

*Easy-to-use Internet*  
**BUFFALO**

# MELCO INC. BUSINESS REPORT 2003

Interim report

**A leading company in the broadband era**



**MELCO INC.**

# **“Easy-to-use Internet”**

The Internet is now commonplace and familiar to us all. People can now log on not only at home and in the office, but also increasingly in public places such as railway stations, airports, restaurants and hotels.

Today, broadband bringing great changes to the way we use the Internet, and MELCO INC. intends to lead the way in the broadband era by continually strengthening its technology and offering innovative solutions.

## Aiming to lead the broadband era



President and CEO **Makoto Maki**

### Rapid popularization and growth of broadband

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Day by day, the Internet has steadily pervaded our personal and business lives. In particular, the use of broadband services (such as high-speed Internet lines comprising a wide band of frequencies: ADSL, CATV, FTTH and so on) allowing extremely quick and smooth web access has risen dramatically since last year, with no sign of decline in sight.

Along with the spread of broadband, the Internet is being brought out of the home and office and into public places such as hotels, restaurants and coffee shops,

which are increasingly providing easy Internet access for their customers.

The huge increase in the speed and capacity of data transfer brought about by broadband makes it much simpler for users to handle the massive amounts of data required for video and audio.

This new way of using the Internet is likely to generate yet another wave of innovative ideas, taking us beyond the limits of the Web and computers of today, and ultimately forming a vital pillar in our social lives.

### **Forming a business structure with both profitability and growth potential**

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MELCO INC. has achieved a significant income increase through strict cost reduction and retrenchment as well as devoted sales efforts, and the continuing reformation of income structure started in the latter half of last year. The purpose of this income structure change is to respond to the rapid expansion of network-related markets, especially wireless LAN products, and to ensure profitability in memory and storage products.

The IT industry is in another slump as computer sales have fallen since last year. This means tough times for peripheral device manufacturers too, due to reduced demand and lower product prices. In spite of these circumstances, MELCO INC. has achieved a significant

profit increase, with reduced costs from tighter inventory control and prompt material procurement outweighing the dip in product prices. We have also succeeded in creating additional demand for our storage products, cutting the cost of production while introducing new and extremely popular portable hard disk drives. Meanwhile, offering solutions such as wireless Internet access points in public places to target the expanding broadband market has lifted sales of our networking products.

These results have enabled MELCO INC. to build the platform for a business structure that provides both growth potential and stable profitability.

### **A leading company in the broadband era**

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Since November 1st 2002 MELCO INC. has reconstructed its business domain to be able to implement more marketable strategies.

What this actually means is the integration of product families directly related to computers, such as memory, storage and LAN cards, into one “computer-related business”, the goal being to create an organization showing stable profitability even under severe competition. Meanwhile, wireless LAN is at the heart of our “broadband-related business” sector, where our solutions anticipating social change are playing a role in the formation of the broadband community, and where we are building the platform for our next leap forward into the future.

The future will see the emergence of the so-called “ubiquitous network society”, in which everyone will have access to any network wherever they are. The spread of broadband will increase not only access points and information categories but also new types of connecting devices. As the means of connecting these devices to communication lines, wireless LAN will take on an increasingly vital role.

As a leading company in the broadband era, MELCO INC. will strive to elevate the corporate value of the entire MELCO INC. Group by constantly proposing new solutions and contributing to the establishment of the broadband community.

## Broadband will change society

### A society where you can use networks anywhere

Broadband (using high-speed Internet lines: ADSL, CATV, optical fiber and so on) is quickly expanding. The number of households with a broadband Internet connection is expected to increase from 3.7 million at the end of March, 2002 to nearly 20 million by the end of March, 2006 (Ministry of Public Management, Home Affairs, Posts and Telecommunications: National Broadband Concept).

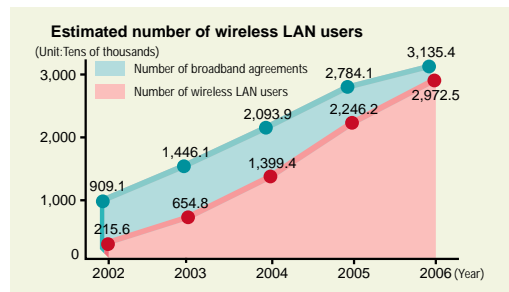
Wireless LANs are also spreading fast, being the most effective method for broadband connection due to reduced wiring labor and lower construction costs.

As wireless LAN users increase, new wireless LAN services called "FREESPOT" have become popular throughout Japan. Now the Internet can be more easily accessed in public places such as hotels, restaurants and coffee shops. With so many people wanting to log on without the restriction of cables, wireless LANs have become indispensable.

In addition to simple Internet connection, public FREESPOT will also provide users with access to ori-

nal data in their offices. People will enjoy the same information environment whether they are in a remote destination, on the move, or back at their desk, and this is bound to have a positive effect on efficiency. As systems and technology to ensure privacy and security of information are being improved day by day, wireless LANs will soon be the most effective method of using broadband.

The broadband era is coming, when people will be able to access any network from anywhere in the world.



Source: EC RESEARCH CORP.

### A society where everything is on a network

In the broadband community, it is not only computers that will rely on wireless LANs. People will use their living room TV, for example, to watch movies via a

video-on-demand distribution service, home videos edited on their computer, or past TV programs that they missed. They will also be able to operate their air

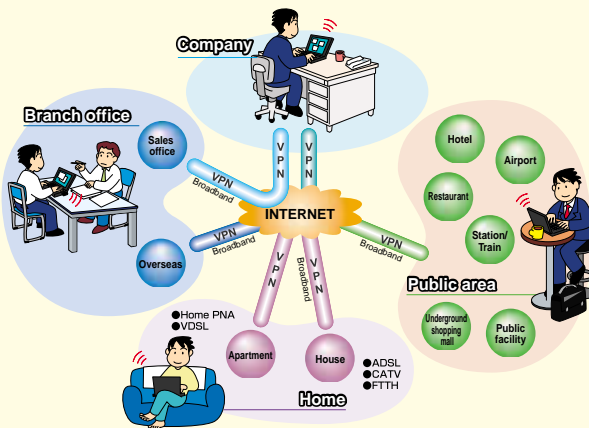
conditioners remotely from their cellular phone before arriving home. If the extension telephones in their offices are replaced with portable IP telephones (digital telephones using Internet technology), they will be able to answer their extension calls even when away from their desk. Once these work phones are combined with cellular phones, telephone communication will be possible whether in or out of the office.

