

INDEPENDENT AUDITOR'S REPORT

May 22, 2017

To Mr. Hansson Magnus Yutaka,
Representative Director of
Jaguar Land Rover Japan Limited:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Daijiro Furutani

We have audited the financial statements, namely, the balance sheet as of March 31, 2017 of Jaguar Land Rover Japan Limited (the "Company"), and the related income statement and statement of shareholders' equity for the 9th fiscal year from April 1, 2016 to March 31, 2017, and the related notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jaguar Land Rover Japan Limited as of March 31, 2017, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

(TRANSLATION)

Restriction on Distribution and Use

This report is intended solely for Jaguar Land Rover Japan Limited and the parent company of Jaguar Land Rover Japan Limited, JAGUAR LAND ROVER LIMITED, and should not be distributed to or used by parties other than Jaguar Land Rover Japan Limited and JAGUAR LAND ROVER LIMITED.

Interest

Our firm and the engagement partner do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Balance Sheet

March 31, 2017

Jaquar Land Rover Japan Limited

(Thousands of Japanese Yen)

Account	Amount	Account	Amount
Assets	16,825,040	Liabilities	11,866,273
[Current Assets]	15,092,551	[Current Liabilities]	10,805,008
Cash and Cash Equivalents	1,081,920	Accounts Payable	6,116,998
Accounts Receivable	751,407	Accounts Payable - Other	926,902
Merchandise	6,090,505	Accrued Expenses	2,851,433
Goods in Transit	3,658,398	Accrued Income Taxes	300,071
Supplies	34,634	Accrued Bonuses	82,780
Prepaid Expenses	22,257	Provisions for Directors' Bonuses	4,736
Accounts Receivable - Other	242,188	Deposits Received	3,237
Consumption Taxes Receivable	109,383	Interest Payable	340
Short-term Loans Receivable	2,482,001	Provisions for Product Warranties	518,509
Deferred Tax Assets	619,853	[Long-term Liabilities]	1,061,265
[Fixed Assets]	1,732,489	Provisions for Retirement Benefits	159,433
(Property, Plant and Equipment)	796,587	Provisions for Product Warranties	794,206
Buildings	57,317	Long-term Guarantee Deposits	20,706
Buildings and Accompanying Facilities	17,876	Long-term Deposits Received	65,944
Machinery and Equipment	20,870	Asset Retirement Obligations	19,415
Vehicles and Transport Equipment	646,375	Long-term Deferred Revenue	1,558
Tools, Furniture and Fixtures	54,147	Equity	4,958,766
(Intangible Assets)	460,984	[Capital Stock]	480,000
Software	5,105	Capital Stock	480,000
Goodwill	455,878	[Capital Surplus]	3,503,539
(Investments and Other Assets)	474,916	Capital Reserve	3,503,539
Guarantee Deposits	123,660	[Retained Earnings]	975,226
Deferred Tax Assets	351,255	Other Retained Earnings	975,226
		Retained Earnings Brought Forward	975,226
Total Assets	16,825,040	Total Liabilities and Equity	16,825,040

Income Statement

From April 1, 2016
To March 31, 2017

Jaguar Land Rover Japan Limited

(Thousands of Japanese Yen)

Account		Amount
Net Sales		42,103,694
Cost of Sales		35,641,179
Gross profit		6,462,515
Selling, General and Administrative Expenses		5,771,534
Operating Income		690,980
Non-Operating Income		
Insurance Revenue	13,009	
Interest Income	92	
Comission Fees	19,337	
Miscellaneous Income	36,165	68,605
Non-Operating Expenses		
Foreign Exchange Loss	12,929	
Interest Expense	6,378	
Sales Discounts	206,907	
Miscellaneous Losses	8,570	234,785
Ordinary Income		524,800
Income Before Income Taxes		524,800
Income Taxes		
Current	483,751	
Deferred	△ 321,342	162,409
Net Income		362,391

Statement of Shareholders' Equity
From April 1, 2016
To March 31, 2017

Jaguar Land Rover Japan Limited

(Thousands of Japanese Yen)

