

Jaguar Land Rover Japan Limited

Financial Statements for the year ended March 31, 2016.

INDEPENDENT AUDITOR'S REPORT

May 20, 2016

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, 2016 of Jaguar Land Rover Japan Limited (the "Company"), and the related statements of income and changes in net assets for the 8th fiscal year from April 1, 2015 to March 31, 2016, 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, 2016, 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, 2016

Jaguar Land Rover Japan Limited

(Thousands of Japanese Yen)

Account	Amount	Account	Amount
Assets	16,218,874	Liabilities	11,622,498
[Current Assets]	14,677,876	[Current Liabilities]	10,768,742
Cash and Cash Equivalents	1,689,057	Accounts Payable	6,241,398
Accounts Receivable	1,720,515	Accounts Payable - Other	1,723,991
Merchandise	3,746,822	Accrued Expenses	2,097,320
Goods in Transit	3,477,523	Accrued Income Taxes	402,817
Supplies	37,500	Deposits Received	3,765
Prepaid Expenses	20,144	Consumption Taxes Payable	227,347
Accounts Receivable - Other	167,087	Accrued Bonuses	65,921
Interest Receivable	28	Provision for Directors' Bonuses	6,180
Short-term Loan Receivable	3,460,318		
Deferred Tax Assets	358,878	[Long-term Liabilities]	853,755
[Fixed Assets]	1,540,997	Provision for Retirement Benefits	121,445
(Property, Plants and Equipment)	619,722	Provision for Product Warranties	673,203
Buildings	61,724	Long-term Guarantee Deposited	39,732
Buildings and Accompanying Facilities	19,154	Asset Retirement Obligations	19,374
Machinery and Equipment	12,063	Equity	4,596,375
Vehicles and Transport Equipment	471,340	[Capital Stock]	480,000
Tools, Furniture and Fixtures	55,438	Capital Stock	480,000
(Intangible Assets)	507,554	[Capital Surplus]	3,503,539
Software	12,033	Capital Surplus	3,503,539
Goodwill	495,520	[Retained Earnings]	612,835
(Investments and Other Assets)	413,720	Other Retained Earnings	612,835
Guarantee Deposits	122,831	Retained Earnings Brought Forward	612,835
Deferred Tax Assets	290,888		
Total Assets	16,218,874	Total Liabilities and Equity	16,218,874

Statement of Income

From April 1, 2015

To March 31, 2016

Jaguar Land Rover Japan Limited

(Thousands of Japanese Yen)

Account		Amount
Net Sales		33,198,407
Cost of Sales		28,182,133
Gross profit		5,016,273
Selling, General and Administrative Expenses		4,481,856
Operating Income		534,416
Non-Operating Income		
Property Rent Income	1,111	
Interest Income	2,663	
Comission Fee	18,322	
Miscellaneous Income	28,945	51,043
Non-Operating Expenses		
Foreign Exchange Loss	5,258	
Interest Expense	26	
Sales Discounts	186,639	
Miscellaneous Losses	54,425	246,349
Ordinary Income		339,110
Income Before Income Taxes		339,110
Income Taxes		
Current	436,026	
Deferred	△ 261,172	174,854
Net Income		164,255

Statement of Changes in Equity

From April 1, 2015

To March 31, 2016

(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, 2015	480,000	3,503,539	3,503,539	448,579	448,579	4,432,119
Changes in Current Fiscal Year						
Dividend Paid						
Net Income				164,255	164,255	164,255
Total Change in Current Fiscal Year				164,255	164,255	164,255
Balance at March 31, 2016	480,000	3,503,539	3,503,539	612,835	612,835	4,596,375

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 Specific identification cost method (calculated using the book-value write-down method based on the decline in profitability).

② Parts Moving average cost method (calculated using the book-value write-down method based on the decline in profitability).

Supplies Specific identification cost method (calculated using the book-value write-down method based on the decline in profitability).

(2) Depreciation Method for Fixed Assets

Property, Plant and Equipment	Straight-line method
	Useful lives
Buildings	20 years
Machinery and Equipment	6 years
Vehicles and Transport equipment	6 years
Tools, Furniture, and Fixtures	3 years

Intangible Assets

Straight-line method

Software is amortized on a straight-line basis over the expected usable period (5 years).

Goodwill is amortized on a straight-line basis over 20 years.

(3) Accounting Standards for Significant Allowances

Allowance for Doubtful Accounts	To prepare for an impairment loss for accounts receivable, 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	To prepare for payment of employee retirement benefits, the Company provides accrued retirement benefits based on the estimated liabilities at the year-end measured under the Company's internal rules.
Provision for Product Warranties	To prepare for payment of product warranties, the Company provides a reserve for product warranty costs based on the estimated future payments measured by the historical data.
Accrued Bonuses	To prepare for payment of bonuses for employees, the Company provides an accrued bonus 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
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2. Note to Balance Sheet

(1) Accumulated Depreciation of Property, Plant and Equipment	94,096 Thousand Yen
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3. Note 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 end of the current year
Common Stock	101	-	-	101

4. Income Taxes

Details of Deferred Tax Assets and Liabilities

	As of March 31, 2016
	(Thousands of Japanese Yen)
Deferred Tax Assets (Current)	
Accrued Expenses	297,603
Enterprise Tax Payable	27,672
Accrued Bonuses	20,343
Accrued Business Occupancy Tax	230
Accrued Rent	13,028
Deferred Tax Assets (Current) Total	358,878
Deferred Tax Assets (Current) - net	358,878
Deferred Tax Assets (Non Current)	
Provision for Product Warranties	207,700
Provision for Retirement Benefits	37,186
Deferred assets for tax purposes	45,717
Others	6,154
Deferred Tax Assets (Non Current) Total	296,759
Deferred Tax Liabilities (Non Current)	
Others	△ 5,871
Deferred Tax Liabilities (Non Current) Total	△ 5,871
Deferred Tax Assets (Non Current) - net	290,888

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 catalogs and brochures (Note 1)	29,384,023	Accounts Payable Accounts Payable - Other	6,241,398 982,429
					Loan to Parent (Note 2)	3,460,318	Short-term Loan Receivable	3,460,318
				Financial support	Interest Received	2,475	Interest Receivable	28
				Reimbursed Expense	38,356	Accounts Receivable - Other	9,845	

(Note 1) General terms and conditions were applied for vehicle import and import of catalogs and brochures with reference to market prices.

(Note 2) Loan interest rate was reasonably determined with reference to market rates.

6 Other remarks

None