The superiority of wireless communication will become clear once people begin to use these various services. It is so inconvenient to have to connect lots of cables and carry around a number of dedicated devices in order to use various services. The combined cellular and IP telephone described above will be able to automatically switch between extension telephone in the

office, cellular phone outside the office, and free IP telephone in FREESPOT.

In people's homes alone, there is likely to be a rapid transition towards wireless LANs accompanying the greater use of laptop computers and increased connection to other appliances. Some studies report that the number of broadband users will be approaching 30 million by 2006, and most of them will be using a wireless LAN. When we imagine a world built around broadband, more and more massive possibilities emerge. By providing the sophisticated technology required, in such an era, for products and services that enable anyone to log on from anywhere, MELCO INC. will contribute greatly to the development of the network society.

## A society with easy Internet access, anywhere and anytime



An environment is taking form in which the Internet can be used more easily, not only in the home and office but also in public places such as stations and restaurants. Wireless LAN communications technology that ensures security, and standardized communication designations that can be used anywhere in the world, are creating a more convenient and comfortable networking society. Such ready access to the Internet is bound to enrich our lives.

**\*VPN (Virtual Private Network)**  
Security technology that enables secure communication by connecting terminals using common lines as dedicated lines.

# MELCO INC.'s origins lie in the creation of solutions and the technical strength to implement them

## Reliable technology recognized worldwide

As a leading company of peripheral devices for computers, MELCO INC. has always focused on the technological trends in computers, and been quick to participate in the development of the latest memory and the establishment of standard specifications.

One of MELCO INC.'s specialist engineers, Kazuyoshi Tsukada, recently received the "Chairman's Award" from JEDEC1, an international organization for the standardization of electronic components, for his achievements in the design of memory modules2. Tsukada had the honor of becoming only the third person in the history of JEDEC to be recognized by the Memory Module Subcommittee.

This prize was awarded in recognition of Tsukada's out-

standing contribution to the establishment of standards, and his highly valued technological achievements. His designs of DDR SDRAM\*3) memory modules including the 172 pin MicroDIMM and the 200 pin S. O. DIMM have been adopted as standard specifications.

### Notes

#### \*1) JEDEC

This is the acronym for the "Joint Electron Device Engineering Council", the international industry association promoting the standardization of electronic components. JEDEC has over 260 member companies, and is a global leader in the electronic component field as the standardization body of the EIA (Electronic Industries Association). MELCO INC. is a participating member of JEDEC in its memory module and wireless LAN categories.

#### \*2) Memory module

To actually use memory in a computer and so on, a component called a memory module, which is a DRAM positioned on the motherboard, is required. Various types of modules are available, described according to the number of signal pins and their shape, for example, "172 pin MicroDIMM".

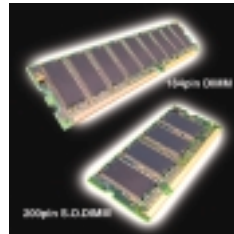
#### \*3) DDR SDRAM

This is an abbreviation of "Double Data Rate SDRAM", a type of DRAM using technology that doubles the data rate of conventional SDRAM.

## Contributing to the establishment of global standards

The principle type of memory has shifted from SDRAM to DDR. In the standardization of DDR S. O. DIMM, MELCO INC. participated in the establishment of the JEDEC common Gerber standard specification, sharing the role with two leading DRAM manufacturers. Within this group, MELCO INC. assumed a wide range of tasks, including the development of the 200 pin S. O. DIMM for x16-1BANK, adjustment of timing and load for x8-1BANK and x16-2BANK developed by DRAM manufacturers, simulation at the prototype stage, operational evaluation in collaboration with various motherboard manufacturers, and verification with measurements

using high-performance testers. The results are already being taken to the next level, helping us to participate in the establishment of standards for DDR II 533 S. O. DIMM and



Memory modules based on the JEDEC common Gerber standard whose establishment we are participating in

others. MELCO INC. is one of the top brands in the memory field, and we aim to spread the adoption of global standards for next-generation memory among worldwide PC manufacturers.



## Accumulation of technologies

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In 1993, MELCO INC. received the top prize in the analog category of the PCB Technology Leadership Awards, a global awards program for print-circuit board designers. This prize was awarded to us in recognition of our layout design with high-level noise countermeasures. Winners in other categories were Hewlett-Packard, AT&T, Motorola and Sony, and MELCO INC. was the first Japanese winner along with Sony. Digital technology was just entering the limelight at the time, and the transition of electronic components to digital circuits allowing easy logic designs was underway. However, we believed that the higher frequencies of the coming digital circuits would enhance the importance of layout design due to problems with signal delay caused by differences in wiring length or changed noise

characteristics because of interference between signal lines. In order to speed up digital circuits, the backup of analog technology is essential.

MELCO INC.'s accumulated technologies bore fruit in 1999, when we were the first Japanese vendor to acquire Intel's "system validation", and had the greatest number of certifications in Japan in 2000 by adding one certified item after another, such as Direct Rambus DRAM-mounted RIMM modules. We are proud of these achievements, evidence of our world-leading technological strength.



PCB Technology Award

## Project D launched, aiming for even greater technological strength

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The technological strength we are so proud of is not limited to memory products. An important point about MELCO INC.'s portable hard disk drives, which are selling very well in 2002, is their power saving design technology that lets them run on a tiny amount of electric power supplied through a USB interface.

