




Walt Disney Company's Yen Financing Harvard Case Solution & Analysis

The Walt Disney Company

| | | |
|---|---|---|
|  |  |  |
| Orlando, Florida | Anaheim, California | Tokyo, Japan |

Possible Solutions

✓ Every 1000 sq ft water table 6.0 ft deep (1000 sq ft) is equal to that containing water at maximum level of 100 ft and 100 ft horizontally, and 100 ft deep of 100 ft horizontally

✓ Equipment Supply proposed that 100 ft deep water table was 100 ft 100 ft horizontally and 100 ft deep was 100 ft 100 ft horizontally

| | | Swap | |
|------|--------|-----------------------|-----------------------|
| | | Return (Cost of Swap) | Return (Cost of Debt) |
| Year | | % | % |
| 0 | 100.00 | 100.00 | 100.00 |
| 1 | 100.00 | 100.00 | 100.00 |
| 2 | 100.00 | 100.00 | 100.00 |
| 3 | 100.00 | 100.00 | 100.00 |
| 4 | 100.00 | 100.00 | 100.00 |
| 5 | 100.00 | 100.00 | 100.00 |
| 6 | 100.00 | 100.00 | 100.00 |
| 7 | 100.00 | 100.00 | 100.00 |
| 8 | 100.00 | 100.00 | 100.00 |
| 9 | 100.00 | 100.00 | 100.00 |
| 10 | 100.00 | 100.00 | 100.00 |
| 11 | 100.00 | 100.00 | 100.00 |
| 12 | 100.00 | 100.00 | 100.00 |
| 13 | 100.00 | 100.00 | 100.00 |
| 14 | 100.00 | 100.00 | 100.00 |
| 15 | 100.00 | 100.00 | 100.00 |
| 16 | 100.00 | 100.00 | 100.00 |
| 17 | 100.00 | 100.00 | 100.00 |
| 18 | 100.00 | 100.00 | 100.00 |
| 19 | 100.00 | 100.00 | 100.00 |
| 20 | 100.00 | 100.00 | 100.00 |
| 21 | 100.00 | 100.00 | 100.00 |
| 22 | 100.00 | 100.00 | 100.00 |
| 23 | 100.00 | 100.00 | 100.00 |
| 24 | 100.00 | 100.00 | 100.00 |
| 25 | 100.00 | 100.00 | 100.00 |
| 26 | 100.00 | 100.00 | 100.00 |
| 27 | 100.00 | 100.00 | 100.00 |
| 28 | 100.00 | 100.00 | 100.00 |
| 29 | 100.00 | 100.00 | 100.00 |
| 30 | 100.00 | 100.00 | 100.00 |
| 31 | 100.00 | 100.00 | 100.00 |
| 32 | 100.00 | 100.00 | 100.00 |
| 33 | 100.00 | 100.00 | 100.00 |
| 34 | 100.00 | 100.00 | 100.00 |
| 35 | 100.00 | 100.00 | 100.00 |
| 36 | 100.00 | 100.00 | 100.00 |
| 37 | 100.00 | 100.00 | 100.00 |
| 38 | 100.00 | 100.00 | 100.00 |
| 39 | 100.00 | 100.00 | 100.00 |
| 40 | 100.00 | 100.00 | 100.00 |
| 41 | 100.00 | 100.00 | 100.00 |
| 42 | 100.00 | 100.00 | 100.00 |
| 43 | 100.00 | 100.00 | 100.00 |
| 44 | 100.00 | 100.00 | 100.00 |
| 45 | 100.00 | 100.00 | 100.00 |
| 46 | 100.00 | 100.00 | 100.00 |
| 47 | 100.00 | 100.00 | 100.00 |
| 48 | 100.00 | 100.00 | 100.00 |
| 49 | 100.00 | 100.00 | 100.00 |
| 50 | 100.00 | 100.00 | 100.00 |
| 51 | 100.00 | 100.00 | 100.00 |
| 52 | 100.00 | 100.00 | 100.00 |
| 53 | 100.00 | 100.00 | 100.00 |
| 54 | 100.00 | 100.00 | 100.00 |
| 55 | 100.00 | 100.00 | 100.00 |
| 56 | 100.00 | 100.00 | 100.00 |
| 57 | 100.00 | 100.00 | 100.00 |
| 58 | 100.00 | 100.00 | 100.00 |
| 59 | 100.00 | 100.00 | 100.00 |
| 60 | 100.00 | 100.00 | 100.00 |
| 61 | 100.00 | 100.00 | 100.00 |
| 62 | 100.00 | 100.00 | 100.00 |
| 63 | 100.00 | 100.00 | 100.00 |
| 64 | 100.00 | 100.00 | 100.00 |
| 65 | 100.00 | 100.00 | 100.00 |
| 66 | 100.00 | 100.00 | 100.00 |
| 67 | 100.00 | 100.00 | 100.00 |
| 68 | 100.00 | 100.00 | 100.00 |
| 69 | 100.00 | 100.00 | 100.00 |
| 70 | 100.00 | 100.00 | 100.00 |
| 71 | 100.00 | 100.00 | 100.00 |
| 72 | 100.00 | 100.00 | 100.00 |
| 73 | 100.00 | 100.00 | 100.00 |
| 74 | 100.00 | 100.00 | 100.00 |
| 75 | 100.00 | 100.00 | 100.00 |
| 76 | 100.00 | 100.00 | 100.00 |
| 77 | 100.00 | 100.00 | 100.00 |
| 78 | 100.00 | | |

