



MITSUBISHI MOTORS AUSTRALIA LTD.

ABN 53 007 870 395

1284 South Road Clovelly Park
SA 5042, Australia
PO Box 8 Melrose Park
SA 5039, Australia

Customer Assistance Centre 1300 13 12 11

5th February 2008

Dear Fleet Customer

I am writing to inform you that a joint announcement has today been made by Mitsubishi Motors Australia Limited (MMAL) and our parent company, Mitsubishi Motors Corporation (MMC), to pursue a new business strategy in Australia. Regretfully, this decision will result in the Adelaide production facility which manufactures only the large 380 sedan, ceasing operations on 31st March 2008.

We have made the decision to pursue a full import strategy for Australia and I am personally committed to ensuring that Mitsubishi continues to be a significant and active participant in the Australian vehicle market with a successful and prosperous long-term future. The outstanding performance of our broad-based imported vehicle line-up, which registered 32 percent sales growth over the past twelve months, clearly indicates the Mitsubishi brand's potential in the Australian market.

We believe this change from local manufacturing to full-line importer will have no effect on current or future owners of Mitsubishi vehicles. Our company will continue to provide full Sales, Service, Parts and Accessories support and to offer the full backing of Mitsubishi's Diamond Advantage programme, which incorporates our 5/10 Warranty, five year Roadside Assist, 24/7 Customer Assistance Centre, and genuine service and parts.

In the case of our Australian national dealer network of over 200 locations, I can assure you that no reduction to our current sales and service operations is being contemplated, and in fact, we are currently examining the potential to extend our dealer network over the coming years to support our expanding product range.

To ensure you remain well informed of our progress:

- Enclosed is a list of Frequently Asked Questions which will assist in addressing any initial queries you may have.
- Further questions not addressed by our FAQ may be answered via our website, which has the facility to email our Customer Assistance Centre.
- If you prefer to speak to one of our Customer Assistance staff members in person, please call toll-free on 1300 13 12 11.
- Your local dealership or our fleet staff are also at your service and will be happy to provide any additional information you may require.

As I am sure you will understand, this has been a very difficult decision to make. We have worked closely with our parent company to decide the best course of action to secure Mitsubishi's long-term aspirations in the Australian market. However, factors such as the structural downturn in demand for large passenger vehicles, the relatively small Australian market, current high exchange rates, and the paucity of export markets have led to this decision.

Our priority now is to ensure the transition to a full-line import operation is made as seamlessly as possible. To this end, we will support our valued employees, suppliers and industry associates and make every effort to ensure that you, our customer, remain completely satisfied with your vehicle and with the Mitsubishi brand.

Importantly, our stock management policy of manufacturing 380 sedans in line with market demand has ensured that our stock levels are low and our model run out will be orderly, and thus we expect residual values of the 380 will be preserved.

Going forward, I have great confidence that the Mitsubishi brand has sound potential to grow and prosper in the Australian vehicle market. Our broad-based product line-up which currently includes the all-new Lancer, Colt, Grandis, Pajero, Outlander, Triton and Express Van has already demonstrated solid sales growth during the past year. During 2008 these successful vehicles will be joined by an exciting array of performance and passenger vehicles to further extend our market coverage and sales potential.

At Mitsubishi, we greatly value our customers and we are totally committed to all vehicles we sell. Please continue to enjoy driving your Mitsubishi vehicle with confidence knowing that our company will provide full support and the backing of one of the best new vehicle warranties in the automotive industry.

Kind regards

A handwritten signature in black ink, appearing to read 'Robert McEniry', written in a cursive style.

Robert McEniry
President and Chief Executive Officer
Mitsubishi Motors Australia Limited

KEY FACTS

- Mitsubishi Motors Australia Limited will end local production of its 380 sedan at the end of March 2008
- This decision affects the 380 model only
- Mitsubishi will continue to sell its full range of imported products including the Colt, Lancer, Grandis, Outlander, Pajero, Triton and Express Van in the Australian market
- During 2008 Mitsubishi will launch more exciting passenger and performance vehicles
- Service and Parts support will be met for all models, including past, present and future models
- Mitsubishi has a strong and committed network of over 200 dealers operating across rural and metropolitan Australia
- MMAL, together with our dealer network, will continue to meet all customer obligations and we are committed to increasing the quality and range of services on offer to all existing and future customers
- During this transition period from manufacturer to full-line importer, Mitsubishi's priority lies with protecting the welfare of our employees, who will receive all their entitlements together with very favourable separation packages
- In addition, we will work with appropriate government agencies to establish a complete program of counselling, job seeking and financial advisory services. These will be made available on site to our employees and their families
- Mitsubishi customers will continue to be covered by the Diamond Advantage Package, which consists of;
 - The Mitsubishi Warranty offer of five years/130,000 kms Bumper to Bumper and ten years/160,000kms on the drive train. This is the best warranty in the Australian market and provides absolute confidence for our customers
 - Mitsubishi's Five Year Roadside Assist and 24/7 Customer Assistance Centre providing on-the-road support whenever and wherever it is needed
 - Genuine Parts and Service available through our extensive national dealer network
- In addition, Mitsubishi dealerships will continue to undergo an extensive exterior and interior renovation programme designed to provide a pleasant and professional environment and to ensure the Mitsubishi ownership experience – whether for new vehicle sales, Parts, Accessories or Service – meets our customers' expectations