We have also tried to improve our chassis designs, and worked together for a while with the world-famous Italian car designer Gandini in the pursuit of design functionality. This result of this



Good Design Award

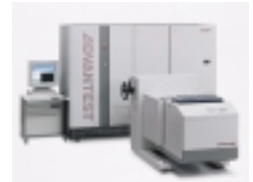
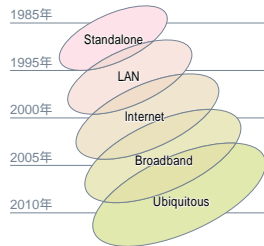
was MELCO INC.'s third annual Good Design Award in succession.

We launched Project D with the aim of enriching our developers training program. D represents both DESIGN and DEVELOPMENT, and means we try to reinforce their abilities in the fields of technical and chassis design and development. We intend to reform our in-house system to generate future Tsukadas from among our current 18 expert engineers, as well as to train a lot of new expert engineers.

As mentioned earlier in the section Eye, the Internet society is expected to drastically change in the future into an ubiquitous networking community, with the use of



broadband. We believe there will be sweeping technological innovation during this period, and it is important to constantly reinforce our technological strength in order to provide new solutions that meet user needs.



Developed a high-end tester for our memory modules in collaboration with Advantest. Advanced evaluation technology is essential for the development of cutting-edge technology.

## Track record of our technological power

Year	Prize / acquisition	Prizewinning product / item	Contents
1989	3rd "Best Product Prize" awarded by Japan System House Association	EMJ memory board	First to adopt EMS method in Japan, which became mainstream in memory extension
1993	7th "Best Product Prize" awarded by Japan System House Association	WBS peer-to-peer LAN	LAN system allowing sharing of data and peripherals without a dedicated server
	"PCB Technology Award" by Mentor Graphics	16M-RJF flush memory card-dedicated board	Highly evaluated noise countermeasure design
1994	8th "Best Product Prize" awarded by Japan System House Association	NMB multimedia box	Realized three functions of window accelerator, PCM sound and CD-ROM in one unit
1995	Minister of International Trade and Industry Award.	NMB multimedia box	Awarded prize for Best Information Processing System at Japanese government-sponsored program commemorating Information Technology Month
	9th "Best Product Prize" awarded by Japan System House Association	Hyper-memory CPU	Original product integrating CPU and memory technologies
1996	10th "Best Product Prize" awarded by Japan System House Association	LBR-64 ISDN router	Realized shared TA function, which had not been achieved before
1997	Minister of International Trade and Industry Award.	Information technology promoting company	Awarded at Japanese government-sponsored program commemorating Information Technology Month
	11th "Best Product Prize" awarded by Japan System House Association	FTD liquid crystal display	Overall evaluation of performance, user-friendliness, design and guarantee system
2000	Intel System Validation	Direct Rambus DRAM-mounted RIMM	Most acquisitions in Japan, evidence of our top-level global technological power
	"Best of Show Award" by Net World+Interop 2000 Tokyo	AirStation wireless LAN	Awarded for our infrastructure builder product for private companies
	Wi-Fi, WECA international certification	AirStation wireless LAN	Quickly acquired international certification ensuring communication compatibility in a multi-vendor environment
	Good Design Award 2000 by Japan Industrial Design Promotion Organization	AirStation wireless LAN	Interior decoration-focused design targeting in-home introduction
2001	"Best of Show Award" by Net World+Interop 2001 Tokyo	AirP's LPV-WL11 wireless print server	Special prize in peripheral and server category
	Good Design Award 2001 by Japan Industrial Design Promotion Organization	MCR card reader and CRWU-PB88 CD-R/RW	Fresh design adopting a curvilinear form with improved usability
2002	"Chairman's Award" by JEDEC	Standardization of memory modules	Contributed to global standardization
	Good Design Award 2002 by Japan Industrial Design Promotion Organization	AirStation wireless LAN (WLA-S11, WLI-USB-S11)	Space-saving and familiar design, with functionality increasing wireless LAN application

## Received JEDEC Chairman's Award Contributing to the global standardization of memory

JEDEC is an American industry association that promotes the global standardization of electronic device components. MELCO INC. has joined JEDEC in order to be involved in the establishment of global standards for memory modules. Now JEDEC has recognized our contribution to the development of memory modules, by making Kazuyoshi Tsukada, one of our expert engineers, only the third member ever to receive the Chairman's Award from the Memory Module Committee.

MELCO INC. is working hard towards the standardization of memory modules, including the development of a global standard for high-speed memory DDR SDRAM. With a constant eye on the latest technology trends, we have been quick to incorporate cutting-edge technology in various product proposals adopted by JEDEC. We are extremely proud of this award, which is evidence of the recognition of our achievements. As the IT revolution continues to move forward throughout the world, standardization technology is essential. MELCO INC. will continue to make tireless efforts in technological innovation and promote the development of next-generation memory modules.



## Won Good Design Award three years in succession Design extends wireless LAN function

MELCO INC.'s AirStation wireless LAN was given the Good Design Award 2002 by the Japan Industrial Design Promotion Organization. This was the third year in a row that we received this prize, following the success of our card reader and CD-RW drive last year and wireless LAN the year before that.

The prizewinning AirStation's WLA-S11 access point and WLI-USB-S11 USB port adapter enabled us to create a compact and space-saving design with a height of 12 cm, while its softly curved shape gives it an attractive and friendly appearance ideal for the home. Another remarkable feature is its versatility, the number one requirement for a wireless LAN, achieved by using a wall-hanging kit and attachment holder. This provides outstanding functionality, allowing not only desktop installation but also attachment to a wall surface or the back of a laptop computer display. MELCO INC. will continue to develop products with such sophisticated designs and high functionality.



WLA-S11



WLI-USB-S11

## Proposing wireless spot services aimed at handy Internet access

The information society is dramatically changing with the spread of the Internet. This Internet society, which allows public and private offices and even individuals to transfer all kinds of information to each other, is making our lives richer and more convenient.

Amid this social change, MELCO INC. is proposing Internet wireless spot services, or FREESPOT, the goal being a society where anyone can easily log on to the Internet anywhere. FREESPOT will allow people to use broadband Internet anywhere, in remote destinations as well as their homes and offices. In order to promote this service nationwide, MELCO INC. launched the FREESPOT Conference with the participation of Sharp, Matsushita Electric Industrial co., Ltd. and others, and released a FREESPOT Installation Kit. This facilitates Internet access in public places like hotels and shops, helping to build an environment that will allow anyone to log on anywhere and anytime. We will continue to propose this kind of solution, broadening the horizons of Internet users and providers and contributing to the realization of the ubiquitous networking community.

