

January 24, 2005

**Summary of Financial Results for the Third Quarter Ended December 2004
(Consolidated)**

Company name: MELCO HOLDINGS INC.
 Stock code: 6676
 Stock exchange listing: First Section, Tokyo Stock Exchange; First Section, Nagoya Stock Exchange
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Notes on presentation of quarterly financial results

- (1) Application of the simple method in the preparation of quarterly financial statements: Yes
 Depreciation of fixed assets: An amount deemed to have accrued as of the end of the first quarter based on full fiscal year estimate
 Income taxes: An amount deemed to have accrued as of the end of the first quarter based on annual estimated income tax calculated at the statutory tax rate
- (2) Changes in accounting treatment from the most-recent consolidated fiscal year: No
- (3) Changes in the scope of consolidation and application of the equity method: Yes

2. Financial results for the third quarter ended December 2004 (April 1, '04 –December 31, '04)

(1) Consolidated results of operations

	Net sales		Operating income		Ordinary income	
	Million yen	YoY change %	Million yen	YoY change %	Million yen	YoY change %
Third quarter ended December 2004	77,720	(2.2)	3,327	(- 12.0)	3,418	(- 12.1)
Third quarter ended December 2003	76,041	(-)	3,780	(-)	3,890	(-)
Fiscal year ended March 2004	103,703		5,228		5,409	

	Net income (for the period)		Net income per share (basic)	Net income per share (diluted)
	Million yen	%	Yen	Yen
Third quarter ended December 2004	1,497	(36.3)	57.33	-
Third quarter ended December 2003	2,325	(-)	90.02	-
Fiscal year ended March 2004	3,055		114.89	-

Note:

The percentage figures accompanying net sales, operating income and other items represent year-on-year changes.

Results of Operations

During the first three quarters of the fiscal year, Japan's economy has staged a generally steady recovery since the beginning of the year, although there was a slight slowdown late in the fall. Growth has been driven mainly by the strong performances of companies involved in exports, home electronics and information-related activities. In the PC market, which has a great bearing on the Melco Group, demand was stagnant as consumer spending shifted to air conditioners and flat-panel televisions during the summer. However, this was nothing more than a temporary trend as demand rebounded during the winter selling season.

In this environment, the Melco Group expanded its lineup of network-ready products to contribute to growth of the digital home market. The Group also developed new products and cut costs in the memory, storage and network categories.

During the fiscal year's first half, the Group recorded weak sales and earnings due to the impact of lackluster demand by consumers for PCs and related products. However, the Group was able to offset this weakness with a strong performance in the second half. The recovery was due to higher sales of recently introduced value-added products, such as a high-capacity network hard disk drive and a high-power wireless LAN, and to improved profitability resulting from considerable progress in reducing costs.

Due to the above items, net sales in the third quarter increased 6.2% year-on-year to 27,336 million yen and ordinary income rose 2.0% to 1,908 million yen. Consolidated net sales increased 2.2% to 77,720 million yen, consolidated ordinary income was 3,418 million yen and consolidated net income was 1,497 million yen.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
Third quarter ended December 2004	48,902	30,454	62.3	1,165.73
Third quarter ended December 2003	—	—	—	—
Fiscal year ended March 2004	49,143	29,002	59.0	1,108.08

(3) Consolidated cash flow position

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
Third quarter ended December 2004	524	2,813	- 422	12,015
Third quarter ended December 2003	—	—	—	—
Fiscal year ended March 2004	3,586	260	- 512	9,035

Financial Condition

Third quarter cash flows

Cash and cash equivalents at the end of the third quarter totaled 12,015 million yen, 2,976 million yen more than at the end of the previous fiscal year. A summary of cash flows follows.

(Operating activities)

Net cash used in operating activities was 524million yen. This was mainly the result of cash provided by income before income taxes of 2,995 million yen, a 1,132 million yen decrease in inventories and other items, and cash used by a 1,362 million yen increase in trade receivables, a 1,813 million yen decrease in trade payables, income tax payments of 1,533 million yen and other items.

(Investing activities)

Net cash provided by investing activities was 2,813 million yen. This was mainly attributable to proceeds of 1,812 million yen from the sale of investment securities and payments of 8,070 million yen for the purchase of investment securities.

(Financing activities)

Net cash used in financing activities was 422 million yen, mainly the result of dividend payments of 421 million yen.

3. Forecast (consolidated) for the fiscal year ending March 2005 (Apr. 1, '04 – Mar. 31, '05)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Full Year	106,000	5,200	2,300

Reference: Estimated consolidated net income per common share for the fiscal year ending March 2005: 86.12 yen.

Forecasts

The gradual recovery now taking place in Japan's economy is expected to continue. Although concerns persist about the impact of weakening U.S. and Chinese economies and the yen's strength on export-dependent industries, corporate earnings in the current fiscal year are generally healthy. In addition, the PC market is about to enter the period of greatest demand, with companies placing fiscal year-end orders and consumer demand climbing as a new school year approaches.

In response, the Melco Group will work on developing new markets in order to expand its operations. In addition, the Group will step up efforts to build on third-quarter momentum to generate earnings in the final quarter of the current fiscal year. Based on this outlook, forecasts announced on October 8, 2004 have been revised. The Group is now aiming for consolidated net sales of 106.0 billion yen, ordinary income of 5.2 billion yen and net income of 2.3 billion yen.

Note: The above forecasts are based on information available at the time these materials were prepared, and incorporate many uncertainties. Consequently, actual results may differ from these forecasts due to changes in market conditions and other factors.

