



Press Release

J.D. Power Asia Pacific Reports: Japanese Brands Rank Highest in Five of Six Segments in China Initial Quality Study

Overall Initial Quality Declines in 2008 due to Cost Pressures

SHANGHAI: 31 October 2008 — Japanese vehicle models occupy the top ranking position in five of six new-vehicle segments in the J.D. Power Asia Pacific 2008 China Initial Quality Study (IQS). The study also includes automotive brands from China, France, Germany, Korea and the United States. FAW-Toyota and Guangzhou Honda each garner two vehicle segment awards, while FAW-Volkswagen and Dongfeng Nissan each rank highest in one vehicle segment.

The highest ranking vehicles by segment in 2008 are:

- Entry Midsize Segment: Honda Fit
- Midsize Segment: Toyota Corolla EX
- Premium Midsize Segment: Volkswagen Sagitar
- Upper Premium Midsize Segment: Nissan Teana
- Luxury Segment: Toyota Crown
- MPV Segment: Honda Odyssey

The China IQS, now in its ninth year, captures problems experienced by new-vehicle owners within the first two to six months of ownership. Vehicle problems are examined in two distinct categories—quality of design and quality of production (defects and malfunctions)—and across eight factors: vehicle exterior; driving experience; features, controls and displays; audio, entertainment and navigation; seats; heating, ventilation and cooling (HVAC); vehicle interior; and engine and transmission. Overall performance is determined by problems experienced per 100 vehicles (PP100), with lower scores indicating a lower rate of problem incidences and higher quality.

Industry Findings

The China IQS finds that initial vehicle quality in China averages 207 PP100, marking a 5 PP100 increase from 2007. In addition, 12 percent of owners report experiencing more problems than expected in 2008, an increase of 2.6 percentage points from 2007.

The study also finds that levels of initial quality are closely tied to changes in vehicle prices in 2008. In particular, for those vehicle segments in which average prices increased by more than 8 percent from 2007, initial quality has improved in 2008. Conversely, in segments where vehicle prices have declined by approximately 8 percent or more, initial quality has also declined.

“Efforts to improve vehicle quality may be hindered by simultaneous efforts to reduce costs,” said Dr Mei Songlin, general manager of research at J.D. Power Asia Pacific China operations. “When manufacturers are forced to offer lower prices in an effort to remain competitive, they may be using less expensive and reliable components.

The study finds that increasing levels of consumer knowledge have also had an impact on initial quality.

“Car owners in China have become more discerning and have higher expectations of the car ownership experience than in the past,” said Mei. “In particular, owners notice and report more problems, including the minor ones, which leads to increased problem counts.”

New-vehicle owners in China most frequently report problems with their engine and transmission, followed by the driving experience and vehicle exterior.

Excessive fuel consumption remains the most frequently mentioned problem. Vehicle shoppers cite poor fuel economy as the top reason for rejecting a vehicle model, while good fuel efficiency has emerged as a top reason to purchase a particular model.

“When fuel prices rose to new levels between April and August 2008, owners became more sensitive to fuel consumption, particularly those who own family cars within the premium compact and various midsize vehicle segments,” said Mei. “During the sales process, dealers can help alleviate customer anxiety about fuel efficiency by adequately explaining a model’s fuel efficiency ratings and how to operate a vehicle to obtain the greatest fuel economy.”

The study also finds that the number of quality problems experienced has a direct impact on customer advocacy and loyalty. Among customers who report no or one problems, 31 percent say they definitely would recommend their model to others and one percent say they definitely would not recommend their model. Among customers who experience two or more problems, recommendation rates decline to 24 percent and no intent on recommendation increases to 5 percent.

“The 2008 China IQS reveals three important insights into auto owners in the China market,” said Michael Dunne, managing director, J.D. Power Asia Pacific China operations. “First, fuel economy matters more than ever among these consumers. Second, Honda, Nissan and Toyota models consistently perform well among Chinese consumers. Finally, new-vehicle buyers in China—even first-time owners—are better informed than ever before and have rapidly increasing expectations regarding vehicle quality.”

The 2008 China Initial Quality Study is based on evaluations from 10,719 owners who purchased a new vehicle between October 2007 and June 2008. The study includes 102 vehicle models among 43 different makes. The study was fielded from April to August 2008 in 26 major cities across China.

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J.D. Power Asia Pacific region has offices in Tokyo, Singapore and China which conduct customer satisfaction research and provide consulting services in the automotive, information technology and finance industries. Together, the three offices bring the language of customer satisfaction to consumers and businesses in China, India, Indonesia, Japan, Malaysia, Philippines, Taiwan and Thailand. Information regarding J.D. Power Asia Pacific and its products can be accessed through the Internet at www.jdpower.com. Media e-mail contact: songlin_mei@jdpower.com.sg.