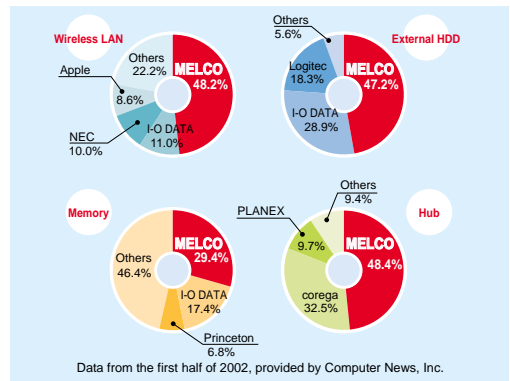
### Internet wireless spot



## Gained top share of PC peripheral sales in 12 categories in first half of 2002

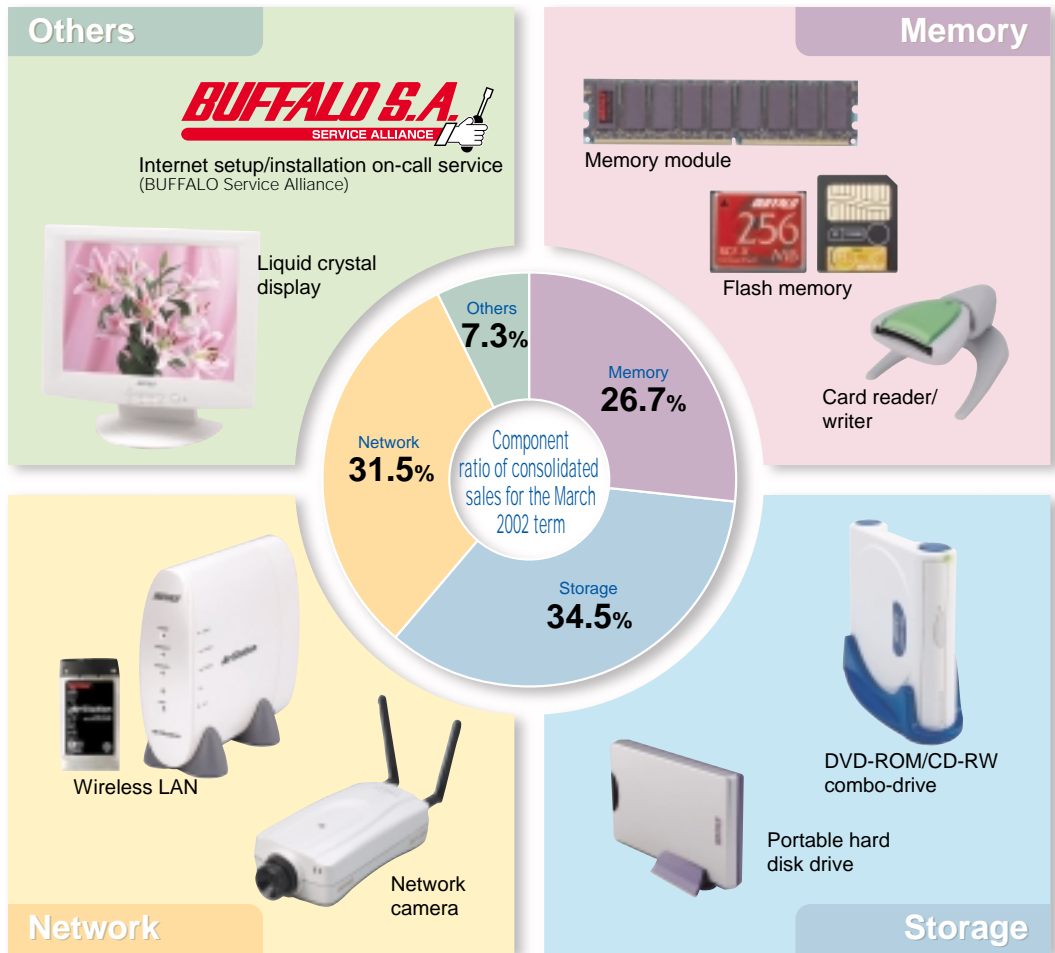
According to the BCN Rankings, the sales statistics of computer peripheral devices provided by Computer News, Inc. MELCO INC. gained the top share in 12 categories in the initial half of 2002.

These statistics indicate the sales share of different models through a system of sales data collection from large stores nationwide. The actual categories in which MELCO INC. won the top share were: wireless LANs, hubs, LAN cards, print servers, MO drives, CD-R/RW drives, external hard disk drives, internal hard disk drives, card readers, memory, CPU accelerators and printer buffers. This is the result of our firm commitment to the development and market release of products that meet customer needs, and we feel it proves just how much trust and support we are receiving from users. We will continue to deliver new products that satisfy all kinds of customer needs, and will redouble our efforts to reinforce the business system that supports our dealers.



Under the motto "Easy-to-use Internet", MELCO INC. is working to create an online environment that is comfortable and convenient for all.