Referential Information

Yen in Millions

	3Q of FY ended March 2005		3Q of FY ended March 2004	
	Amount	Pct. of sales	Amount	Pct. of sales
Memories	27,161	34.9	23,993	31.6
Storage devices	27,736	35.7	28,420	37.4
Networks	14,645	18.8	17,688	23.3
(Of which broadband products) (note)	11,896	15.3	14,401	18.9
Others	8,175	10.5	5,939	7.8
Total	77,720	100.0	76,041	100.0

Notes:

1. Broadband figures are included in Networks.

Supplementary information

Summary Quarterly Consolidated Balance Sheet, Summary Quarterly Consolidated Statement of Income, others

Supplementary information

Summary Quarterly Consolidated Financial Statements (1) Summary quarterly consolidated balance sheets

Yen in Thousands

Accounting period/Account	3Q of FY ended December 2004 As of December 31, 2004		FY ended March 2004 As of March 31, 2004	
	Amount	Pct. of total	Amount	Pct. of total
Assets				
I. Current assets				
Cash on hand and in banks	12,015,925		9,035,609	
Notes and accounts payable	20,390,681		18,949,509	
Inventories	6,641,477		7,805,817	
Other current assets	1,206,193		1,599,356	
Total current assets	40,254,278	82.3	37,390,292	76.1
II. Fixed assets				
Property, plant and equipment	2,012,997	4.1	2,015,717	4.1
Intangible assets	68,700	0.1	92,465	0.2
Investment and other assets	6,566,953	13.4	9,645,449	19.6
Total fixed assets	8,648,651	17.7	11,753,632	23.9
Total assets	48,902,929	100.0	49,143,925	100.0
Liabilities				
I. Current liabilities				
Notes and accounts payable	15,112,873		16,772,773	
Other current assets	2,502,159		2,558,105	
Total current liabilities	17,615,032	36.0	19,330,878	39.3
II. Long-term liabilities				
Allowance for retirement benefits	369,629		360,767	
Other long-term liabilities	461,448		447,986	
Total long-term liabilities	831,077	1.7	808,754	1.6
Total liabilities	18,446,110	37.7	20,139,633	41.0
Minority interests	2,217	0.0	1,511	0.0
Shareholders' Equity				
I. Capital	1,000,000	2.0	1,000,000	2.0
II. Capital surplus	11,677,708	23.9	11,677,858	23.8
III. Retained earnings	17,872,197	36.5	16,849,356	34.3
IV. Unrealized gain/loss on other securities	139,025	0.3	-236,362	-0.5
V. Foreign currency translation adjustments	-232,471	-0.5	-287,173	-0.6
VI. Treasury stock	-1,858	-0.0	-897	-0.0
Total shareholders' equity	30,454,601	62.3	29,002,780	59.0
Liabilities, minority interest and shareholders equity	48,902,929	100.0	49,143,925	100.0

(2) Summary Quarterly Consolidated Statement of Income

Yen in thousands

Accounting period/Account	3Q of FY ended December 2004 April 1, 2004 – December 31, 2004		FY ended March 2004 April 1, 2003 - March 31, 2004	
	Amount	Pct. of total	Amount	Pct. of total
I. Net sales	77,720,106	100.0	103,703,677	100.0
II. Cost of sales	67,708,464	87.1	89,886,218	86.7
Gross profit	10,011,641	12.9	13,817,458	13.3
III. SG&A expenses	6,684,275	8.6	8,589,348	8.3
Operating income	3,327,365	4.3	5,228,109	5.0
IV. Non-operating income	167,681	0.2	367,437	0.4
V. Non-operating expenses	76,921	0.1	186,227	0.2
Ordinary income	3,418,126	4.4	5,409,319	5.2
VI. Extraordinary income	81,045	0.1	-	-
VII. Extraordinary loss	503,547	0.6	1,262,187	1.2
Current term net income before income taxes and other adjustments	2,995,624	3.9	4,147,132	4.0
Income taxes	1,496,011	1.9	1,092,956	1.1
Minority interest in income (loss) of consolidated subsidiaries	1,883	0.0	-1,000	-0.0
Current term net income	1,497,729	1.9	3,055,175	2.9

(3) Summary quarterly consolidated statements of cash flows

Yen in thousands

Accounting period/Account	3Q of FY ended December 2004 April 1, 2004 – December 31, 2004	FY ended March 2004 April 1, 2003 - March 31, 2004
	Amount	Pct. of total
I. Cash flow from operating activities		
Current-term income before income taxes and other adjustments	2,995,642	4,147,132
Depreciation	384,353	422,803
(Increase)/decrease in accounts receivable	-1,362,185	75,174
(Increase)/decrease in inventories	1,132,651	-3,068,685
(Decrease)/increase in accounts payable	-1,813,939	3,564,590
Others	715,004	184,277
Subtotal	2,051,508	5,325,293
Income taxes paid	-1,533,996	-1,957,575
Other	6,596	218,341
Net cash provided by (used in) operating activities	524,109	3,586,059
II. Cash flows from investing activities		
Proceeds from sale of investment securities	11,068,503	6,339,552
Payment for purchase of investment securities	-8,070,757	-5,444,367
Payment for purchase of property, plant and equipment	-268,753	-670,094
Others	84,669	35,297
Net cash provided by investing activities	2,813,662	260,386
III. Cash flows from financing activities		
Increase/decrease in short-term borrowings (net)	-	-100,000
Cash dividends paid	-421,261	-413,274
Others	-1,288	1,259
Net cash used in financing activities	-422,550	-512,015
IV. Effect of exchange rate changes on cash and cash equivalents	60,886	-53,921
V. Net increase in cash and cash equivalents	2,976,108	3,280,510
VI. Cash and cash equivalents at beginning of year	9,035,609	5,746,477
VII. Cash and cash equivalents at beginning of year resulting from inclusion of consolidated subsidiaries	4,207	8,621
VIII. Cash and cash equivalents at end of year	12,015,925	9,035,609