige market.

The launch of SC430 luxury convertible has brought a new dimension to Lexus in Australia. It legitimises the Lexus brand. The very personal coupe encourages pleasure outside the necessity of transportation. It is highly aspirational.

Although some Lexus owners may never own an SC430, it will act as an inspiration to them.

There are two Lexus models in the entry prestige segment - the IS200, and the IS200 Sports. Both are powered by a two litre six cylinder engine with intelligent variable valve timing. They use either a four speed automatic transmission or a six speed manual.

Lexus IS300 uses the same chassis but with a motor 50 percent larger. The IS chassis is regarded as the definitive sports sedan platform. The IS300 3 litre V6 engine is shared with the larger GS300 sports sedan, a vehicle with particular relevance in Australia for its package size.

Lexus ES300 uses a V6 quadcam engine. Its luxury features are redolent of the flagship LS430. Lexus LX470 is a 4.7litre V8 quadcam four-wheel drive, widely acclaimed as the best large 4x4 in Australia. LS430 and SC430 share a highpowered quadcam 4.3 litre V8 matched to a five speed automatic transmission.

But the bare facts mask a raft of technological features. A case in point is VSC (Vehicle Stability

Control) which uses yaw sensors to detect the vehicle losing control and then employs electronic devices acting on brakes and throttle to automatically correct. Equally startling are the smaller breakthroughs like keyless entry and starting, and rain-sensing graphite windscreen wipers. The new ES300 introduces a retractable handbag hook for the front passenger's footwell.

RECENT DEVELOPMENTS

Lexus was the first to introduce DVD-based satellite navigation to Australia. The system, available across its entire range (LX470 in 2002), immensely accelerates response time from the satellite positioning system. In less than a decade DVD satellite navigation will be as common as car radios.

Lexus Encore customer loyalty program, already

highly regarded not only in the motor industry but generally, has introduced two new exclusive features. Noted fine arts appraiser Brenda Collahan will advise all Lexus owners on their art portfolios. Auctioneer Christies has tracked capital appreciation in art at more than nine percent above inflation over 25 years. Lexus has also appointed a full time manager to its Lexus Drive program. Lexus

Drive will run driver training courses, on and off road, and also help owners plot holiday routes including accommodation and points of interest.

There are now 19 exclusive Lexus dealers in Australia. All are building to new levels of web site expertise to better service their clients. One dealership now offers servicecam. Customers can dial in through the internet to watch their car being serviced, live on camera. Lexus is available on www.Lexus.com.au.

PROMOTION

Lexus has established a high profile partnership with the Australian Film Industry through the Lexus IF Awards.

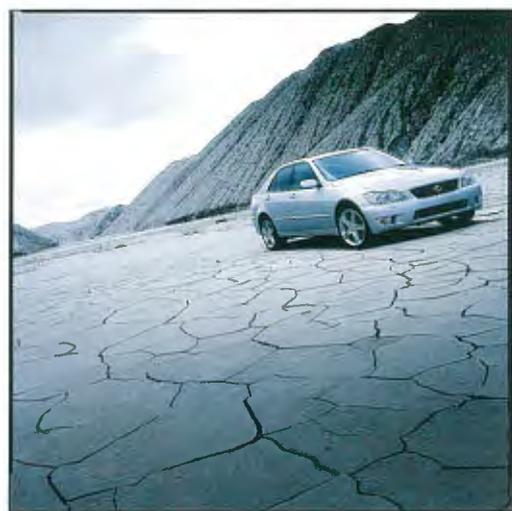
The Awards recognise excellence in the Australian industry. Lexus patronage will give 15,000 Lexus owners in Australia access to special screenings, premieres and film industry functions.

Lexus has determined to invest primarily in activities which propagate its image and benefit its owners. Advertising, while part of its mix, is not as powerful a tool as owner recommendation. Conquests from other marques will come from personal experience.

The seven tiers of Lexus vehicles hold great promise. Lexus offers the same Encore and service experience to owners of IS200 as they do to those of LS430. There is a compelling reason for an IS200 owner to progress through the Lexus vehicle echelon.

BRAND VALUES

Lexus credo in its first decade - the Relentless Pursuit of Perfection - continues as its core value. Lexus engineers spend countless hours perfecting minute



THINGS YOU DIDN'T KNOW ABOUT LEXUS

- More than 2300 engineers worked for seven years at the outset of the Lexus project. The first Lexus LS400 created more than 100 new automotive patents.
- The retractable aluminium roof on the Lexus SC430 takes just 24 seconds to cantilever into its own bootspace. The exclusive Mark Levinson audio system and the airconditioning system, both compensate automatically for the top being down.
- The single DVD disc which runs the Lexus Satellite Navigation system holds information on more than 175,000 km of roads in Australia and contains the equivalent of 16 hard copy street directories costing more than \$600.
- All Lexus air conditioning systems are fitted with a pollen filter in recognition of the high incidence of asthma in Australia.
- Lexus is committed to environmental control. Even its top end quadcam 4.3 litre V8 which powers SC430 and LS430 flagships is regarded as an ultra low emission vehicle (ULEV) which can run on 91 RON petrol.
- Lexus A1 Shift five speed automatic transmission uses ongoing data on accelerator pedal angle, rate of change, and engine speed to deduce a driver's style and power preference to adjust shift patterns accordingly. It can provide better acceleration uphill, greater engine braking downhill and optimal shift points to suit the manner of driving.