

Independent Auditors' Report

To the Board of Directors of Sumitomo Heavy Industries, Ltd.

We have audited the accompanying consolidated balance sheets of Sumitomo Heavy Industries, Ltd. and consolidated subsidiaries as of March 31, 2007 and 2006, the related consolidated statements of income for the years then ended, the consolidated statement of changes in net assets for the year ended March 31, 2007, the consolidated statement of stockholders' equity for the year ended March 31, 2006, and the consolidated statements of cash flows for the years ended March 31, 2007 and 2006, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sumitomo Heavy Industries, Ltd. and subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.

1. As discussed in Note 1 to the consolidated financial statements, effective April 1, 2006, the Company and its consolidated domestic subsidiaries adopted new accounting standards for the presentation of net assets in the balance sheet.
2. As discussed in Note 1 to the consolidated financial statements, effective April 1, 2005, the Company and consolidated domestic subsidiaries changed the accounting policy to recognize losses on construction contracts that are probable to result and are reasonably estimated as of the balance sheet date as allowance for losses on construction contracts.
3. As discussed in Note 1 to the consolidated financial statements, effective for the year ended March 31, 2006, certain consolidated domestic subsidiaries changed their accounting policies for retirement benefits for directors, corporate auditors and executive officers from recognizing them upon retirement to accruing them as allowance for retirement benefits for them.
4. As discussed in Note 1 to the consolidated financial statements, effective April 1, 2005, the Company and consolidated domestic subsidiaries adopted the new accounting standard for impairment of fixed assets.
5. As discussed in Note 14 (2) "Subsequent events" to the consolidated financial statements, Nihon Spindle Manufacturing Co., Ltd. is expected to become a subsidiary of the Company through a share exchange to be executed by Nihon Spindle Manufacturing Co., Ltd.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 28, 2007