

July 25, 2006

Summary of Financial Results for the First Quarter Ended June 2006 (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 2006	30,586	(18.3)	2,034	(16.1)	2,081	(32.0)
First quarter ended June 2005	25,859	(2.6)	1,752	(93.5)	1,576	(71.5)
Fiscal year ended March 2006	115,839	(8.9)	6,309	(14.2)	6,456	(17.0)

	Net income (for the period)		Net income per share (basic)	Net income per share (diluted)
	Million yen	%	Yen	Yen
First quarter ended June 2006	1,093	(55.8)	47.29	47.28
First quarter ended June 2005	701	(74.9)	26.86	
Fiscal year ended March 2006	3,677	(49.5)	143.66	143.65

Note:

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

Consolidated Results of Operations

In the first quarter, the scope of the recovery of Japan's economy broadened, as corporate earnings, private-sector capital expenditures, employment statistics and consumer spending all remained strong. The recovery continued despite challenges posed by the much higher cost of raw materials and stock market instability.

However, Japan's PC industry, which is closely linked to the Melco Group's operations, recorded a big year-on-year drop in PC shipments during the summer selling season following the payment of bonuses to Japan's salaried employees. The primary cause was apparently the shift of expenditures to televisions, video decks and other consumer electronics in conjunction with the FIFA World Cup.

In response, the Melco Group introduced a lineup of network media player products and began selling next-generation draft N-type wireless LAN products. In the B-to-B-to-C market, the group began selling set-top boxes for the distribution of high-definition video content. Overall, the group took many actions to enlarge the market for "digital home" products. The Melco Group views this B-to-B-to-C market as an opportunity to grow by using new markets and sales channels. Buffalo has established a Market Development Division to strengthen activities aimed at capitalizing on this opportunity.

Although market conditions for the group's established products were challenging, the group was able to generate sales that were largely in line with plans. Making this possible was the introduction of many new products that match customers' needs and relentless sales activities. Earnings were down sharply. There was a steep drop in the cost of raw materials used to make flash memory products. The group was unable to cut costs as quickly as sales prices fell, resulting in temporary but substantial decline in earnings. Growth continued in sales of wireless LAN products, which have a high profit margin and there was a small improvement in profit margins of storage products, which have been relatively unprofitable. Earnings also benefited from foreign exchange, as the yen was stronger than 118 yen to the U.S. dollar, the rate the group was forecasting for the fiscal year.

Due to these items, net sales increased 18.3% from one year earlier to 30,586 million yen, operating income increased 16.1% to 2,034 million yen, ordinary income increased 32.0% to 2,081 million yen, and net income increased 55.8% to 1,093 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 2006	50,757	25,810	50.9	1,116.37
First quarter ended June 2005	53,881	32,153	59.7	1,230.76
Fiscal year ended March 2006	51,697	25,130	48.6	1,085.74

(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 2006	(147)	(70)	(295)	9,741
First quarter ended June 2005	(1,153)	38	(262)	16,815
Fiscal year ended March 2006	(239)	75	(7,992)	10,235

Financial Condition

First quarter cash flows

Cash and cash equivalents at the end of the first quarter totaled ¥9,741 million, ¥494 million less than at the end of the previous fiscal year. A summary of cash flows follows.

Details of the revisions to consolidated business forecasts

1. Revisions to the consolidated business forecasts for the first half of the fiscal year ending March 31, 2007 (April 1, 2006 – September 30, 2006)

Yen in millions, %

	Net sales	Ordinary income	Net income
Previous forecast (A)	62,000	2,600	1,500
Revised forecast (B)	62,000	3,200	1,800
Increase/(decrease) (B-A)	—	600	300
Percentage change (%)	—	23.1	20.0
First half of March 2006 fiscal year	52,652	3,154	1,616
Percentage change (%) against first half of March 2006 fiscal year	17.8	1.4	11.3

2. Revisions to the consolidated business forecasts for the fiscal year ending March 31, 2007 (April 1, 2006 – March 31, 2007)

Yen in millions, %

	Net sales	Ordinary income	Net income
Previous forecast (A)	138,000	6,800	4,000
Revised forecast (B)	138,000	7,400	4,300
Increase/(decrease) (B-A)	—	600	300
Percentage change (%)	—	8.8	7.5
March 2006 fiscal year	115,839	6,456	3,677
Percentage change (%) against March 2006 fiscal year	19.1	14.6	16.9

For reference: Net income per share (fiscal year): ¥185.94

Fiscal Year Forecasts

First quarter sales were largely in line with the plan, but earnings were far below the plan for the reasons outlined above. However, since first-quarter results were affected by one-time factors, the group expects that operating results in the final three quarters will be about the same as the original fiscal year forecast.

Accordingly, the group is forecasting first half sales of 62.0 billion yen, up 17.8%, ordinary income of 3.2 billion yen, up 1.4%, and net income of 1.8 billion yen, up 11.3%. For the fiscal year, the group is forecasting sales of 138.0 billion yen, up 19.1%, ordinary income of 7.4 billion yen, up 14.6%, and net income of 4.3 billion yen, up 16.9%.