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Fleet Customer FAQ

1. Is this just a prelude to an exit from the Australian car market?

Absolutely not. Australia is a very important market for Mitsubishi Motors in which we intend to be long-term participants. MMC has held off as long as possible to see if the market would pick up but the signs are that the downturn is deepening so it is no longer viable to be in the large car segment as a local manufacturer.

2. What has led to the closure decision?

The 380 has been severely impacted by the prolonged downturn in the large car market and consequently failed to meet sales projections. We see no recovery in the large car market in the short to long term and have come to the conclusion that MMAL can not sustain the manufacturing plant. We have looked at many alternatives – small cars, SUVs, production of other components – but none were viable. The cost of tooling up or developing new vehicles is prohibitive in a small market like Australia.

3. When will the plant close?

We expect to be able to fulfil our forward commitments, mainly to fleet users, within about five weeks, so closure is scheduled for March 31st.

4. Whose decision was it?

The decision was made jointly by the Boards of MMAL and MMC after an exhaustive analysis of the business structure, alternatives and market outlook.

5. Why now? Is this linked to the government's Industry Review?

The decision has been realised in the course of developing a new three-year global business plan which is being finalised during the first quarter of 2008CY. The timing has no connection to the Government's Industry Review nor any connection to any other external events. This is a responsible business decision and has been made accordingly.

6. Is this a result of a failure of Government policy or is it MMAL's or MMC's fault?

The decision is reflective of global circumstance, in particular the trend away from large cars as well as other economic factors such as exchange rates which preclude us from developing a viable export market. With regard to government policy, we have enjoyed bi-partisan support and the direction the Government has signalled is in tune with the current market, but from Mitsubishi's perspective, the decision needed to be made now.

7. Why has the decision to close the plant been made now?

We and our parent company have battled to keep the plant going for some time. Speculation to the contrary has not helped our marketing efforts for the 380. The decision was made by our respective Boards today recognising the need to return to sustained profitability and after concluding that there was no sensible commercial rationale to prolonging a severe and continuing drain on company resources, - hence our decision to move to a full import strategy. The decision has been made quickly to reduce continuing speculation and uncertainty.

8. What options were considered in relation to keeping the plant going and why weren't they viable?

Many options were considered including alternate vehicles but in such a highly competitive and fragmented market, we could see no way of achieving the even higher volumes needed to make a small car viable, given the investment required to re-tool the site for alternative model production. From an export perspective, we believe Australia is too remote from receiving markets to make that a platform for investment.

9. What will happen to the plant employees?

Our priority is to look after our people in every way possible, with fairness and integrity. All employees' entitlements are protected. We believe the proposed redundancy payments are very favourable. Counselling, financial planning and outplacement resources will be made available to all employees affected and in addition, we will be working closely with government agencies to investigate retraining and reemployment opportunities. The SA economy is in a buoyant state, and the conditions for finding alternative employment are better now and in the coming years, than they have been for many years.

10. How many employees are affected?

There are 930 employees affected at Tonsley Park - two thirds of those by this April, with the remaining exiting over the next 18 months.

11. How much will the closure cost Government?

The company has received no direct grants or special/ hypothecated assistance from the federal government. The state government afforded Mitsubishi a grant of \$35 million in 2002 related to production of the 380 and we will be repaying this after consultation with the state government. It has not and will not be seeking further government assistance. Industry specific capital funding is a matter of public record.

12. The Australian car market is quite buoyant. Why isn't there room for four manufacturers?

The large passenger vehicle segment has experienced a marked downturn for some time, and market demand has seen a steady rise in sales of small, medium and more fuel efficient vehicles. Adding to this has been the rise in sales of SUV's as consumers replaced large passenger vehicles with four-wheel drive wagons. The Australian vehicle manufacturing industry has traditionally produced large passenger vehicles, as this was the dominant segment in the domestic market. However, the move away from this segment has seen production rendered non-viable for Mitsubishi.