Consolidated sales per product from April 2001 to March 2002



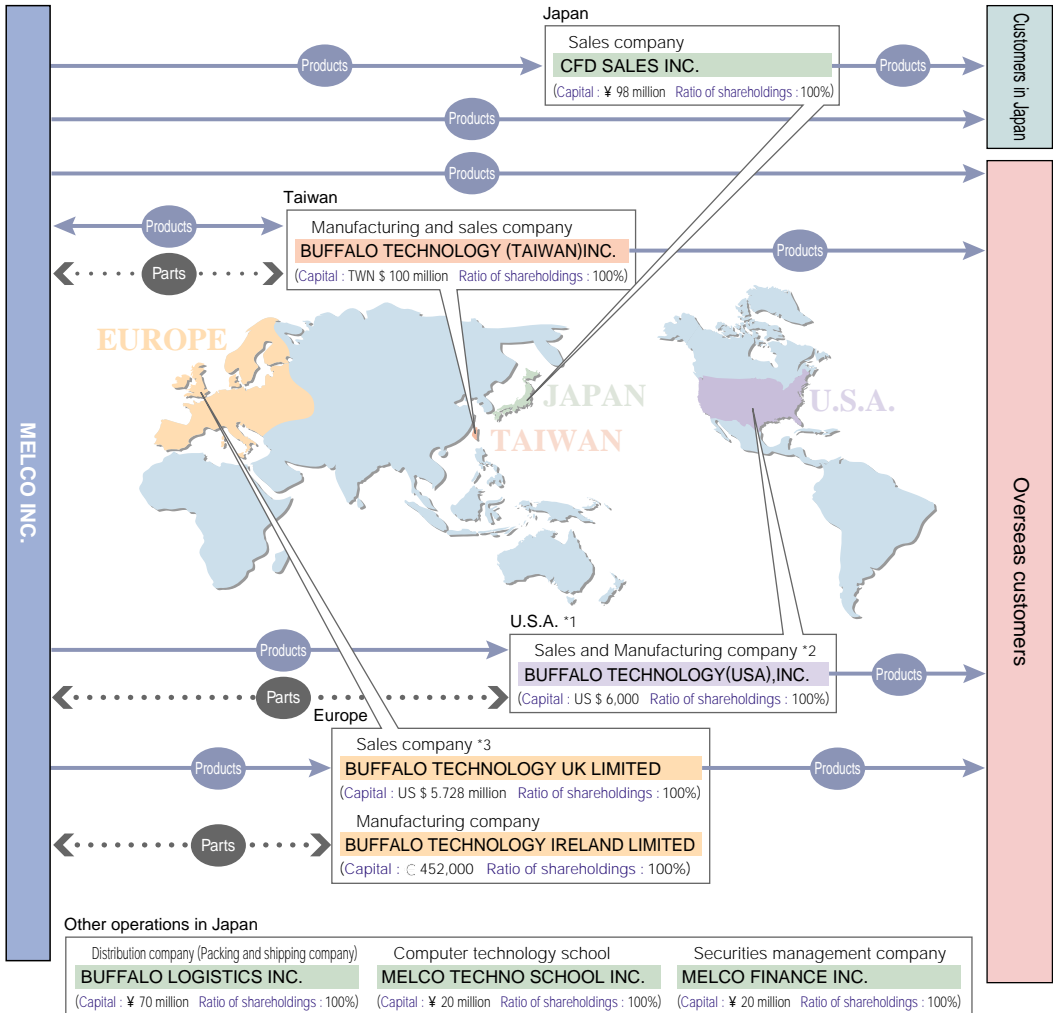
# Group Companies MELCO INC.Group

## MELCO INC.Group Affiliation Chart (Consolidated subsidiaries)

\*1 BUFFALO TECHNOLOGY (U.S.A.), INC. has been liquidated as of December 31, 2001.

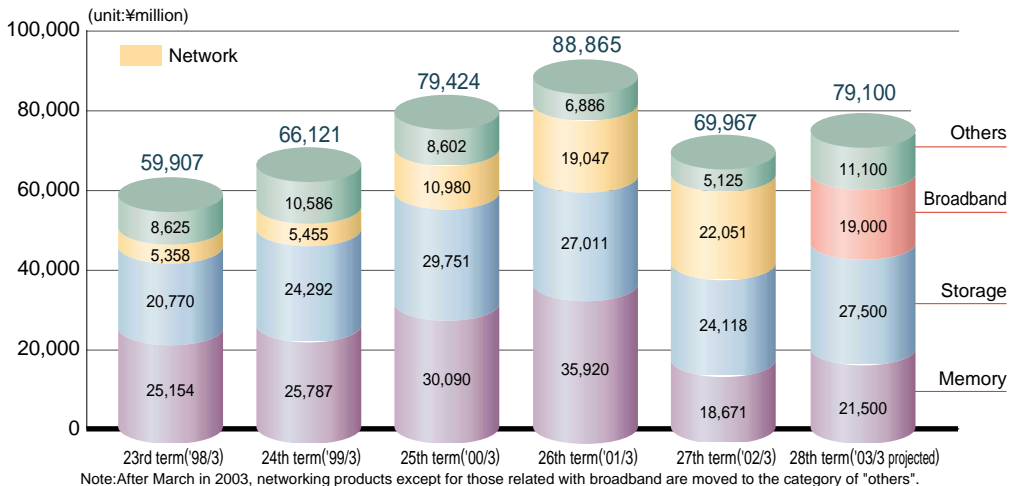
\*2 The ratio of shareholdings for TechWorks (Delaware), Inc. increased from 98.4% to 100% as of December 18, 2001. The company was renamed BUFFALO TECHNOLOGY (USA), INC. as of February 28, 2002.

\*3 The capital was increased to US \$ 5.728 million for BUFFALO TECHNOLOGY UK LIMITED. on December 18, 2001.

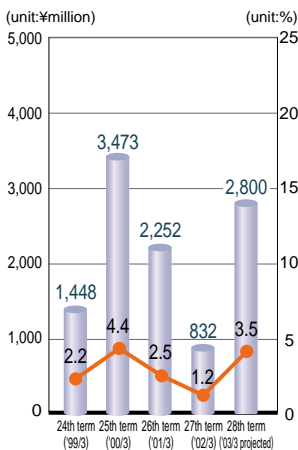


# Financial Report Consolidated Statement

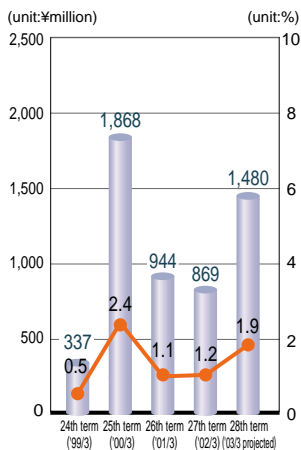
## Consolidated sales



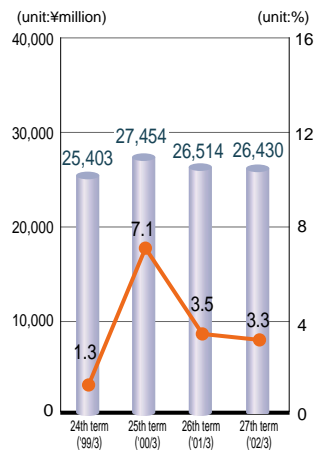
## Consolidated ordinary income and % of sales



