

## China

## The China Factor in GOM



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**China represented 43 percent of our total sales in GOM in fiscal 2007, making this a tremendously important market for Nissan. This first year of our new midterm business plan is therefore a very challenging time for us.**

I run Dongfeng Motor Co., Ltd. (DFL), a joint venture owned equally by Dongfeng and Nissan that is the only JV in China to offer a comprehensive lineup. In 2004, DFL began implementing a strategic business plan here called Plan 2<sup>3</sup> (Plan Two Cubed) to build our foundation. "Two Cubed" refers to our three goals of doubling sales volume and revenue, double-digit operating profit, and making this joint venture a learning organization between two companies—Dongfeng and Nissan.

The plan worked. Between 2003 and 2007, DFL surpassed its sales goal, jumping from 298,000 units to 610,000 units annually. Operating profit rose 69 percent between 2004 and 2007. Staff from the two entities also successfully united cross-culturally and cross-functionally under the Dongfeng Nissan Management Way, and we became a learning organization in many areas. One example: we doubled our productivity between 2003 and 2007, a direct result of efforts by our motivated employees and management.

That set the stage for Plan 1<sup>3</sup> (Plan One Cubed), our new five-year business plan. One Cubed lays out a strategy for building a strong base in China and global competitiveness atop three pillars: significant growth; operational enrichment through first-class quality; and becoming the most trusted car company in China.

We are seeking one million in sales and 100 billion yuan in revenue by 2012. To achieve this

ambitious target, we will launch more than ten new passenger vehicle models and more than five new LCVs. Four new models have already debuted this year—Qashqai, Livina C-Gear, an all-new Teana, and X-TRAIL.

To serve customers better, we are widening our sales network. By 2012, we will have 420 outlets for passenger vehicles, up 40 percent from 2007. We are also boosting production capacity to sustain our growth curve. DFL already has an annual capacity of 860,000 units, and we are investing a billion yuan in our new Zhengzhou Nissan plant, which starts operations in 2010 with a capacity of over 120,000 units.

Operational enrichment entails becoming first class in cost-competitiveness and the quality of products, sales and service. Accelerating localization is critical to that effort, so in 2006 we established an R&D center in Guangzhou. By 2012, we intend to increase local content in our passenger vehicles from the current level of 70 percent to 90 percent. We also built a training center for dealers in Guangzhou to enhance CS and started an auto finance company in Shanghai to offer customers more payment options.

Protecting the environment is one way of gaining stakeholder respect and becoming a trusted company. The new Teana offers a smart navigation system that enables drivers to avoid congested roads by plotting the shortest possible route. A test of the system in Beijing showed that a 30 percent utilization rate has the potential to cut CO<sub>2</sub> by up to 27 percent.

Although this is my first year as DFL's president, I have been a board member since the beginning and know the company well. DFL has already achieved a great deal, and I am confident that we have many more opportunities for sustainable growth.



Teana