



Press Release

J.D. Power Asia Pacific Reports: Honda Models Rank Highest in Initial Quality in Three of Six Segments in China

Domestic Chinese Brands Show Improvement in Initial Quality in 2006

SHANGHAI: 15 December 2006 — The Honda Civic, Accord and Odyssey rank highest in initial quality in their respective segments, according to the J.D. Power Asia Pacific 2006 China Initial Quality StudySM (IQS) released today. The Chevrolet Spark, Nissan Tiida and Suzuki Swift also receive segment-leading initial quality scores.

The study provides manufacturers and suppliers with a measurement of problems experienced by new-vehicle owners during the first two to six months of ownership. While the study has been conducted in China since 2000, 2006 is the third year that top-level study highlights have been released to the public. The study quantifies 135 problem symptoms in nine IQS factors: ride, handling and braking; features and controls; seats; heating, ventilation and cooling (HVAC); sound system; vehicle exterior; vehicle interior; transmission; and engine. Overall scores are measured as problems per 100 (PP100) vehicles, with lower scores reflecting higher quality.

Model Results by Segment

Debuting in the 2006 study, the Honda Civic ranks highest in the midsize car segment with 96 PP100—the only non-luxury model with a PP100 score less than 100. The Civic performs particularly well in seats, HVAC, sound system, vehicle interior, transmission and engine. The Volkswagen Bora (127 PP100) and Toyota Corolla (150 PP100) follow the Civic in the segment rankings.

The Honda Accord ranks highest in the competitive premium midsize car segment with 116 PP100. While the Accord performs well across all problem factors, the model receives the highest ratings from customers in transmission. Following the Accord are the Buick Regal (126 PP100) and Toyota Reiz (128 PP100), respectively. Buick Regal owners experience the fewest problems in ride, handling and braking as well as in features and controls, while the Toyota Reiz performs particularly well in vehicle exterior and interior.

In the MPV segment, the Honda Odyssey ranks highest with 101 PP100, followed by the Buick GL8 (118 PP100) and the Dongfeng Future (208 PP100). The Odyssey performs well in features and controls, seats, HVAC, vehicle interior and transmission. Additionally, the Buick GL8 performs well in ride, handling and braking, sound system, vehicle exterior and engine.

The Chevrolet Spark ranks highest in initial quality in the compact car segment with 323 PP100. The Suzuki Wagon R (386 PP100) and Alto (388 PP100) follow the Spark, respectively. In particular, the Spark performs well in ride, handling and braking; seats; vehicle exterior; vehicle interior and engine.

In the entry midsize segment, which is considered one of the most competitive, the Nissan Tiida ranks highest with 105 PP100. The Toyota Vios (134 PP100) and Honda City (139 PP100) follow respectively.

Industry Findings

Initial vehicle quality in China has increased slightly since the 2005 study—improving 2 percent in 2006 to an average of 231 PP100. While the top 10 problems reported by customers have remained somewhat consistent with 2005 results, more customers are citing excessive fuel consumption as a problem. In 2006, 11 percent of customers complain about fuel consumption—up from 8 percent in 2005.

“Increases in the price of fuel, which occurred in both March and May of 2006, have driven excessive consumption to become the most frequently mentioned problem for new-vehicle owners in China, and is a salient issue across all segments, with the exception of the compact car segment,” said Dr. Mei Songlin, deputy general manager of

J.D. Power Asia Pacific China operations. "Because fuel economy now plays a critical role in why consumers choose whether or not to purchase a specific model, it is becoming a major differentiator in the competitive new-vehicle market."

The study finds that the quality improvement for the total industry is primarily driven by Chinese domestic brands, which comprise more than one-fourth of the country's new-vehicle market share. Chinese domestic brands improve by 12 PP100, which is considerably more than the improvements made by their international counterparts (1 PP100).

"The increase in quality is an indicator of the growing competitiveness of Chinese domestic brands overall," said Mei. "The positive gain in PP100 is largely attributable to the launch of several new models, which on average have a higher level of quality standards than older models. However, the vehicle quality of Chinese domestic brands is still below what is acceptable to consumers within more mature markets, which is an absolute requirement for success. The success of Chinese domestic brands in global markets will largely depend on how fast they catch up to multinational manufacturers in the areas of quality, reliability and durability."

The study also finds that quality has a direct impact on customer retention and brand advocacy. Among customers who have not experienced any problems with their current vehicle, 20 percent indicate that they "definitely would" repurchase the same make and only 4 percent said they "definitely would not." Conversely, among customers who have experienced three problems or more, the percentage indicating they "definitely would not" repurchase (11%) is nearly the same as those who indicate they "definitely would" repurchase (12%).

The 2006 China Initial Quality Study is based on evaluations by 7,148 new-vehicle owners who were interviewed between July and September 2006 in 22 cities across China.