## Consolidated net income and % of sales



## Consolidated shareholder's equity and return on equity (ROE)



**Interim consolidated balance sheet** (unit:¥million)

Item	Fiscal year Current interim term as of Sep. 30, 2002	Previous interim term as of Sep. 30, 2001	Previous fiscal year as of March 31, 2002
(Assets)			
Current assets	26,122	30,759	28,022
Tangible fixed assets	2,674	2,917	2,777
Intangible fixed assets	130	203	156
Investments, etc.	11,787	3,086	11,121
Total Fixed assets	14,592	6,207	14,055
<b>Total assets</b>	<b>40,715</b>	<b>36,967</b>	<b>42,077</b>
(Liabilities)			
Current liabilities	13,104	10,764	14,968
Long-term liabilities	729	749	678
<b>Total liabilities</b>	<b>13,834</b>	<b>11,514</b>	<b>15,646</b>
(Capital)			
Capital	6,400	6,400	6,400
Capital surplus	7,593	-	-
Profit surplus	13,285	-	-
Capital reserve	-	7,593	7,593
Consolidated surplus	-	11,507	12,741
Balance of other profits on securities	41	38	70
Exchange adjustment	223	17	160
Treasury stock	215	68	213
<b>Total capital</b>	<b>26,880</b>	<b>25,453</b>	<b>26,430</b>
<b>Total liabilities and capital</b>	<b>40,715</b>	<b>36,967</b>	<b>42,077</b>

**Interim consolidated statement of surplus** (unit:¥million)

Item	Fiscal year Current interim term (April 1, 2002 to Sep. 30, 2002)	Previous interim term (April 1, 2001 to Sep. 30, 2001)	Previous fiscal year (April 1, 2001 to March 31, 2002)
Capital surplus opening balance	7,593	-	-
Capital surplus interim closing (closing) balance	7,593	-	-
Profit surplus opening balance	12,741	-	-
Interim (current term) net income	705	-	-
Reduction of profit surplus	161	-	-
Profit surplus interim closing (closing) balance	13,285	-	-
Consolidated surplus opening balance	-	12,801	12,801
Reduction of consolidated surplus	-	768	929
Interim (current term) net income	-	525	869
Consolidated surplus interim closing (closing) balance	-	11,507	12,741

**Interim consolidated statement of income** (unit:¥million)

Item	Fiscal year Current interim term (April 1, 2002 to Sep. 30, 2002)	Previous interim term (April 1, 2001 to Sep. 30, 2001)	Previous fiscal year (April 1, 2001 to March 31, 2002)
Sales	39,089	30,430	69,967
Cost of sales	34,155	26,940	61,389
Selling, general and administrative expenses	3,617	4,195	7,922
<b>Operating income</b>	<b>1,316</b>	<b>705</b>	<b>655</b>
Non-operating income	171	267	421
Non-operating expenses	152	123	244
<b>Ordinary income</b>	<b>1,336</b>	<b>562</b>	<b>832</b>
Extraordinary income	167	22	54
Extraordinary loss	146	17	222
Interim (current term) net income before taxes and other adjustments	1,357	557	664
Corporation, resident and enterprise taxes	767	48	397
Adjustment for corporation tax, etc.	114	80	603
<b>Interim (current term) net income</b>	<b>705</b>	<b>525</b>	<b>869</b>

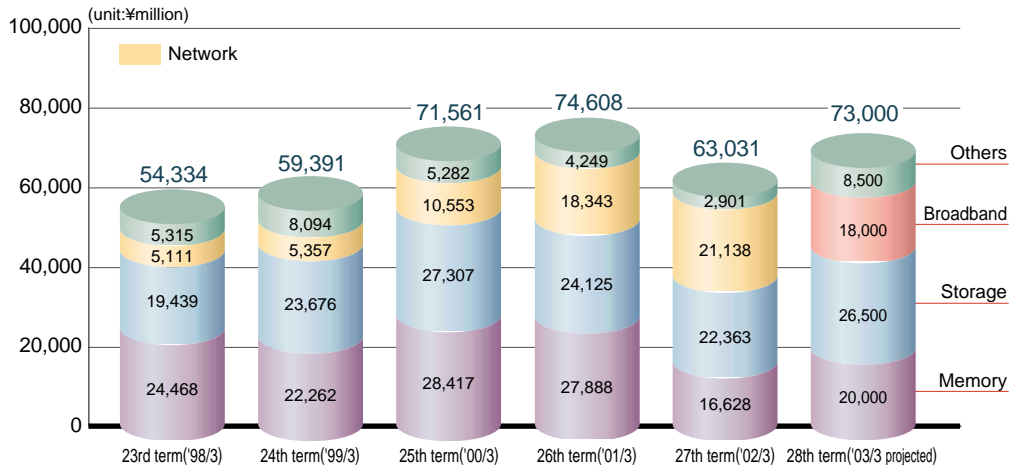
**Interim consolidated cash flow statement** (unit:¥million)

Item	Fiscal year Current interim term (April 1, 2002 to Sep. 30, 2002)	Previous interim term (April 1, 2001 to Sep. 30, 2001)	Previous fiscal year (April 1, 2001 to March 31, 2002)
Operating activity cash flow	7,411	4,542	3,422
Investment activity cash flow	819	128	7,444
Financial activity cash flow	134	761	765
Balance of cash/cash-equivalent conversions	57	51	43
<b>Increase of cash/cash-equivalents</b>	<b>6,669</b>	<b>3,961</b>	<b>4,744</b>
Cash/cash-equivalent opening balance	2,030	6,775	6,775
<b>Cash/cash-equivalent interim closing (closing) balance</b>	<b>8,700</b>	<b>10,736</b>	<b>2,030</b>