13. What caused the decision?

This decision is a result of global forces beyond our control and a significant change in consumer purchase trends that were not foreseen by us (or others) back in 2001 when the model was approved. It is a sound and responsible business decision

14. Why didn't Mitsubishi Motors Australia develop a viable export strategy like Toyota?

MMAL had a strong export programme to the USA and Middle East in the 1990's and earlier this decade. However, unlike its Magna forerunner, a Left Hand Drive version of the 380 sedan is already manufactured in the USA for the US and Middle Eastern markets. Secondly, the strengthening of the Australian dollar has made exports far less viable – in 2001 the exchange rate was 57¢ to the USD, now its 87¢, meaning that the return on an exported product has decreased significantly.

15. Why is it possible for Ford to produce a smaller car, yet MMAL can not?

We cannot comment on another company's business strategy. Our studies have shown that MMAL would need to manufacture about 100,000 small cars a year to be viable which is not realistic in the relatively small Australian market.

Impact on Market/MMAL

16. What will be the impact on Mitsubishi market share/sales?

In the short term there is a possibility that we could lose some market share – we will sell 7,000 less 380's in 2008 vs 2007 – but are confident of replacing that volume this year with current and new model introductions. We recorded growth of 32 per cent in our imported vehicle line up in 2007.

17. What will happen to the Mitsubishi brand without a large car in the range?

Market demand indicates a shift away from the large passenger vehicle segment and we have been very pleased with the growth in the rest of our model line-up. Given the continuing decline in the large car market, the end of the 380 is not seen as critical. Our marketing and product programs will instead concentrate on recognised growth segments where Mitsubishi has product, such as:

- Light cars – Colt
- Small cars – Lancer
- People mover - Grandis
- SUV's – Outlander, Pajero
- LCV's – Triton 4x2 and 4x4, Express Van

18. What new models are planned to be launched in 2008?

Lancer Evolution, Lancer Ralliart, Lancer Sportsback, Triton 4x2 Diesel, a Lancer Luxury model, and a Lancer 2.4l engine option as well as model year additions and upgrades to the full range, with even more new products coming in 2009.

19. Will there be a replacement for the 380 in the Mitsubishi range?

MMAL believes that a new luxury version of the recently released Lancer model will be very attractive to Magna/380 buyers. Longer term, Mitsubishi may consider developing a new large car – a concept was displayed at the recent Tokyo Motor Show.

20. How will this decision affect the resale value of 380 sedans?

Even though there has been ongoing speculation about the future of the plant for some years, the 380 has a very good record of retained value, and we don't expect this to change. Given that 380 values have remained strong in the face of this speculation and the fact that warranty, service and parts will be ongoing, we are confident that used car values will remain strong for this product.

21. How will this decision affect the resale value of other Mitsubishi vehicles?

In short, we don't believe it will. Mitsubishi has shown strong growth in the Australian market over the past eighteen months. In 2007, our sales grew 20.7 percent over the previous year, well ahead of the average market growth of 9.1 percent. We have a broad based product range which includes acclaimed vehicles such as the all-new Lancer, Colt, Grandis, Pajero, Triton, Outlander and Express van. We believe the Mitsubishi brand will continue to prosper in the Australian market and as such, Mitsubishi vehicles will continue to be well regarded in both the new and used vehicle market.

22. How will this decision affect my warranty? Is it still valid?

Your warranty entitlements will not change. Every Mitsubishi vehicle is sold with a five-year/130,000 kilometre bumper-to-bumper 10 year / 160,000 kilometre non-transferrable drive train warranty and 5 years Roadside Assistance as standard and conditions on these warranties will not change.

23. How will this affect my local dealer? Will they still be able to service my vehicle?

This decision will not affect your local dealer in any operational capacity. There will be no changes to MMAL's current operations in dealing with, or supporting, our national dealer network.

24. Will I still be able to get parts and accessories for my 380? Or for other Mitsubishi vehicles?

Yes, parts and accessories for all Mitsubishi vehicles will continue to be available from your local dealer. The decision to cease local manufacturing will have no impact on any of our Service, Parts or Warranty programs and Mitsubishi and our dealer network will continue to support these programs, as they currently stand, in full,

25. Will this decision affect the dealer network?

No, overall the dealer network is strong and profitable and no reduction to our current operations are being contemplated. In fact, we are currently examining the potential to further expand our dealer network as our market share grows over the coming years.