

July 25, 2005

Summary of Financial Results for the First Quarter Ended June 2005 (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: No

2. Financial results for the first quarter ended June 2005 (April 1, '05 – June 30, '05)

(1) Consolidated results of operations

	Net sales		Operating income		Ordinary income	
	Million yen	YoY change %	Million yen	YoY change %	Million yen	YoY change %
First quarter ended June 2005	25,859	(2.6)	1,752	(93.5)	1,576	(71.5)
First quarter ended June 2004	26,563	()	905	()	919	()
Fiscal year ended March 2005	106,353	(2.6)	5,523	(5.7)	5,519	(2.0)

	Net income (for the period)		Net income per share (basic)	Net income per share (diluted)
	Million yen	%	Yen	Yen
First quarter ended June 2005	701	(74.9)	26.86	
First quarter ended June 2004	401	()	15.36	
Fiscal year ended March 2005	2,459	(19.5)	93.10	

Note:

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

Results of Operations

During the first quarter of the fiscal year, the Company's capital investment and consumer spending were favorable and the Japanese economy staged a gradual recovery trend despite the effect of foreign exchange and rising oil price. Also in the PC industry, both corporate demand and consumer demand were strong.

In this environment, buffalo Co., Ltd. with the revision of the Radio Law introduced new products of wireless LAN ahead of other companies and contributed to smooth transition to the new standards of domestic wireless LAN users. In addition, sales were favorable due to expansion of hard disk products including USB flash memory and network connection type. However, Group net sales were largely unchanged from the previous fiscal year as sales at CFD Sales Inc. fell sharply compared to the previous fiscal year because the subsidiary was unable to secure sufficient supplies of hard disk drives. CFD Sales' core business is marketing parts for home-built personal computers.

Earnings increased substantially, due to the fact that we were able to continue maintaining high profit margins in the second half and the fact that component ratio of value-added products, such as wireless LAN were high. However, we were able to meet our Group profit targets as accelerated sales of low-margin parts acted as a shock absorber offsetting the impact of the above-mentioned hard disk drive supply shortages.

Due to the above items, consolidated net sales fell 2.6% year-on-year to 25,859 million yen, operating income increased 93.5% to 1,752 million yen, ordinary income increased 71.5% to 1,576 million yen and net income increased 74.9% to 701 million yen.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
First quarter ended June 2005	53,881	32,153	59.7	1,230.76
First quarter ended June 2004	48,288	29,401	60.9	1,125.37
Fiscal year ended March 2005	55,233	31,618	57.2	1,209.24

(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
First quarter ended June 2005	(1,153)	38	(262)	16,815
First quarter ended June 2004	(259)	1,100	(215)	9,671
Fiscal year ended March 2005	6,564	2,898	(422)	18,082

Financial Condition

First quarter cash flows

Cash and cash equivalents at the end of the first quarter totaled ¥16,815 million, ¥1,266 million less than at the end of the previous fiscal year. A summary of cash flows follows.

(Operating activities)

Net cash used in operating activities was ¥1,153 million. Major sources of cash were income before income taxes of ¥1,563 million and a decrease in Inventories increase of ¥2,443 million in addition to tax payments of ¥ 1,837 million.

(Investing activities)

Net cash provided by investing activities was ¥38 million. This was mainly attributable to proceeds of ¥90 million from the sale of investment securities and payments of ¥43 million for the purchase of tangible property.

(Financing activities)

Net cash used in financing activities was ¥262 million, mainly the result of dividend payments of ¥261 million.

3. Forecast (consolidated) for the fiscal year ending March 2006 (Apr. 1, '05 – Mar. 31, '06)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Interim	52,000	2,200	1,100
Full Year	117,000	6,000	3,200

Reference: Estimated consolidated net income per common share for the fiscal year ending March 2006: ¥120.57

Forecasts

Having reached a plateau, Japan's economy is now widely expected to try to move up. However, uncertainties caused by rising oil prices and exchange rate trends will continue to cloud the outlook. Although the Melco Group's operating results were strong in the first quarter, no revisions are being made to the forecasts for the fiscal year.