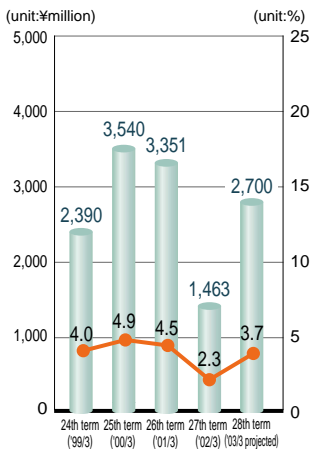
# Financial Report Unconsolidated Statement

## Sales

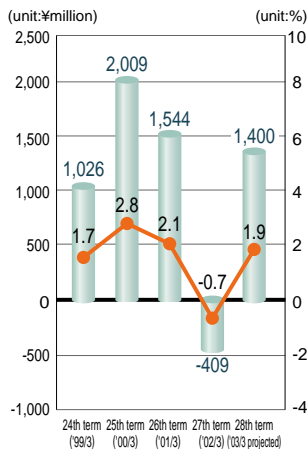


Note: After March in 2003, networking products except for those related with broadband are moved to the category of "others".

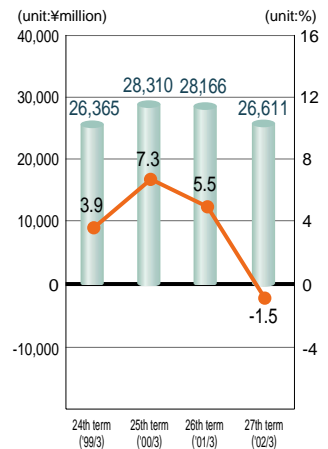
## Ordinary income and % of sales



## Net income and % of sales



## Shareholder's equity and return on equity (ROE)



## Interim balance sheet

(unit:¥million)

Fiscal year Item	Current interim term as of Sep. 30, 2002	Previous interim term as of Sep. 30, 2001	Previous fiscal year as of March 31, 2002
(Assets)			
Current assets	35,501	29,377	37,021
Tangible fixed assets	1,972	2,113	2,027
Intangible fixed assets	113	171	139
Investments, etc.	3,145	6,070	3,215
Total Fixed assets	5,231	8,355	5,382
Total assets	40,732	37,733	42,404
(Liabilities)			
Current liabilities	12,876	9,800	15,163
Long-term liabilities	684	680	629
Total liabilities	13,561	10,481	15,793
(Capital)			
Capital	6,400	6,400	6,400
Capital surplus	7,593	-	-
Profit surplus	13,351	-	-
Legal reserve	-	9,193	9,193
Retained earnings	-	11,619	11,161
Balance of other profits on securities	41	38	70
Treasury stock	215	-	213
Total capital	27,171	27,251	26,611
Total liabilities and capital	40,732	37,733	42,404

## Interim statement of income

(unit:¥million)

Fiscal year Item	Current interim term (April 1, 2002 to Sep. 30, 2002)	Previous interim term (April 1, 2001 to Sep. 30, 2001)	Previous fiscal year (April 1, 2001 to March 31, 2002)
Sales	35,840	26,317	63,031
Cost of sales	31,451	23,538	55,773
Selling, general and administrative expenses	2,985	3,204	6,147
Operating income	1,403	425	1,110
Non-operating income	70	260	529
Non-operating expenses	76	95	176
Ordinary income	1,396	259	1,463
Extraordinary income	133	27	56
Extraordinary loss	143	13	2,506
Interim (current term) net income before taxes	1,386	244	986
Corporation, resident and enterprise taxes	746	8	333
Adjustment for corporation tax, etc.	110	141	909
Interim (current term) net income	750	112	409
Profit carried over from previous term	12,601	5,301	5,301
Earnings allocated to retirement of treasury stock	-	569	569
Interim dividends	-	-	160
Unappropriated profit interim (current term)	13,351	4,619	4,161

# Company Data

## Company Profile/Investor Information

### Company Profile (As of September 30, 2002)

Company Name: MELCO INC.

Headquarters: 11-50, Ohsu 4-chome, Naka-ku, Nagoya, Aichi Prefecture, Japan

Founded: May 1, 1975

Incorporated: August 5, 1978

President and CEO: Makoto Maki

Capital: ¥6.4 billion

Sales: ¥69.967 billion consolidated  
¥63.031 billion unconsolidated  
(at end of March 2002)

Business content: Development, manufacture and sales of Internet equipment and related services

No. of employees: 635 consolidated, 381 unconsolidated

Group affiliates: 8 companies (4 in Japan and 4 overseas)

Banks: UFJ, Nagoya, Iyo, Tokyo-Mitsubishi, UFJ Trust Bank

### Board of Directors (As of June 27, 2002)

President and CEO Makoto Maki

Senior Managing Director Kuniaki Saiki

Director Hiromi Maki

Director Hiromichi Maki

Director Harumi Maekawa

Director Seishi Toyooka

Director Takayuki Nishioka

Director Hidetoshi Yamaguchi

Senior Corporate Auditor Yozo Ueda

Corporate Auditor Toshio Nishikawa

Corporate Auditor Yuzuru Kawashima

Corporate Auditor Iwao Tsusaka

### Investor Information(As of September 30,2002)

Accounts closed: March 31

Scheduled shareholder's meeting: June

Dates to determine stock ownership: Shareholders entitled to vote  
March 31  
Shareholders entitled to year-end dividend  
March 31  
Shareholders entitled to interim dividend  
September 30

Listed Stock Exchanges: First Section of Tokyo Stock Exchange and  
First Section of Nagoya Stock Exchange

Stock code: 6913

Number of shares issued: 26,841,136

Number of treasury stocks: 128,600

Number of shareholders: 15,255

Number of shares per unit: 100

Newspaper with notice to shareholders: Nihon Keizai Shimbun

Transfer agent: UFJ Trust Bank Limited  
4-3, Marunouchi 1-chome,  
Chiyoda-ku, Tokyo