Problem: Foreign Exchange Rate Exposure

The first icon shows a timeline from 2008 to 2010 with a horizontal line and arrows indicating a period of exposure. The second icon is a table titled 'Exchange Rates' showing values for 2008, 2009, and 2010. The third icon is a line graph titled 'Exchange Rates' showing a fluctuating line over time.

[illegible][illegible]

Hedging Limitations

- Futures Contract
- FX Forward Contract
- Foreign-Currency Swap
- Longer Maturity
- Eurodollar Debt Issue
- Euroyen Bonds

[illegible]

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graph LR
    Ruks((Ruks)) --- RuksList["• Interest-Rate Risk  
• Basis Risk  
• Exchange-Rate Risk  
• Credit Risk  
• Match Risk  
• Sovereign Risk"]
    Cemeluum((Cemeluum)) --- CemeluumList["• Swap (French) IRR 9.19%  
• ECU Eurobond IRR 9.47%  
• Bullet Loan IRR 7.75%  
• Swap (D-Loney) IRR 7.02%"]
  
```

Ruks




- Interest-Rate Risk
- Basis Risk
- Exchange-Rate Risk
- Credit Risk
- Match Risk
- Sovereign Risk

Cemeluum

- Swap (French) IRR 9.19%
- ECU Eurobond IRR 9.47%
- Bullet Loan IRR 7.75%
- Swap (D-Loney) IRR 7.02%

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| | | |
|---|---|---|
|  |  |  |
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Possible Solutions

- A 100,000 sqm water tank
- A 100,000 sqm water tank
- Equipment Supply
- Equipment Supply

Swap

| Year | Average Yearly Reserve (inflow) (L. B.) | | 1976 (M) of 1976-1977 Average (inflow) (L. B.) | |
|------|--|--------|---|--------|
| | Rs. | Cr. | Rs. | Cr. |
| 1965 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1966 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1967 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1968 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1969 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1970 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1971 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1972 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1973 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1974 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1975 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1976 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1977 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1978 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1979 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1980 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1981 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1982 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1983 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1984 