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

	1Q of FY ended March 2005		1Q of FY ended March 2006	
	Amount	Pct. of sales	Amount	Pct. of sales
Memories	9,378	35.3	9,672	37.4
Storage devices	9,704	36.5	8,325	32.2
Networks	4,922	18.5	4,641	17.9
(Of which broadband products) (note)	3,965	14.9	3,772	14.6
Others	2,557	9.6	3,220	12.5
Total	26,563	100.0	25,859	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	1Q of FY ended June 2005 As of June 30, 2005		1Q of FY ended June 2004 As of June 30, 2004	
	Amount	Pct. of total	Amount	Pct. of total
Assets				
I. Current assets				
Cash on hand and in banks	16,815,303		9,671,838	
Notes and accounts payable	18,434,992		18,712,443	
Inventories	8,536,428		7,879,642	
Other current assets	1,651,140		1,326,662	
Total current assets	45,437,864	84.3	37,590,587	77.8
II. Fixed assets				
Property, plant and equipment	1,601,608	3.0	1,996,080	4.1
Intangible assets	71,694	0.1	82,981	0.2
Investment and other assets	6,770,491	12.6	8,619,338	17.8
Total fixed assets	8,443,794	15.7	10,698,399	22.2
Total assets	53,881,659	100.0	48,288,986	100.0
Liabilities				
I. Current liabilities				
Notes and accounts payable	17,780,128		16,035,170	
Other current assets	2,933,624		2,006,585	
Total current liabilities	20,713,753	38.4	18,041,756	37.4
II. Long-term liabilities				
Allowance for retirement benefits	423,048		388,518	
Other long-term liabilities	590,263		455,521	
Total long-term liabilities	1,013,311	1.9	844,040	1.7
Total liabilities	21,727,064	40.3	18,885,796	39.1
Minority interests				
Minority interests	1,365	0.0	1,956	0.0
Shareholders' Equity				
I. Capital	1,000,000	1.9	1,000,000	2.1
II. Capital surplus	11,677,708	21.7	11,677,858	24.2
III. Retained earnings	19,241,554	35.7	16,982,057	35.2
IV. Unrealized gain/loss on other securities	479,545	0.9	21,714	0.0
V. Foreign currency translation adjustments	-242,849	-0.5	-279,023	-0.6
VI. Treasury stock	-2,731	-0.0	-1,372	-0.0
Total shareholders' equity	32,153,228	59.7	29,401,234	60.9
Liabilities, minority interest and shareholders equity	53,881,659	100.0	48,288,986	100.0

(2) Summary Quarterly Consolidated Statement of Income

Yen in thousands

Accounting period/Account	1Q of FY ended June 2005 April 1, 2005 – June 30, 2005		1Q of FY ended June 2004 As of June 30, 2004	
	Amount	Pct. of total	Amount	Pct. of total
I. Net sales	25,859,459	100.0	26,563,266	100.0
II. Cost of sales	21,653,591	83.7	23,544,610	88.6
Gross profit	4,205,868	16.3	13,018,655	11.4
III. SG&A expenses	2,453,712	9.5	2,113,375	8.0
Operating income	1,752,156	6.8	905,280	3.4
IV. Non-operating income	37,125	0.1	37,954	0.1
V. Non-operating expenses	212,422	0.8	23,529	0.1
Ordinary income	1,576,859	6.1	919,705	3.5
VI. Extraordinary income	669	0.0	13,131	0.0
VII. Extraordinary loss	13,721	0.1	131,791	0.5
Current term net income before income taxes and other adjustments	1,563,806	6.0	801,046	3.0
Income taxes	862,170	3.3	399,360	1.5
Minority interest in income (loss) of consolidated subsidiaries	-65	0.0	444	0.0
Current term net income	701 701	2.7	401,240	1.5

(3) Summary quarterly consolidated statements of cash flows

Yen in thousands

Accounting period/Account	1Q of FY ended June 2005 April 1, 2005 – June 30, 2005	1Q of FY ended June 2004 As of June 30, 2004
	Amount	Pct. of total
I. Cash flow from operating activities		
Current-term income before income taxes and other adjustments	1,563,806	801,046
Depreciation	159,452	123,334
(Increase)/decrease in accounts receivable	3,131,741	243,795
(Increase)/decrease in inventories	-2,443,644	-78,192
(Decrease)/increase in accounts payable	-1,162,289	-756,632
Others	-571,317	143,075
Subtotal	677,748	476,426
Income taxes paid	-1,837,383	-744,021
Other	6,599	7,624
Net cash provided by (used in) operating activities	--1,153,035	-259,971
II. Cash flows from investing activities		
Proceeds from sale of investment securities	90,546	1,812,939
Payment for purchase of investment securities	-248	-694,884
Payment for purchase of property, plant and equipment	-43,567	-85,723
Others	-7855	68,542
Net cash provided by investing activities	38,839	1,100,873
III. Cash flows from financing activities		
Increase/decrease in short-term borrowings (net)		
Cash dividends paid	-261,247	-214,911
Others	-1,273	-475
Net cash used in financing activities	-262,520	-215,387
IV. Effect of exchange rate changes on cash and cash equivalents	109,897	10,713
V. Net increase in cash and cash equivalents	-1,266,819	636,228
VI. Cash and cash equivalents at beginning of year	18,082,122	9,035,609
VII. Cash and cash equivalents at beginning of year resulting from inclusion of consolidated subsidiaries	-	-
VIII. Cash and cash equivalents at end of year	16,815,303	9,035,609