Handling office: UFJ Trust Bank Limited  
Security Agent Department  
10-11, Higashi-suna, 7-chome,  
Koto-ku, Tokyo 137-8081  
Tel: 81-3-5683-5111

Managing underwriters: (main) Nomura Securities  
(others) Daiwa Securities SMBC  
Mizuho Investors Securities  
Nikko Cordial Securities

## Evolution of the MELCO INC. GROUP

History	Business/Others
Incorporated for the purpose of manufacturing and selling audio equipment	Aug 1978 Began marketing a string-driven turntable
	<b>1980</b>
	Jul 1981 Entered the personal computer peripherals market in earnest
Opened Tokyo Branch Office (now the Tokyo Head Office)	Oct 1982 Began marketing an internal printer buffer
	Oct 1986 Began marketing Japan's first EMS board
	Oct 1988
Established BUFFALO LOGISTICS INC.	Sep <b>1990</b>
Opened Osaka Sales Office (now the Osaka Branch Office)	Sep 1991
Registered with JASDAQ	Oct
Opened High-Tech Center	Jan 1992
Established BAPILU PRODUCTS INC. [now BUFFALO TECHNOLOGY (TAIWAN) INC.]	Jun 1992
	Jul 1993 Began marketing CPU accelerator products
	Aug 1993 Began marketing LAN products
	May 1993 Began marketing window accelerators; entered the multimedia market in earnest
	Oct 1993 Received Prize for Excellence at PCB Technology Awards
	Feb 1994 Began marketing hard disks; shifted emphasis to manufacture of computer peripheral devices
Listed in second section of Nagoya Stock Exchange	Jan <b>1995</b>
Listed in second section of Tokyo Stock Exchange	Aug 1995
Opened agencies in Sendai and Fukuoka (now the Sendai and Fukuoka sales Offices)	Dec 1995
MELCO TECHNO SCHOOL INC. commenced operations at its computer technology school	Jul 1996
Listed in the first sections of the Tokyo and Nagoya Stock Exchanges	Sep 1996
Made CFD SALES INC. a subsidiary	Oct 1996
Introduced divisional organization	Oct 1997
Made TechWorks (Delaware), Inc.(now BUFFALO TECHNOLOGY(USA),INC.) a subsidiary	Jan 1998
Made TechWorks (UK) Limited and TechWorks (Ireland) Limited (now BUFFALO TECHNOLOGY UK LIMITED. and BUFFALO TECHNOLOGY IRELAND LIMITED.)subsidiaries	Dec 1998
	Jan 1999 Entered the wireless LAN market; released "AIRCONNECT"
MELCO FINANCE INC. commenced operations in securities management and related areas	Aug 1999
	Nov 1999 Began marketing memory for Rambus devices
	<b>2000</b>
Opened BUFFALO Solution Square (formerly Akihabara Customer Support Center)	Dec 2000
	Apr 2000 Began marketing the wireless LAN "AirStation"
	Oct 2000 Received Good Design Award for AirStation wireless LAN
	Developed worldwide standard specification of DDR memory for notebook computers
	<b>2001</b>
Formed BUFFALO Service Alliance	Jan 2001
Established joint venture company, Digital Reuse Inc.	Mar 2001
	Jan 2001 Began Internet service business
	Obtained Environmental Management System ISO14001 Certification
	Oct 2001 Received Good Design Awards for card reader and CD-RW drive
	<b>2002</b>
Reorganized business department into broadband business and computer business	Jul 2002
	Oct 2002 Proposed FreeSpot to promote Internet wireless spot service
	Oct 2002 Received Good Design Award for AirStation wireless LAN

## MELCO INC.

11-50, Ohsu 4-chome, Naka-ku, Nagoya, 460-0011, Japan  
Tel: 81-52-251-6891 FAX: 81-52-241-7979

<http://www.melcoinc.co.jp/>

### Offices

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Headquarters	Kamiya Bldg., 11-50, Ohsu 4-chome, Naka-ku, Nagoya, 460-0011, Japan	Tel:81-52-251-6891	Fax:81-52-241-7979
Tokyo Head Office	1-2-5 Eitaro Bldg. Nihonbashi Chuo-ku Tokyo 100-0027, Japan	Tel:81-3-3242-7777	Fax:81-3-5203-8551
<b>Subsidiaries Japan</b>			
CFD SALES INC.	Kamiya Bldg., 11-50, Ohsu 4-chome, Naka-ku, Nagoya, 460-0011, Japan	Tel:81-52-261-7771	Fax:81-52-261-7775
BUFFALO LOGISTICS INC.	1-3, Mutsuno 2-chome, Atsuta-ku, Nagoya, 456-0023, Japan	Tel:81-52-883-3035	Fax:81-52-883-3042
MELCO TECHNO SCHOOL INC.	15, Shibata hondori 4-chome, Minami-ku, Nagoya, 457-8520, Japan	Tel:81-52-619-7727	Fax:81-52-619-2027
MELCO FINANCE INC.	Kamiya Bldg., 11-50, Ohsu 4-chome, Naka-ku, Nagoya, 460-0011, Japan	Tel:81-52-251-6891	Fax:81-52-241-7979
<b>Subsidiaries Overseas</b>			
BUFFALO TECHNOLOGY (TAIWAN) INC.	4F, NO.18, LANE609, SEC.5, CHUNG HSIN RD., SANCHUNG CITY, TAIPEI HSIEN, TAIWAN	Tel:886-2-2999-9860	Fax:886-2-2999-2264
BUFFALO TECHNOLOGY (USA), INC.	4030 West Braker Lane, Suite 350, Austin, TEXAS 78759-5319 U.S.A.	Tel:1-512-794-8533	Fax:1-512-794-8606
BUFFALO TECHNOLOGY UK LIMITED	176 Buckingham Avenue, Slough, Berkshire SL1 4RD, United Kingdom	Tel:44-1753-555-000	Fax:44-1753-535-420
BUFFALO TECHNOLOGY IRELAND LIMITED	Unit 14B, Shannon Industrial Estate, Shannon, Co. Clare Ireland	Tel:353-61-474711	Fax:353-61-474770