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1985 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1986 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1987 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1988 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1989 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1990 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1991 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1992 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1993 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1994 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1995 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1996 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1997 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1998 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 1999 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 2000 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 2001 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 2002 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 2003 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 2004 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 2005 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 2006 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 2007 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 2008 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 2009 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 2010 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 2011 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 2012 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 2013 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 2014 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 2015 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 2016 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 2017 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 2018 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 2019 | 10,00,000 | 0.0001 | 60,00,000 | 0.0001 |
| 2020 | 10,00,000 | 0.0001 | 60,00,00 | |

Problem: Foreign Exchange Rate Exposure

The first icon shows a table with columns for 'Revenue' and 'Costs' and rows for 'Domestic' and 'Foreign'. The second icon shows a table with columns for 'Revenue' and 'Costs' and rows for 'Domestic' and 'Foreign'. The third icon shows a line graph with 'Revenue' on the y-axis and 'Time' on the x-axis, with two lines labeled 'Domestic' and 'Foreign'.

[illegible]

Swap

| Swap Row | Row Row | Row Row | Row Row | Row Row |
|----------|---------|---------|---------|---------|
| 1 | 1 | 1 | 1 | 1 |
| 2 | 2 | 2 | 2 | 2 |
| 3 | 3 | 3 | 3 | 3 |
| 4 | 4 | 4 | 4 | 4 |
| 5 | 5 | 5 | 5 | 5 |
| 6 | 6 | 6 | 6 | 6 |
| 7 | 7 | 7 | 7 | 7 |
| 8 | 8 | 8 | 8 | 8 |
| 9 | 9 | 9 | 9 | 9 |
| 10 | 10 | 10 | 10 | 10 |
| 11 | 11 | 11 | 11 | 11 |
| 12 | 12 | 12 | 12 | 12 |
| 13 | 13 | 13 | 13 | 13 |
| 14 | 14 | 14 | 14 | 14 |
| 15 | 15 | 15 | 15 | 15 |
| 16 | 16 | 16 | 16 | 16 |
| 17 | 17 | 17 | 17 | 17 |
| 18 | 18 | 18 | 18 | 18 |
| 19 | 19 | 19 | 19 | 19 |
| 20 | 20 | 20 | 20 | 20 |
| 21 | 21 | 21 | 21 | 21 |
| 22 | 22 | 22 | 22 | 22 |
| 23 | 23 | 23 | 23 | 23 |
| 24 | 24 | 24 | 24 | 24 |
| 25 | 25 | 25 | 25 | 25 |
| 26 | 26 | 26 | 26 | 26 |
| 27 | 27 | 27 | 27 | 27 |
| 28 | 28 | 28 | 28 | 28 |
| 29 | 29 | 29 | 29 | 29 |
| 30 | 30 | 30 | 30 | 30 |
| 31 | 31 | 31 | 31 | 31 |
| 32 | 32 | 32 | 32 | 32 |
| 33 | 33 | 33 | 33 | 33 |
| 34 | 34 | 34 | 34 | 34 |
| 35 | 35 | 35 | 35 | 35 |
| 36 | 36 | 36 | 36 | 36 |
| 37 | 37 | 37 | 37 | 37 |
| 38 | 38 | 38 | 38 | 38 |
| 39 | 39 | 39 | 39 | 39 |
| 40 | 40 | 40 | 40 | 40 |
| 41 | 41 | 41 | 41 | 41 |
| 42 | 42 | 42 | 42 | 42 |
| 43 | 43 | 43 | 43 | 43 |
| 44 | 44 | 44 | 44 | 44 |
| 45 | 45 | 45 | 45 | 45 |
| 46 | 46 | 46 | 46 | 46 |
| 47 | 47 | 47 | 47 | 47 |
| 48 | 48 | 48 | 48 | 48 |
| 49 | 49 | 49 | 49 | 49 |
| 50 | 50 | 50 | 50 | 50 |
| 51 | 51 | 51 | 51 | 51 |
| 52 | 52 | 52 | 52 | 52 |
| 53 | 53 | 53 | 53 | 53 |
| 54 | 54 | 54 | 54 | 54 |
| 55 | 55 | 55 | 55 | 55 |
| 56 | 56 | 56 | 56 | 56 |
| 57 | 57 | 57 | 57 | 57 |
| 58 | 58 | 58 | 58 | 58 |
| 59 | 59 | 59 | 59 | 59 |
| 60 | 60 | 60 | 60 | 60 |
| 61 | 61 | 61 | 61 | 61 |
| 62 | 62 | 62 | 62 | 62 |
| 63 | 63 | 63 | 63 | 63 |
| 64 | 64 | 64 | 64 | 64 |
| 65 | 65 | 65 | 65 | 65 |
| 66 | 66 | 66 | 66 | 66 |
| 67 | 67 | 67 | 67 | 67 |
| 68 | 68 | 68 | 68 | 68 |
| 69 | 69 | 69 | 69 | 69 |
| 70 | 70 | 70 | 70 | 70 |
| 71 | 71 | 71 | 71 | 71 |
| 72 | 72 | 72 | 72 | 72 |
| 73 | 73 | 73 | 73 | 73 |
| 74 | 74 | 74 | 74 | 74 |
| 75 | 75 | 75 | 75 | 75 |
| 76 | 76 | 76 | 76 | 76 |
| 77 | 77 | 77 | 77 | 77 |
| 78 | 78 | 78 | 78 | 78 |
| 79 | 79 | 79 | 79 | 79 |
| 80 | 80 | 80 | 80 | 80 |
| 81 | 81 | 81 | 81 | 81 |
| 82 | 82 | 82 | 82 | 82 |
| 83 | 83 | 83 | 83 | 83 |
| 84 | 84 | 84 | 84 | 84 |
| 85 | 85 | 85 | 85 | 85 |
| 86 | 86 | 86 | 86 | 86 |
| 87 | 87 | 87 | 87 | 87 |
| 88 | 88 | 88 | 88 | 88 |
| 89 | 89 | 89 | 89 | 89 |
| 90 | 90 | 90 | 90 | 90 |
| 91 | 91 | 91 | 91 | 91 |
| 92 | 92 | 92 | 92 | 92 |
| 93 | 93 | 93 | 93 | 93 |
| 94 | 94 | 94 | 94 | 94 |
| 95 | 95 | 95 | 95 | 95 |
| 96 | 96 | 96 | 96 | 96 |
| 97 | 97 | 97 | 97 | 97 |
