

*Date : January 12, 2007*

### **Notification of Revision in Forecasts**

In view of the recent business trends in operating results, MELCO HOLDINGS INC has revised its fiscal year consolidated forecasts announced on July 25, 2006 as follows:

#### **Revised consolidated forecasts**

1. Fiscal-year ending March 2007 (April 1, 2006 to March 31, 2007)

	Yen in millions		
	Net sales	Ordinary income	Net income
Previous forecast (A)	138,000	7,400	4,300
Revised forecast (B)	133,000	5,200	2,400
Difference (B-A)	-5,000	-2,200	-1,900
Percentage change (%)	-3.6%	-29.7%	-44.2%
Previous fiscal year	115,839	6,456	3,677
Change vs. previous year (%)	14.8%	-19.5%	-34.7%

#### **2. Reasons for the revision**

The PC industry, the Group's core area of operations, saw sales in the consumer sector plunge 25% year-on-year in the year-end buying season as consumers postponed purchases ahead of the release of the new Microsoft OS scheduled for the end of January 2007. On the contrary, the price of DRAM (the main component of Memory Modules) shot up as PC manufacturers moved up their procurement plans for DRAMs for the new PC models to be launched in February.

In this environment, the Group's recent business results were seriously affected by the steeply rising price of DRAMs. Profit from the memory module business, the Group's source of steady income, turned sluggish and fell short of forecasts. Also, as a result of the slower sales of PCs in the consumer sector, wireless LAN sales also continued to lag in the 3<sup>rd</sup> quarter while expenses related to inventory guarantees for memories, flash memories and storage products rose. The market could rebound following the new Microsoft OS goes on sale in February but prices of memory modules are likely to continue to hover at high levels. In view of the operating environment recovery of our earnings power is likely to be somewhat delayed.

In addition, the prospect for completing the negotiations regarding license fees for memory, wireless LAN and other products seems to be good and the Company has agreed to pay license fees for prior years. As a result, we expect to report an extraordinary loss for this quarter of ¥ 950 million.

As far as the longer term outlook is concerned, the Group is getting a good foothold in the home networks area as evidenced by the adoption of the Group's AOSS wireless LAN setup system for Nintendo and Sony's game stations released for the winter bonus season.

The Group's strategy in the area of the so-called Digital Home is also succeeding. Our miniature one-segment tuner (*Choi Tele*) was a big hit and was reported widely in the mass media. The new Microsoft OS is also expected to have a positive impact on the popularization of the Digital Home. The Group will push forward to seize this opportunity in order to restore and improve business results.

In view of the above factors, MELCO HOLDINGS is now projecting consolidated ordinary income of ¥ 5.2 billion, a 19.5% YoY decline, on consolidated net sales of ¥ 133 billion, up +14.8% from the previous fiscal year, for the current fiscal year to March 2007. Consolidated net income is forecast at ¥ 2.4 billion, a 34.7% year-on-year decline.