

July 8, 2003

Summary of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2004

Company name: MELCO INC.
URL: <http://www.melcoinc.co.jp>
Stock code: 6913
Stock exchange listing: Tokyo Stock Exchange, First Section
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1. Matters concerning the preparation of first quarter consolidated financial statements
Changes in accounting methods for sales and sales equivalents in the current consolidated accounting period: None

2. Financial results for the first quarter ended June 30, 2003 (April 1, 2003 – June 30, 2003)

(1) Consolidated sales

Yen in millions

	First quarter ended June 2003	Year-on-year change	First quarter ended June 2002	FY ended March 2003 (for reference)
Net sales	25,330	22.6%	20,663	87,482

Participation of a certified public accountant or audit corporation in the preparation of first quarter results: None

Sales breakdown by product

Yen in millions

	First quarter ended June 2003		First quarter ended June 2002	
	Amount	Share (%)	Amount	Share (%)
Memories	7,524	29.7	5,817	28.2
Storage devices	9,503	37.5	7,358	35.6
Network equipment	6,315	24.9	5,654	27.4
Broadband devices (Note)	5,142	20.3	4,317	20.9
Other	1,986	7.8	1,832	8.9
Total	25,330	100.0	20,663	100.0

Note: Of which broadband

Remarks Concerning Net Sales

In the first quarter of the current fiscal year, Japan's economy began to show gradual signs of improvement as fears about the impact of SARS subsided and earnings announcements for the past fiscal year were generally favorable. However, real economic trends remained weak as there was no recovery in consumer spending and corporate capital expenditures.

In the IT industry, where MELCO is active, growth in the broadband market continued. In May

2003, the number of broadband connections for the SOHO and consumer markets in Japan topped 10 million.

In this environment, MELCO conducted aggressive sales activities and introduced a number of new products in the core memory and storage product businesses, as well as in the wireless LAN field, which is viewed as a key next-generation product for the company.

In memory products, there was a large increase in sales of DDR (double data rate) memory modules, devices that went on the market in 2002 and are used chiefly in PCs. Also generating a strong market response was MELCO's USB flash disk, which the company is offering as a new type of removable storage medium for PCs.

In storage products, MELCO is benefiting from rising demand for hardware that enables individuals to view digital video content, TV programs, movies and other moving-image content on PCs. As a result, much higher sales were posted by new models of DVD writers, hard disk drives and other products.

In broadband products, MELCO was first in the world to begin selling products that conform to the new IEEE802.11g standard. Launched at the end of the previous fiscal year, these products contributed to a more than twofold year-on-year sales increase for all wireless LAN products, significantly enlarging the number of users. However, there is still room for improving earnings as profitability is being pressured by falling sales prices and investments to bolster R&D activities. MELCO has been developing a rental business through a subsidiary in order to establish a new sales channel for wireless LAN products. As this business is still in the early stage of development, there is no significant contribution to consolidated sales and earnings.

Supplementary Information

Consolidated results of operations

	<i>Yen in millions</i>		
	Net sales	Operating income	Ordinary income
First quarter ended June 2003	25,330	915	1,010

Non-consolidated results of operations

	<i>Yen in millions</i>		
	Net sales	Operating income	Ordinary income
First quarter ended June 2003	24,787	879	961

Reported figures are not adjusted for term-end book-closing.

Participation of a certified public accountant or audit corporation in the preparation of first quarter results: None

(2) Events significantly affecting the financial position or operating results

None

(3) Forecast of business forecasts for the fiscal year ending March 2004 (April 1, 2003 – March 31, 2004)

Consolidated

	<i>Yen in millions</i>			
	Net sales	Ordinary income	Net income	EPS (¥)
Interim	43,800	1,700	850	32.53
Full year	94,500	4,100	2,000	76.55

Non-consolidated

	<i>Yen in millions</i>			
	Net sales	Ordinary income	Net income	EPS (¥)
Interim	43,000	1,800	950	36.36
Full year	92,000	4,300	2,200	84.21

Note: The Company on May 16, 2003 retired 715,200 shares of common stock and as a result 26,125,936 shares are outstanding.

Outlook

There are currently a number of positive economic trends in Japan, including rising stock prices and a decline in concerns about the financial system. Nevertheless, caution is still required because of persistent deflationary forces and the inability of the Japanese economy to stage a broad-based recovery.

MELCO believes that the strong performance of the fiscal year's first half will continue. However, due to the uncertain economic climate, no revisions are being made at this time to forecasts for the fiscal year.

Note: Forecasts for operating results are based on judgments of the MELCO Group based on information currently available. As these forecasts incorporate numerous uncertainties, actual results could differ significantly from these forecasts.