

January 23, 2007

Summary of Financial Results for the Nine Months (Third Quarter)
Ended December 2006(Consolidated)

Company name: MELCO HOLDINGS INC.
Stock code: 6676
Stock exchange listing: First Section, Tokyo Stock Exchange; First Section, Nagoya Stock Exchange
URL: <http://www.melco-hd.jp/>
Tel: (052) 251-6891
Contacts:
Representative Makoto Maki
President and Representative Director
Manager Hiromichi Maki
Managing Director and General Manager
Administration Headquarters

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 third quarter based on the full fiscal year estimate

Income taxes: An amount deemed to have accrued as of the end of the third quarter based on annual estimated income tax calculated at the statutory tax rate

(2) Changes in accounting treatment from the most recent fiscal year: No

(3) Changes in the scope of consolidation and application of the equity method: No

2. Financial and operating results for the first nine months (3Q) of the fiscal year ending March 2007 (April 1, 2006 – December 31, 2006)

(1) Results of operations (Consolidated)

Rounded down to million yen

	Net sales		Operating income		Ordinary income	
	Million yen	YoY change %	Million yen	YoY change %	Million yen	YoY change %
FY2007 3Q	97,132	18.6	3,786	-17.3	4,145	-11.3
FY2006 3Q	81,895	5.4	4,580	37.7	4,671	36.7
FY2006 (for reference)	115,839	—	6,309	—	6,456	—

	Net income (for the period)		Net income per share (basic)	Net income per share (diluted)
	Million yen	%	Yen	Yen
FY2007 3Q	2,415	10.8	104.46	104.45
FY2006 3Q	2,178	45.5	83.40	83.40
FY2006 (for reference)	3,677	—	143.66	143.65

Note: The percentages shown for net sales, operating income, ordinary income and net income represent changes from the same period in the previous fiscal year.

Consolidated Results of Operations

In Japan's PC industry, which is closely linked to the Melco Group's operations, there was a year-on-year decline of 25% in PC sales to consumers during the winter bonus selling

season. Consumers are delaying purchases as they wait for the release of a new operating system scheduled for the end of January 2007. Furthermore, there was a sharp increase in prices of DRAMs, the primary component of memory modules. PC manufacturers moved quickly to procure DRAMs in anticipation of strong shipments of new PC models that will be introduced starting in February.

During the first three quarters, the Melco Group's performance was significantly impacted by the much higher cost of DRAMs. High DRAM prices made it impossible to generate adequate earnings from memory modules, which are normally a consistent source of earnings. In addition, third quarter wireless LAN sales were weak as consumers postponed PC purchases. Earnings were also held down by higher inventory compensation expenses for memory, flash memory, storage and other products. The PC market will probably quickly regain its strength following the launch of the new OS. However, the Melco Group does not expect a quick rebound in earnings because of the impact of the yen's depreciation on the cost of parts and materials.

The Melco Group has reached a basic agreement with regard to negotiations concerning the payment of licensing fees for past activities concerning memory, wireless LAN and other products. Melco Holdings has recorded an extraordinary loss in the third quarter that represents 197 million yen of these licensing fee payments. The group expects to record the remaining expense of 750 million yen by the end of the fiscal year, depending on progress made with these negotiations.

From a longer-term perspective, the Melco Group is positioned to benefit from steady progress in laying the groundwork for the widespread use of home networks. For example, the new Nintendo and Sony game consoles launched late in 2006 both incorporate the Melco Group's AOSS (AirStation One-Touch Secure System), an automatic setup system for wireless LAN devices. Another positive development is progress concerning the Melco Group's digital home strategy. One illustration is the group's *Choi Tele* compact one-segment tuner, which was a big hit and generated considerable media attention. In addition, the group believes that the upcoming launch of the new OS will add momentum to the shift toward digital homes. The Melco Group is determined to take full advantage of these opportunities in order to achieve a recovery in operating results and growth in the coming years.

Due to these factors, Melco Holdings reported an 18.6% increase in net sales to 97,132 million yen, an 11.3% decrease in ordinary income to 4,145 million yen and a 10.8% increase in net income to 2,415 million yen in the first three quarters of the fiscal year.

Consolidated net sales by operating segment

Yen in millions

	FY2007 3Q		FY2006 3Q		YoY
	Amount	Pct. of sales	Amount	Pct. of sales	change
					%
Memories	29,512	30.4	27,932	34.1	5.7
Storage devices	35,930	37.0	28,637	35.0	25.5
Networks	16,649	17.1	15,066	18.4	10.5
(of which BB products, #1)	14,451	14.9	12,513	15.3	15.5
Others	15,039	15.5	10,259	12.5	46.6
Total	97,132	100.0	81,895	100.0	18.6

#1: The Network segment includes broadband figures.

Consolidated Financial Position

	Total assets	Net assets	Shareholder's equity Ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2007 3Q	53,558	26,634	49.7	1,152.5
FY2006 3Q	54,656	33,424	61.2	1,279.69
FY2006 (for reference)	51,697	25,130	48.6	1,085.74

Consolidated Cash Flow Position

	Net cash used in operating activities	Net cash provided by (used in) Operating activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2007 3Q	-2,092	- 401	-2,865	4,858
FY2006 3Q	-5,954	1,320	1,253	14,857
FY2006 (for reference)	-239	75	-7,992	10,235

Consolidated Financial Condition

Cash flows

Cash and cash equivalents at the end of the third quarter totaled 4,858 million yen, 5,377 million yen less than at the end of March 2006. A summary of cash flows is presented below

(Operating activities)

Net cash used in operating activities was 2,092 million yen. Major sources of cash were income before income taxes of 4,007 million yen and a 3,866 million yen increase in accounts payable. Major uses of cash were a 6,092 million yen increase in inventories and a 904 million yen increase in accounts receivable. Income tax payments totaled 323 million yen.

(Investing activities)

Net cash used in investing activities was 401 million yen. This primarily represented payments of 292 million yen for the purchase of property, plant and equipment.

(Financing activities)

Net cash used in financing activities was 2,865 million yen. The major components were 2,171 million yen for the repayment of short-term borrowings (net) and 693 million yen for cash dividends paid.

3. Consolidated Business Forecasts

2. Forecast (consolidated) for the fiscal year ending March 2007 (April 1, 2006 – March 31, 2007)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Full year	133,000	5,200	2,400

Reference: Estimated consolidated net income per common share for the fiscal year ending March 2007: 103.78 yen

Information concerning consolidated business forecasts

There are no revisions to the fiscal year forecasts announced on January 12, 2007.