

## GENERAL OVERSEAS MARKETS

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## Asia/Oceania

# Recovering Momentum in GOM

**GOM performed well in fiscal 2006 in an overall sense, increasing by 8 percent, and we reached around 860,000 units in total sales during the year, which is very encouraging.**

However, 2006 was a difficult time due to both external and internal factors. Some markets like Indonesia, Thailand and Taiwan were sluggish, primarily because of drops in total industry volume and a lack of new models. The TIV in Taiwan, for example, fell by 30 percent, due to both economic and political causes. Indonesia now imports rather than exports oil, and is suffering from the higher prices of oil and other economic factors. TIV there has basically dropped by 40 percent. In Thailand, many of our main products were at the end of their model lives, most critically the Pickup, in a country where pickups comprise over 50 percent of the market.

There were bright spots, of course. One was the Infiniti G35, which was named both Import Car of the Year and Car of the Year in its segment in Korea. The common platforms and powertrains the Alliance uses continue to make a positive difference, giving us the cost benefits of the Renault-Nissan global sourcing network.

Fiscal 2007 is shaping up nicely. This past January in Thailand we introduced a completely new truck, the Frontier Navara. It's doing extremely well—we've gotten lots of "conquest" sales, meaning that customers are coming to us from other makers. In Indonesia our new global strategic model, the Grand Livina, has received an even better reaction from customers than we anticipated. Renault will also be providing us with a new diesel engine. This is a key success factor in the GOM market, because GOM customers are sensitive about the running costs of vehicles, and the cost of ownership for diesels is much less than for petrol engine models.

Although the competition is tough in China, we are also gaining sales and profit. We introduced the Livina there and it's selling very well. Sales of the Tiida, which is a major model in GOM in terms of volume and profit, are now up in many markets. So far in 2007, the sales of passenger vehicles are approximately 128,000 units, which is an increase of 30 percent compared to last year.

Since our business in GOM occurs primarily in emerging markets, we face both huge risks and huge opportunities. Without taking risks, though, we cannot penetrate these markets. Fortunately, things are generally good. Tensions between Pakistan and India are decreasing, and China hasn't given us any big surprises so far.

One of our current initiatives is to further empower our regional headquarters in GOM to ensure that we react faster to market changes. We are also planning to delegate more authority on the R&D and purchasing sides so that the local teams can refine products and strategy. We are already preparing for future geographic expansion in those areas.

We expect further growth in volume in countries like China, India, Pakistan and Korea, so we will need to reinforce their sales networks. This year we are aiming for sales of about one million units throughout GOM, which represents around a 14 percent increase from fiscal 2006.



Frontier Navara