About J.D. Power Asia Pacific

J.D. Power Asia Pacific, established in 1990, conducts customer satisfaction research and provides consulting services in the automotive, information technology and finance industries. Information regarding J.D. Power Asia Pacific's China products can be accessed through the Internet at www.jdpowerchina.com.cn Media e-mail contact: songlin_mei@jdpower.com.sg

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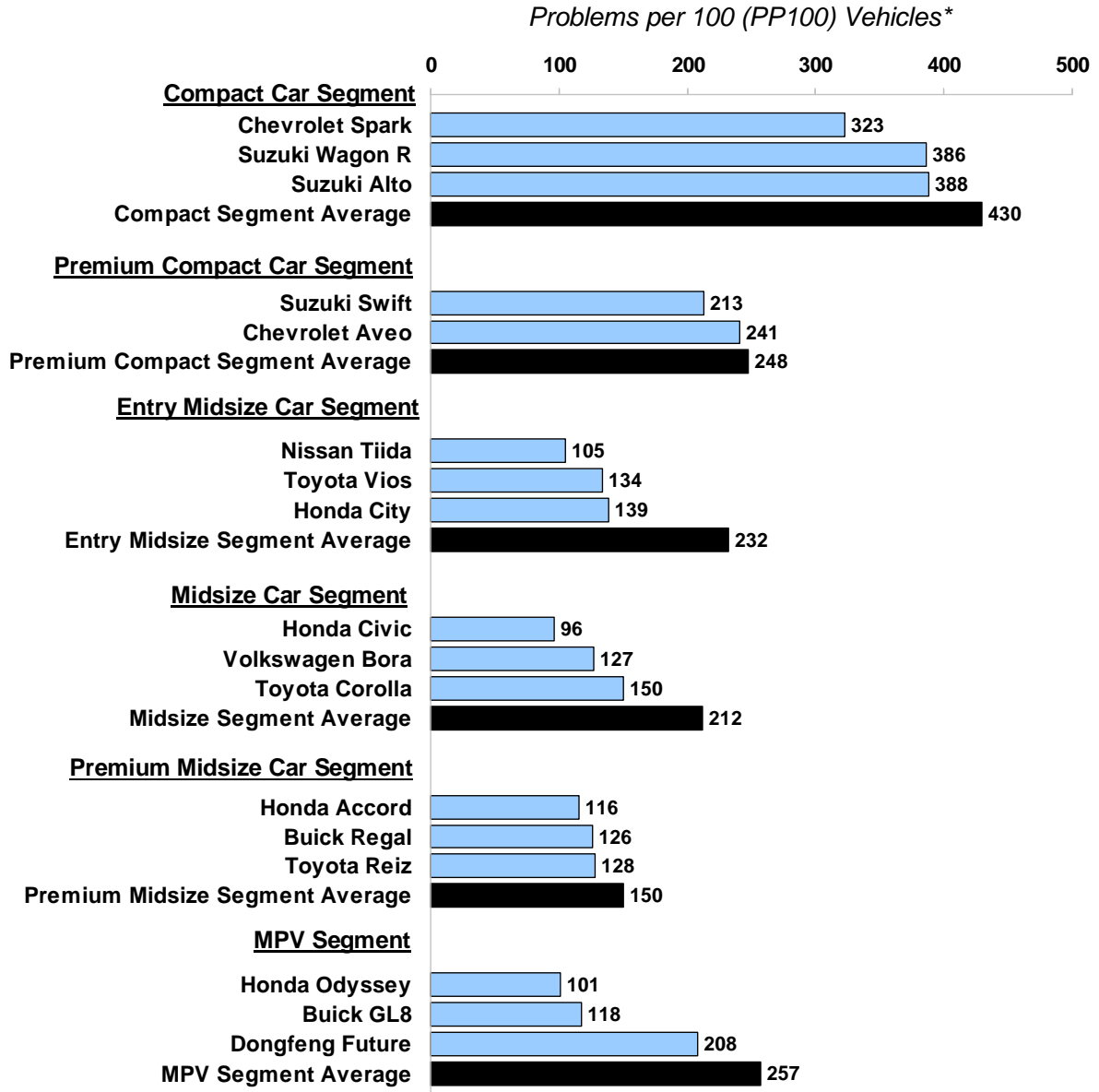
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NOTE: One chart follows.

J.D. Power Asia Pacific 2006 China Initial Quality StudySM (IQS)

Top Three Vehicles per Segment in Initial Quality



*Problems per 100 (PP100) vehicles is measured via actual customer feedback related to the number of "things gone wrong." A lower score reflects better quality performance.

Note: No official rankings are published for the entry luxury car, luxury car and SUV segments due to an insufficient number of models in the sample. No official rankings are published for models with performance below the segment average.

Source: J.D. Power Asia Pacific 2006 China Initial Quality StudySM (IQS)

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