

Re-establishment of an Earthquake Risk Countermeasure Financing [Supplementary Material]

February 25, 2019
Oriental Land Co., Ltd

Position of this material

This is the supplementary material that was made in order to give a better understanding of the contents of “Earthquake Risk Countermeasure Financing.”

For details, please refer to “[Announcement of the Extinguishment of Stock Acquisition Rights with Adjustable Strike Price, and the Re-Establishment of an Earthquake Risk Countermeasure Type Term Loan with a Commitment Period](#)” released on February 25, 2019.

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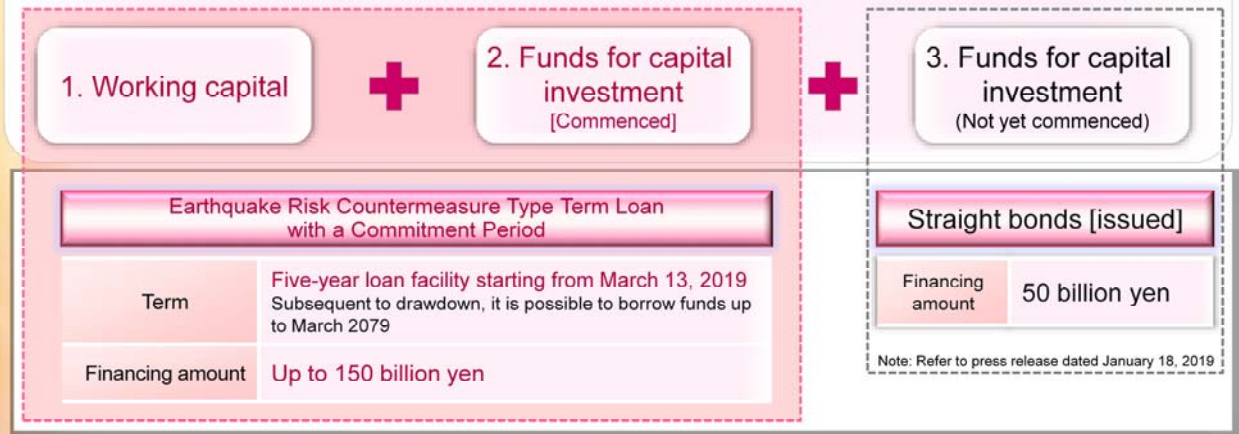


Objectives and Reasons for the Financing

Background for the financing

- Expansion of the business scale of Tokyo Disney Resort, which is the core business of the company [rising labor costs, etc.]
- Execution of the 2020 Medium-Term Plan
- Progress of the Tokyo DisneySea Large-Scale Expansion Project

In preparation for emergency situations such as earthquakes and other disasters



Re-establish a scheme that suits the current situation

[Background for the financing]

Our core business Tokyo Disney Resort has grown, both parks continuously welcoming over 30 million guests annually, that resulted in the increase of the company's working capital, including its personnel expenses. In the 2020 Medium-Term Plan, the company developed a core business strategy to achieve the target set for the final year of the plan, and has been executing it as planned. Further, the company has been making progress in multiple investment projects to enhance the value of Tokyo Disney Resort, including the Tokyo DisneySea Large-Scale Expansion Project and the opening of a new Disney hotel. As a result, the environment surrounding the company's business has changed in recent years.

In response, the company is preparing for earthquakes and other disasters by re-establishing an Earthquake Risk Countermeasure Type Term Loan with a Commitment Period (New Term Loan) to secure funding for the steady execution and progress of each plan. This will allow the company to secure liquidity of up to 150 billion yen in case of an occurrence of an earthquake or other disaster to cover the company's (1) working capital and (2) capital investment (commenced).

In addition, the company issued straight bonds on January 25, 2019, to enable the execution of capital investment ((3) Funds for capital investment) which has not yet commenced at the time of an occurrence of an emergency situation.

Through the above measures, the company will be able to secure funding in case of emergency situations such as earthquakes and other disasters.



Characteristics and Changes

Characteristics

- In addition to flexibly securing liquidity at hand, the company will be able to finance funds in the long term.
- By establishing a loan facility, the company will be able to minimize the impact on its balance sheet.
- The company may choose cash, other assets or warrants as a repayment method.

