

Date : January 25, 2006

**Effect of Stock Repurchases
(Supplementary Information)**

MELCO HOLDINGS INC. has received many questions following the January 24, 2006 announcement of a stock repurchase program. This supplementary information is being provided in the interest of disclosing information in a manner that can be easily understood by ordinary investors.

Background

MELCO HOLDINGS has been subject to taxation of retained earnings as a closely held company. Since the company is currently in a growth phase in which earnings are expected to increase, this closely held company tax is likely to grow, too.

MELCO HOLDINGS will continue to be obligated to pay this tax as long as the equity interest of the owning family remains above 50%. Consequently, the owning family has agreed to sell part of its shares so that MELCO HOLDINGS will no longer fall within the definition of a closely held company, eliminating the need to pay the retained earnings tax (which is estimated to be about 380 million yen in the current fiscal year). However, the sale of shares by the owning family may cause problems for ordinary shareholders because the sale of so many shares on the open market would probably impact the share price. To avoid this problem, MELCO HOLDINGS has decided to use a stock repurchase program. One benefit is the ability to return earnings to shareholders because the repurchase is estimated to raise earnings per share by approximately 27.3% to 167 yen. In addition, MELCO HOLDINGS will become more attractive to new investors because its return on equity will rise from about 10% to about 16%. Due to these factors, this repurchase program is an ideal action in terms of both benefiting shareholders and raising the company's earnings. MELCO HOLDINGS plans to retire the repurchased shares during the current fiscal year based on a resolution of the Board of Directors.

The following section presents the estimated effect of this stock repurchase program based on forecasts for operating results that were announced on October 11, 2005 and on shareholders' equity as of December 31, 2005.

Estimated effect

Earnings per share	130.08 yen to 167.05 yen (up 27.3%)
Return on equity	10.5% to 16.4% (up 5.9 points)

*Repurchased shares are to be retired following receipt of the approval of the directors.

Appendix

Basis for calculating estimates

1. Effect of stock repurchase on earnings per share

Earnings per share forecast announced on October 11, 2005 was 130.08 yen

Estimate following share repurchase
(Net income forecast of 3,500 million yen – Projected directors bonuses of 50 million yen)
/ (26,125,773 shares issued – 3,006,934 shares repurchased) = 149.22 yen
Earnings per share up 19.14 yen (14.7%)

2. Effect of elimination of retained earnings tax on earnings per share

Projected tax of 380 million yen in current fiscal year / (26,125,773 shares issued –
3,006,934 shares repurchased) = 16.43 yen
Earnings per share up 16.43 yen (12.6%)

3. Total effect on earnings per share

Change in earnings per share
19.14 yen + 16.43 yen = 35.57 yen (up 27.3%)
Estimated earnings per share
130.08 yen + 35.57 yen = 167.05 yen

Calculation of estimate for return on equity (simplified calculation using most recent
figures for equity and projected earnings)

Shareholders' equity as of December 2005	33,424 million yen
Projected net income in current fiscal year	3,500 million yen
Treasury stock	9,750 million yen
Tax reduction	380 million yen

Return on equity estimate as of December 31, 2005

Projected net income of 3,500 million yen / Shareholders' equity of 33,424 million yen =
10.5%

Return on equity estimate following stock repurchase

(Projected net income of 3,500 million yen + Tax reduction of 380 million yen) /
(Shareholders' equity of 33,424 million yen – Treasury stock of 9,750 million yen) =
16.4%

Although these calculations are based on simple method using mid-fiscal-year figures,
the result indicates that the stock repurchase will raise the return on equity from 10.5%
to 16.4%.

Note: There are many ways to calculate the return on equity. Other methods may result
in figures other than those shown above. However, all calculation methods indicate that
the stock repurchase will raise the return on equity.