

## Presentation of Results for the Fiscal Year Ended March 31, 2024

### Questions & Answers

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| Date:       | Friday, April 26, 2024 |  |
| Presenters: | Kenji Yoshida          | Representative Director, President and COO         |
|             | Tomoyuki Shimoda       | Officer in charge of Finance/Accounting Department |
| Moderator:  | Taiga Uezono           | Manager, Investor Relations Group                  |

The following outlines the Questions & Answers at the teleconference:

- Q1) I'd like to confirm the precondition for the attendance projected for FY3/25. I understand that the annual attendance forecast is 29 million, based on the presumption that overseas guests will reach four million while domestic guests are estimated to be 25 million, up one million year on year. In my view, you can aim for an even higher level of attendance, considering the opening of Fantasy Springs. Could you tell us the background to your current projection for attendance? Supposing there are upside effects on attendance, what kind of scenarios do you have in mind?
- A1) With regard to our projected attendance of 29 million, attendance for FY3/24 was higher than we had expected due to the positive effect of the Tokyo Disney Resort 40th Anniversary, exceeding the forecast announced in October 2023 by 1.2 million, so we expect that there will be a negative effect due to the high base of comparison. We intend to make up for this as much as we can by leveraging the second and third "Disney Pal-Palooza" events, as well as the castle projection shows to be held at Tokyo Disneyland. Even with the opening of Fantasy Springs and the expected increase in the number of overseas guests, 29 million is, therefore, not an easy goal to achieve when we consider the high base of comparison due to the Tokyo Disney Resort 40th Anniversary. As for upside effects on attendance, first and foremost, any further progress in the leveling out of attendance is an upside effect. In addition, although we intend to significantly control numbers inside Fantasy Springs at first, we will try to quickly improve operational efficiency and raise capacity, which will also result in upside.
- Q2) I'd like to ask you about the attractions and shows revenue component of net sales per guest for FY3/24 and your projection for FY3/25. What was the decrease in the fourth quarter from the third quarter of FY3/24 attributable to? Also, you project an increase of more than 800 yen for FY3/25, but no price increase is presumed for 1-Day Passport tickets. What is the background to this forecast?
- A2) The attractions and shows revenue component of net sales per guest for the fourth quarter decreased from the third quarter owing to the day-to-day differences in the ticket price settings on the calendar. Previously, we had been offering the Campus Day Passport in the fourth quarter to encourage visits with a discounted ticket price, given that the quarter falls in a low season. However, in FY3/24, we instead aimed to attract guests by setting low-priced tickets based on our new six-tier price system under variable pricing, which resulted in a decrease in attractions and shows revenue in the fourth quarter. The projected increase in FY3/25 is largely attributable to the price revision in October 2023 exerting an impact on the entire fiscal year.
- Q3) With regard to the attractions and shows revenue component of net sales per guest, the weighted average based on the 1-Day Passport ticket prices for the first quarter of FY3/25, in terms of the prices announced on the website, shows a year-on-year increase of around 300 to 400 yen, whereas your projection for the entire fiscal year is an increase of 800 yen. What is the reason behind the difference?

- A3) The difference is attributable to the fact that we will start offering Disney Premier Access for attractions in Fantasy Springs when the area opens on June 6, as well as the Fantasy Springs Magic tickets priced at over 20,000 yen to guests staying at the Fantasy Springs Hotel and purchasers of certain Vacation Packages.
- Q4) What are the preconditions for your projections for the merchandise revenue and food and beverages revenue components of net sales per guest for FY3/25?
- A4) Terminating the sale of products related to the Tokyo Disney Resort 40th Anniversary will have a significant impact on merchandise revenue. Although new Fantasy Springs products will be offered, the sales discontinuation will have quite an impact because the 40th Anniversary goods were sold across the entire Tokyo Disney Resort. Meanwhile, food and beverages revenue will increase due to the opening of three new large-scale outlets in Fantasy Springs.
- Q5) You are projecting a decrease in operating profit for the first half of FY3/25. What is the background to this? Also, you mentioned that FY3/24 saw severe heat beyond anticipation, but what heat-related presumptions did you factor into your forecast for the current fiscal year?
- A5) The projected net sales increase and operating profit decrease are attributable to costs. Various expenses will be incurred including costs for opening Fantasy Springs. In addition, a significant increase in depreciation and amortization will also push down operating profit. We expect the upcoming summer heat to be just as severe as the previous summer, and therefore our attendance forecast is based on a conservative presumption.
- Q6) Summer this fiscal year will be even hotter than last year according to some reports. Please tell us what countermeasures you are discussing, if any.
- A6) In view of the situation last fiscal year, we must say that our measures against severe heat are limited, but we have installed tarps to create more shade, as well as spot coolers and fans. Also, we will hold our summer events over a longer period so that guests can enjoy them after the summer heat subsides. However, it is not feasible to implement countermeasures on a more fundamental level just yet this fiscal year, which is why our attendance forecast has been set with a conservative tilt.
- Q7) You mentioned that a lump-sum payment was posted in FY3/24 as a gesture of appreciation and anticipation for employees. What is your plan for posting a lump-sum payment in FY3/25? Also, do you have enough cast members for the opening of Fantasy Springs?
- A7) Our lump-sum payment plan is undecided, as, by nature, it depends on our financial performance. However, lump-sum payment aside, we will continue with our human capital investment, and will discuss a base raise in FY3/26. The number of cast members for Fantasy Springs is sufficient, and training is underway in phases.
- Q8) You adopt a six-tier price system for 1-Day Passport tickets to respond flexibly to the level of crowdedness during certain periods and days of the week. Am I correct in presuming that you will not likely change the ticket prices for the time being? If attendance evens out further, will you be increasing the prices? Could you tell us whether attendance has been steadily leveling out thanks to the pricing system?
- A8) Our ticket price strategy is helping us level out attendance slightly on some days of the week, but we need to continue to verify the situation. As for the possibility of changing the six-tier ticket prices under variable pricing, we have nothing to share at this point in time. We are constantly discussing the day-to-day price setting on the calendar. Rather than revising the ticket prices themselves, we will mainly focus on how we can effectively utilize the six-tier pricing to level out attendance.