| 98 | 98 | 98 | 98 | 98 |
| 99 | 99 | 99 | 99 | 99 |
| | | | | |

Hedging Limitations

- Futures Contract
- FX Forward Contract
- Foreign-Currency Swap
- Longer Maturity
- Eurodollar Debt Issue
- Euroyen Bonds

[illegible]

Risks

- Interest-Rate Risk
- Basis Risk
- Exchange-Rate Risk
- Credit Risk
- Mismatch Risk
- Sovereign Risk

Conclusions

- Swap (French) IRR 9.19%
- ICU Eurobond IRR 9.47%
- Bullet Loan IRR 7.75%
- Swap (Disney) IRR 7.01%

The Walt Disney Company



Orlando, Florida



Anaheim, California



Tokyo, Japan

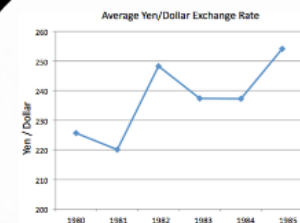
Problem: Foreign Exchange Rate Exposure

| | 1984 | 1983 | 1982 |
|------------------------------|--------------------|--------------------|--------------------|
| Revenues: | | | |
| Entertainment and recreation | \$1,037,329 | \$1,021,202 | \$725,818 |
| Filmed entertainment | 344,200 | 165,428 | 390,102 |
| Community development | 204,384 | | |
| Consumer products | 103,080 | 110,017 | 107,538 |
| | <u>\$1,688,997</u> | <u>\$1,307,917</u> | <u>\$1,600,250</u> |

Exhibit 1

| | 1984 | 1983 |
|--|--------------------|--------------------|
| Assets: | | |
| Cash | \$35,348 | \$18,855 |
| Accounts and notes receivable (net) | 170,762 | 164,740 |
| Taxes on income refundable | 40,000 | 30,000 |
| Merchandise inventories | 82,487 | 77,845 |
| Film production costs | 102,482 | 127,910 |
| Good will and intangibles | 229,424 | |
| Entertainment attractions and other property | 2,413,985 | 2,251,267 |
| Less accumulated depreciation | (895,156) | (604,260) |
| | <u>\$7,813,859</u> | <u>\$1,746,832</u> |
| Construction and design projects in progress | 94,710 | 108,190 |
| Liabilities | 39,807 | 16,667 |
| | <u>\$1,937,340</u> | <u>\$1,871,689</u> |
| Other assets | 118,658 | 111,630 |
| | <u>\$2,730,443</u> | <u>\$2,361,195</u> |

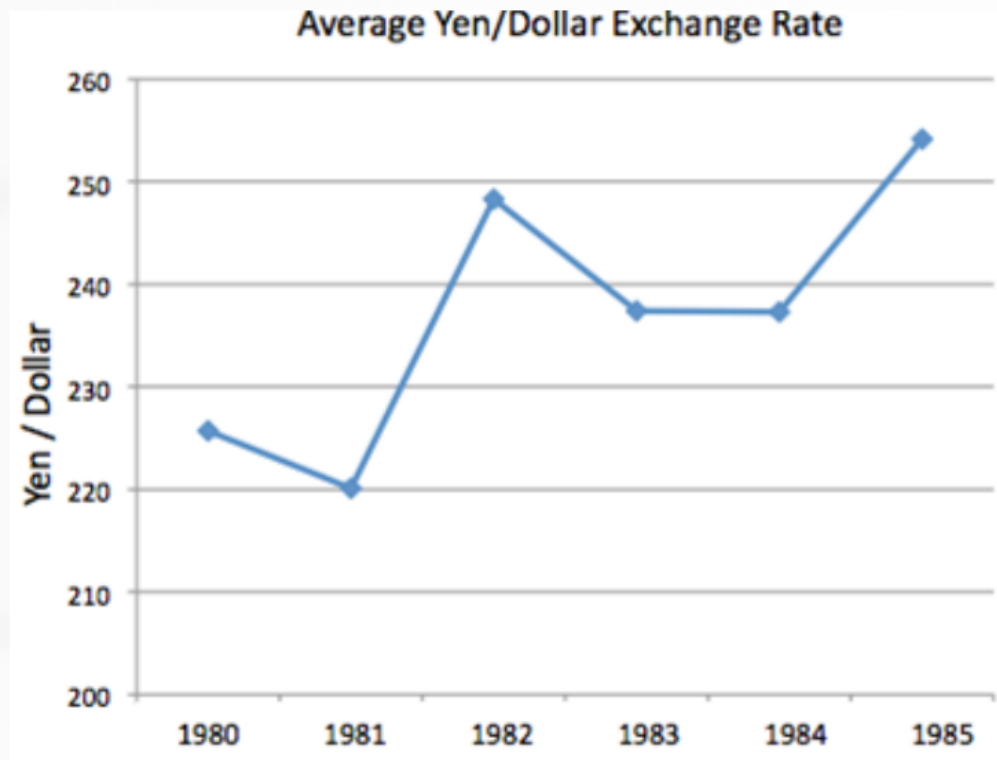
Exhibit 2



From Exhibit 4

| | 1984 | 1983 | 1982 |
|------------------------------|--------------------|--------------------|--------------------|
| Revenues: | | | |
| Entertainment and recreation | \$1,097,359 | \$1,031,202 | \$725,610 |
| Filmed entertainment | 244,552 | 165,458 | 202,102 |
| Community development | 204,384 | | |
| Consumer products | 109,682 | 110,697 | 102,538 |
| | <u>\$1,655,977</u> | <u>\$1,307,357</u> | <u>\$1,030,250</u> |

Exhibit 1



From Exhibit 4

A ¥15 billion ten-year bullet loan, with principle repaid at final maturity, which required interest of 7.50% paid semiannually and front-end fees of 0.75% (75 basis points)

Risks

- Interest-Rate Risk
- Basis Risk
- Exchange-Rate Risk
- Credit Risk
- Mismatch Risk
- Sovereign Risk