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Media Relations Contacts:

Dr. Mei Songlin
General Manager, China
J.D. Power Asia Pacific
Suite 1601 Shanghai Kerry Center
1515 Nanjing West Road
Shanghai, 200040 China
Phone +86 21 2208 0802
songlin_mei@jdpower.com.sg

John Tews
Director, Media Relations
J.D. Power and Associates
5435 Corporate Drive, Suite 300
Troy, Michigan 48098 USA
001 248 312 4119
john.tews@jdpa.com

Ms. Nicole Wang
Fleishman-Hillard (China) Intl. Communications
Room 3006, Tower B, Jianwai SOHO Office
No. 39, Dong San Huan Zhong Lu, Chaoyang District
Beijing, 100022 China
Phone +86-10-58691666 ext. 2107
wangn@fleishman.com

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(Page 3 of 3)

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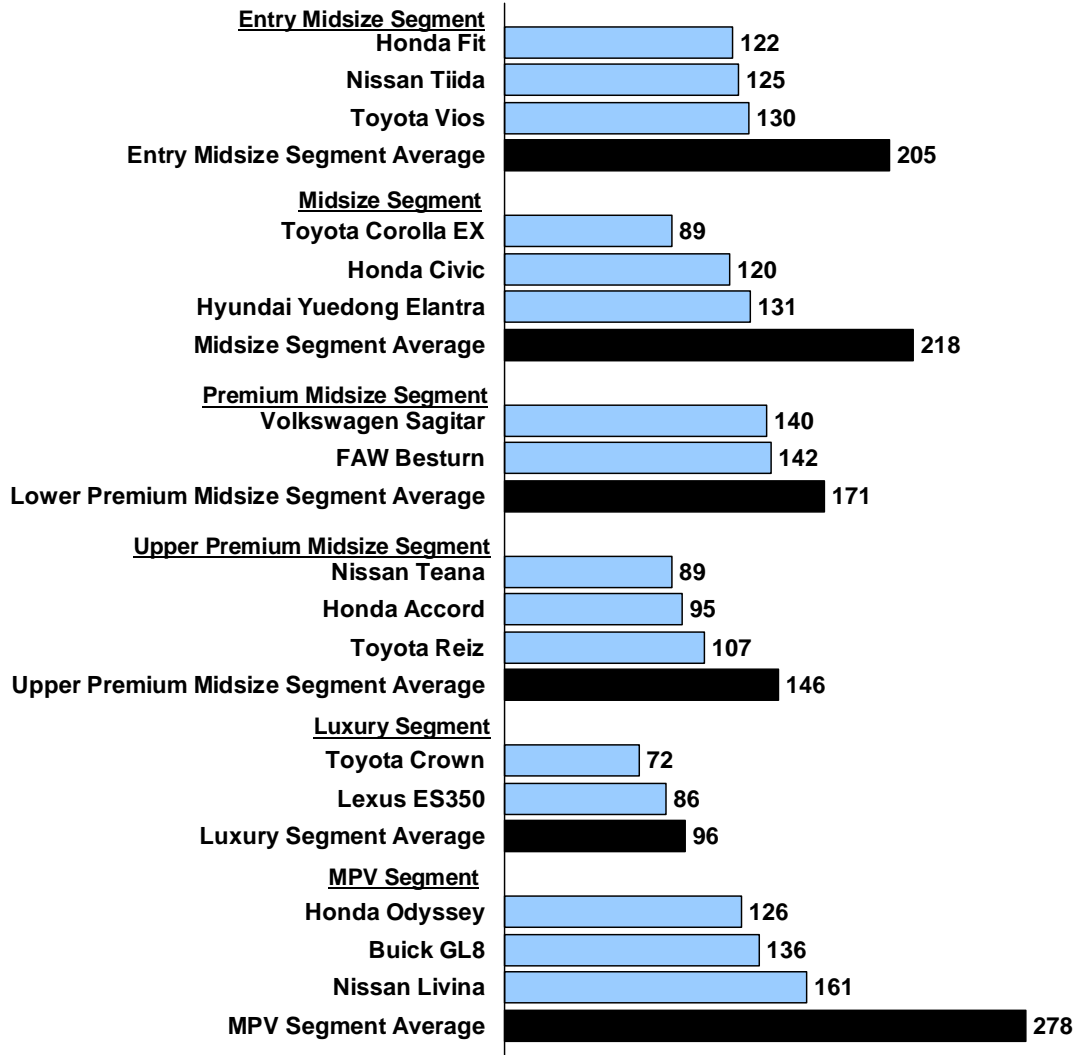
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2008 China Initial Quality StudySM (IQS)

Top Three Vehicles per Segment in Initial Quality

(Lower score reflects better quality performance)

Problems per 100 (PP100) Vehicles*



*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 compact, premium compact, entry luxury and SUV segments due to insufficient sample. No official rankings are published for models with performance below the segment average.

Source: J.D. Power Asia Pacific 2008 China Initial Quality StudySM (IQS)

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