Referential Information

Sales segmentation

Yen in Millions

	1Q of FY ended March 2007		1Q of FY ended March 2006		YoY Change (%)
	Amount	Pct. of sales	Amount	Pct. of sales	
Memories	9,364	30.6	9,672	37.4	3.2
Storage devices	11,215	36.7	8,325	32.2	34.7
Networks	5,583	18.3	4,641	17.9	20.3
(Of which broadband products) (note)	4,801	15.7	3,772	14.6	27.3
Others	4,423	14.5	3,220	12.5	37.3
Total	30,586	100.0	25,859	100.0	18.3

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 Millions

Accounting period/Account	1Q of FY ended June 2006 As of June 30, 2006		1Q of FY ended June 2005 As of June 30, 2005	
	Amount	Pct. of total	Amount	Pct. of total
Assets				
I. Current assets				
Cash on hand and in banks	9,741		16,815	
Notes and accounts payable	20,999		18,434	
Inventories	10,115		8,536	
Other current assets	2,209		1,651	
Total current assets	43,065	84.8	45,437	84.3
II. Fixed assets				
Property, plant and equipment	1,812		1,601	
Intangible assets	108		71	
Investment and other assets	5,771		6,770	
Total fixed assets	7,692	15.2	8,443	15.7
Total assets	50,757	100.0	53,881	100.0
Liabilities				
I. Current liabilities				
Notes and accounts payable	18,151		17,780	
Short-term borrowed money	2,300		-	
Other current assets	3,510		2,933	
Total current liabilities	23,962	47.2	20,713	38.4
II. Long-term liabilities				
Allowance for retirement benefits	468		423	
Other long-term liabilities	516		590	
Total long-term liabilities	984	1.9	1,013	1.9
Total liabilities	24,946	49.1	21,727	40.3
Minority interests				
Minority interests	-		1	0.0
Shareholders' Equity				
I. Capital	-		1,000	1.9
II. Capital surplus	-		11,677	21.7
III. Retained earnings	-		19,241	35.7
IV. Unrealized gain/loss on other securities	-		479	0.9
V. Foreign currency translation adjustments	-		-242	-0.5
VI. Treasury stock	-		-2	-0.0
Total shareholders' equity	-		32,153	59.7
Liabilities, minority interest and shareholders equity	-		53,881	100.0
Net assets (equity)				
Shareholders' Equity				
1. Capital	1,000		-	
2. Capital surplus	1,927		-	
3. Retained earnings	22,721		-	
4. Treasury stock	-19		-	
Total of Shareholders' Equity	25,629	50.5		

Accounting period/Account	1Q of FY ended June 2006 As of June 30, 2006		1Q of FY ended June 2005 As of June 30, 2005	
	Amount	Pct. of total	Amount	Pct. of total
Effect of the estimate and exchange rate .etc				
1.Unrealized gain/loss on other securities	378			
2.Foreign currency translation adjustments	-198			
Effect of the estimate and exchange rate .etc Total	179	0.4		
Minority interests Shareholders' Equity	1	0.0		
Net assets total	25,810	50.9		
Liabilities and net assets total	50,757	100.0		

(2) Summary Quarterly Consolidated Statement of Income

Yen in Millions

Accounting period/Account	1Q of FY ended June 2006 April 1, 2006 – June 30, 2006		1Q of FY ended June 2005 April 1, 2005 – June 30, 2005	
	Amount	Pct. of total	Amount	Pct. of total
I. Net sales	30,586	100.0	25,859	100.0
II. Cost of sales	25,373	83.0	21,653	83.7
Gross profit	5,212	17.0	4,205	16.3
III. SG&A expenses	3,177	10.4	2,453	9.5
Operating income	2,034	6.7	1,752	6.8
IV. Non-operating income	86	0.3	37	0.1
V. Non-operating expenses	40	0.1	212	0.8
Ordinary income	2,081	6.8	1,576	6.1
VI. Extraordinary income	104	0.3	0	0.0
VII. Extraordinary loss	30	0.1	13	0.1
Current term net income before income taxes and other adjustments	2,155	7.1	1,563	6.0
Income taxes	1,062	3.5	862	3.3
Minority interest in income (loss) of consolidated subsidiaries	0	0.0	-0	-0.0
Current term net income	1,093	3.6	701	2.7

(3) Summary quarterly consolidated statements of cash flows

Yen in Millions

Accounting period/Account	1Q of FY ended June 2005 April 1, 2005 – June 30, 2005	1Q of FY ended June 2005 April 1, 2005 – June 30, 2005
	Amount	Amount
I. Cash flow from operating activities		
Current-term income before income taxes and other adjustments	2,155	1,563
Depreciation	117	159
(Increase)/decrease in accounts receivable	2,749	3,131
(Increase)/decrease in inventories	-2,336	-2,443
(Decrease)/increase in accounts payable	-788	-1,162
Others	-177	-571
Subtotal	1,720	677
Income taxes paid	-1,874	-1,837
Other	6	6
Net cash provided by (used in) operating activities	-147	-1,153
II. Cash flows from investing activities		
Proceeds from sale of investment securities	148	90
Payment for purchase of investment securities	-16	-0
Payment for purchase of property, plant and equipment	-190	-43
Others	-12	-7
Net cash provided by investing activities	-70	38
III. Cash flows from financing activities		
Increase/decrease in short-term borrowings (net)	-	-
Cash dividends paid	-296	-261
Others	1	-1
Net cash used in financing activities	-295	-262
IV. Effect of exchange rate changes on cash and cash equivalents	19	109
V. Net increase in cash and cash equivalents	-494	-1,266
VI. Cash and cash equivalents at beginning of year	10,235	18,082
VII. Cash and cash equivalents at beginning of year resulting from inclusion of consolidated subsidiaries	-	-
VIII. Cash and cash equivalents at end of year	9,741	16,815