	Capital Stock	Capital Surplus		Retained Earnings		Total Equity
		Capital Surplus	Total Capital Surplus	Other Retained Earnings	Total Retained Earnings	
				Retained Earnings Brought Forward		
Balance at April 1, 2016	480,000	3,503,539	3,503,539	612,835	612,835	4,596,375
Changes in Current Fiscal Year	-	-	-	-	-	-
Dividends Paid	-	-	-	-	-	-
Net Income	-	-	-	362,391	362,391	362,391
Total Change in Current Fiscal Year	-	-	-	362,391	362,391	362,391
Balance at March 31, 2017	480,000	3,503,539	3,503,539	975,226	975,226	4,958,766

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Valuation Basis and Method for Significant Assets

Valuation Basis and Method for Inventory

Merchandise and Goods in Transit

- ① Vehicles Lower of cost determined by the specific identification cost method, or net selling value.
 ② Parts Lower of cost determined by the moving-average cost method, or net selling value.

Supplies Lower of cost determined by the specific identification cost method, or net selling value.

(2) Depreciation Method for Fixed Assets

Property, Plant and Equipment

Straight-line method

Useful lives

Buildings	18 years
Machinery and Equipment	5 years
Vehicles and Transport equipment	6 years
Tools, Furniture, and Fixtures	8 years

Intangible Assets

Straight-line method

Software is amortized on a straight-line basis over the expected useful life (5 years).
 Goodwill is amortized on a straight-line basis over 20 years.

(3) Accounting Standards for Significant Allowances

Allowance for Doubtful Accounts

A general reserve is provided using a rate determined by past experience with bad debts.
 A specific reserve is provided for the estimated amount considered to be uncollectible after reviewing the individual collectability of certain doubtful accounts.

Provision for Retirement Benefits

Provision for retirement benefits is calculated based on the estimated liabilities at the year-end measured under the Company's internal rules.

Provision for Product Warranties

A reserve for product warranty costs is calculated based on the estimated future payments measured by using historical data.

Accrued Bonuses

Accrued bonus is measured at the estimated future payments under the Company's internal rules.

Provision for Directors' Bonuses

The provision for bonuses to directors represents management's best estimate of bonus payments, based on the internal policies of the Company.

(4) Other Important Matters

Consumption Tax Treatment Tax-exclusion method

2. Notes to Balance Sheet

(1) Accumulated Depreciation of Property, Plant and Equipment 166,866 Thousand Yen

3. Notes to Statements of Change in Equity

(1) Number and Type of Total Shares Issued

(Unit: Shares)

Type of Shares	At beginning of the current year	Increase in the current year	Decrease in the current year	At the end of the current year
Common Stock	101	-	-	101

4. Income Taxes

Details of Deferred Tax Assets and Liabilities

	As of March 31, 2017 (Thousands of Japanese Yen)
Deferred Tax Assets (Current)	
Accrued Expenses	394,337
Enterprise Tax Payable	16,881
Accrued Bonuses	25,546
Provisions for Product Warranties	160,011
Accrued Business Occupancy Tax	226
Accrued Rent	22,850
Deferred Tax Assets (Current) Total	<u>619,853</u>
Deferred Tax Assets (Current) - net	<u>619,853</u>
Deferred Tax Assets (Non-Current)	
Provisions for Product Warranties	243,186
Provisions for Retirement Benefits	48,818
Deferred Assets for Tax Purposes	58,827
Others	6,100
Deferred Tax Assets (Non Current) Total	<u>356,732</u>
Deferred Tax Liabilities (Non-Current)	
Others	<u>Δ 5,476</u>
Deferred Tax Liabilities (Non Current) Total	<u>Δ 5,476</u>
Deferred Tax Assets (Non Current) - net	<u>351,255</u>

5. Related Party Transactions

(1) Parent Company

(Thousands of Japanese Yen)

Category	Name of Company	Shareholding Ratio	Relationship		Transaction	Amount	Account	Balance
			Directors	Business				
Parent	Jaguar Land Rover Ltd.	Direct 100%	-	Purchase of merchandise	Import of vehicles, as well as catalogs and brochures (Note 1)	40,435,971	Accounts Payable Accounts Payable - Other	6,116,998 51,100
					Financial support	Loans to Parent (Note 2)	2,482,001	Short-term Loans Receivable
					Interest Received	92	Interest Payable	340
					Expense Reimbursement	40,368	Accounts Receivable - Other	130,349

(Note 1) General terms and conditions applied for the import of vehicles, as well as catalogs and brochures, based on market prices.

(Note 2) The loan interest rate was reasonably determined based on market rates.

6 Other remarks

None