- Q9) When do you intend to incorporate the value of Fantasy Springs into the price setting of the 1-Day Passport? Will you possibly raise the price of Disney Premier Access?
- A9) We have nothing we can tell you about incorporating the value of Fantasy Springs into our ticket prices. Although we cannot provide any specific dates as to when we can ease the entry restriction imposed on Fantasy Springs after its opening on June 6, our priority is to allow as many guests as possible to enjoy Fantasy Springs. To this end, before we discuss what to do with our ticket prices, we must first and foremost allow guests to enter the area without obtaining Fantasy Springs Magic or the like and to ensure that the Standby Pass and Disney Premier Access can be purchased more easily. As for Premier Access prices, guests seem to be comfortable with the current prices of 2,500 yen and 2,000 yen, so rather than changing these prices, our priority will be to increase the number of applicable facilities, thereby improving the Park environment and providing a broader range of options for guests.
- Q10) I'd like to ask about your measures to even out attendance. Visits by overseas guests are presumed to be effective for evening out attendance, but do you see any effect of your measures have on Japanese guests? Could you elaborate on the effect of the price revision conducted in October 2023 and factors causing a bottleneck, if any?
- A10) It is an undoubted fact that overseas guests are contributing to leveling out attendance. We will further strengthen this measure. Meanwhile, as for Japanese guests, the price revision conducted in October 2023 has resulted in attendance partially leveling out on certain days of the week and in certain weeks and seasons. FY3/25 will be the first fiscal year in which the six-tier price system will be applied throughout the entire year, so we intend to carefully discern its impact and conduct verification. We are promoting our low-priced tickets offered on weekdays through TV commercials and other means and hope to utilize special events to boost demand on weekdays. We intend to further level out attendance while discerning the impact of ticket prices, contents, and trends in overseas guests.
- Q11) Could you update us on your marketing measures for overseas guests?
- A11) Our current measure is to strengthen the sales through online travel agents. Numerous guests visit our Parks by purchasing tickets at online travel agents, so we need to somehow fortify our touch points at these agents. We are also conducting a funnel analysis on overseas guests to analyze guests' decision-making and purchasing behavior to verify which touch points we should strengthen. Going forward, we will verify our measures by country and area to identify the most optimal measures.
- Q12) Please tell us what your guidelines are with regard to shareholder returns, including your policy on dividend payout ratio and total payout ratio and your optimal cash position.
- A12) With regard to shareholder returns, we have no specific information that we can share with you now on dividend payout ratio, total payout ratio, or our optimal cash position. In light of our financial results for the full FY3/24, we increased our year-end dividend. We are planning to increase our annual dividend to 14 yen in FY3/25. While our policy to maintain a stable dividend remains unchanged, we also hope to gradually increase shareholder returns.
- Q13) In relation to capital allocation, what is your policy on capital expenditures? You have announced that Buzz Lightyear's Astro Blasters will be remodeled, and Space Mountain is also scheduled to be revamped. Will you continue making a certain level of long-term investments to encourage visits and enhance value even after opening Fantasy Springs? Please tell us the level of capital expenditure you are planning over the long term.
- A13) As for capital expenditure, we made a large-scale investment of 320 billion yen for Fantasy Springs, but the amount of investment is expected to decline from this level in the coming years. We are not yet ready to talk about any specific future plans, but we will continue with our investments, and are discussing the development of each area and unused land as well as the scrap-and-build of existing attractions.

- Q14) I'd like to ask how you will conduct management with a focus on capital cost and stock price. Will you be satisfied as long as ROE exceeds capital cost? Are you planning to leverage debt to conduct a share buyback, or will you try to raise ROE while keeping debt low?
- A14) We will not necessarily be satisfied merely because ROE exceeds capital cost, but we are constantly considering how we can enhance ROE in our business. We will borrow funds as necessary, but it is not our policy to do so merely for the purpose of raising ROE at this point in time.
- Q15) How will you address the actions taken by Palliser Capital toward Keisei Electric Railway?
- A15) Our policy is to not consider measures and responses after actions have been taken, but to be prepared for several possible scenarios and to bear in mind what we should do and to what extent so that we can take the best possible action. However, the matter is still in the hypothetical stage, so we should avoid making any comments. It is our belief that if Keisei Electric Railway resolves anything and means to disclose an intention to sell its shares, we will be given prior notice in the same manner as last time. Please rest assured that we are of course considering the impact of the matter on our valued shareholders.

**Warning**

The above is an outline of our views based on the question-and-answer session held at our Teleconference Overview of Results and we do not guarantee or assure the accuracy or completeness of the information provided. The above information is also subject to change without prior notice going forward. Furthermore, forward-looking statements including our forecast of financial results are based on our perspectives and information available as of the day of the announcement. As the Group's business is susceptible to guests' preferences and social and economic circumstances, the forecasts and outlooks described above do contain uncertainties.