Changes

New Term Loan

Previous Term Loan [Reference]

Changes	New Term Loan	Previous Term Loan [Reference]
Term	Five-year loan facility starting from March 13, 2019 Subsequent to drawdown, it is possible to borrow funds up to March 2024 However, the company may make early repayment in cash on or after March 13, 2024, at its discretion.	Five-year loan facility starting from March 30, 2015
Financing amount	Five billion yen to 150 billion yen The company will finance an amount it deems necessary for its working capital when an earthquake risk arises.	Five billion to 100 billion yen
Repayment priority	Repayment priority will be the same as general obligations as the loan has no subordination clause.	Subordinated to all general obligations other than claims which have the same subordination clause.
Commitment fee	0.20% [per annum] of the 150 billion yen loan facility	0.35% [per annum] of the 100 billion yen loan facility

Adequate financing amount, low cost, hedgeable

With the Earthquake Risk Countermeasure Type Term Loan with a Commitment Period to be re-established, the company will be able to finance funds in the long term, for a period of up to 60 years, while flexibly securing liquidity at hand in the event of an earthquake or other disaster. In addition, the impact on the balance sheet will be lowered as the company will only have a loan facility until it makes an actual drawdown. Furthermore, the company will be able to choose not only cash but also other assets and warrants as a repayment method.

One of the changes from the previous term loan is that a new loan facility period has been set for five years beginning on March 13, 2019, so that there will be no gap period following the end the previous term loan. Another change is that the company will be able to finance funds up to 150 billion yen as its business scale has expanded since the time the previous term loan was established. In addition, the commitment fee is reduced as the new term loan has no subordination clause.

Please refer to the next page for restrictions on exercise of warrants.



[Reference] Restrictions on Exercise of Warrants

Major steps to be taken after an earthquake

Points of note

1

Financing arrangement under the OLC's decision

OLC will decide the necessary level of the amount to be secured

2

An earthquake measuring M7.9 or greater occurs with an epicenter located within the area encircled in red in the right map

Occurs at intervals of 200 to 300 years

Massive earthquakes in the past:
1923 Great Kanto Earthquake
1703 Genroku Kanto Earthquake

The probability of an earthquake occurring in the next five years is about 1%*



○ Area set for the scheme
○ 75 km radius of Maihama

* Calculated by OYO RMS Corporation, a company specializing in risk analysis

Reason for requesting premature repayment

3

Banks decide whether to request premature repayment

Banks can only request premature repayment when the majority of banks need to do so in consideration of OLC's outstanding loan.

If banks request premature repayment

4

OLC decides on means of repayment

The company will choose the repayment method, such as cash and other assets.

*The possibility of warrants being exercised is extremely limited, as the rights will only be exercised based on a careful management decision after considering the internal and external environments.

The possibility of warrants being exercised is extremely limited

As is the case with the previous scheme, we believe the possibility of warrants being exercised is extremely limited due to the restrictions imposed on them.

[Major steps to be taken after an earthquake]

Step 1: When an earthquake occurs, the company will determine the amount of required funds and make a "Financing arrangement under the OLC's decision," which will create the possibility of warrants being exercised.

Step 2: If "an earthquake measuring M7.9 or greater occurs, with an epicenter located within the area encircled in blue." This is considered to serve as a reason for banks to request premature repayment. For your information, an earthquake of this scale occurs at long intervals of 200 to 300 years, and the chance of such an earthquake occurring in the next five years is considered to be only about 1%.

In case of reason for exercising the request premature repayment occur, we move on to step 3: the "banks decide whether to request premature repayment." The banks can request premature repayment only when the majority of banks need to do so in consideration of OLC's outstanding loan.

In case the banks request early repayment, we move on to step 4: "OLC decides on means of repayment." The company will be able to decide on means of repayment from multiple means including cash and other assets.

However, the possibility of warrants being exercised is extremely limited, as the rights will only be exercised based on a careful management decision after considering the internal and external environments at the time of an occurrence of an earthquake.