ITEM 1. Business

The Walt Disney Company, together with its subsidiaries, is a diversified worldwide entertainment company with operations in two segments: Disney Media and Entertainment Distribution (DMED) and Disney Parks, Experiences and Products (DPEP).

The terms "Company", "we", "our" and "us" are used in this report to refer collectively to the parent company and the subsidiaries through which businesses are conducted.

COVID-19 Pandemic

Since early 2020, the world has been, and continues to be, impacted by the novel coronavirus (COVID-19) and its variants. COVID-19 and measures to prevent its spread has impacted our segments in a number of ways, most significantly at the DPEP segment where our theme parks and resorts were closed and cruise ship sailings and guided tours were suspended. These operations resumed, generally at reduced capacity, at various points since May 2020. We have delayed, or in some cases, shortened or cancelled theatrical releases, and stage play performances were suspended as of March 2020. Stage play operations resumed, generally at reduced capacity, in the first quarter of fiscal 2021. Theaters have been subject to capacity limitations and shifting government mandates or guidance regarding COVID-19 restrictions. We experienced significant disruptions in the production and availability of content, including the delay of key live sports programming during fiscal 2020 and fiscal 2021, as well as the suspension of most film and television production in March 2020. Although film and television production generally resumed beginning in the fourth quarter of fiscal 2020, we continue to see disruption of production activities depending on local circumstances. Fewer theatrical releases and production delays have limited the availability of film content to be sold in distribution windows subsequent to the theatrical release.

The impact of these disruptions and the extent of their adverse impact on our financial and operating results will be dictated by the length of time that such disruptions continue, which will, in turn, depend on the currently unknowable duration and severity of the impacts of COVID-19 and its variants, and among other things, the impact of governmental actions imposed in response to COVID-19 and individuals' and companies' risk tolerance regarding health matters going forward. We have incurred and will continue to incur additional costs to address government regulations and the safety of our employees, guests and talent.

Human Capital

The Company's key human capital management objectives are to attract, retain and develop the highest quality talent. To support these objectives, the Company's human resources programs are designed to develop talent to prepare them for critical roles and leadership positions for the future; reward and support employees through competitive pay, benefit, and perquisite programs; enhance the Company's culture through efforts aimed at making the workplace more engaging and inclusive; acquire talent and facilitate internal talent mobility to create a high-performing, diverse workforce; engage employees as brand ambassadors of the Company's content, products and experiences; and evolve and invest in technology, tools, and resources to enable employees at work.

The Company employed approximately 190,000 people as of October 2, 2021. Our global workforce is comprised of approximately 80% full time and 15% part time employees, with another 5% being seasonal employees.

Some examples of key programs and initiatives that are focused to attract, develop and retain our diverse workforce include: • **Diversity, Equity, and Inclusion (DE&I):** Our DE&I objectives are to build teams that reflect the life experiences of our audiences, while employing and supporting a diverse array of voices in our creative and production teams. ◦ Announced the Company's Reimagine Tomorrow endeavor, which builds on Disney's longstanding commitment to diversity, equity and inclusion. Launched the Reimagine Tomorrow digital destination, Disney's first large-scale platform for amplifying underrepresented voices

- ◦ Created a pipeline of next-generation creative executives from underrepresented backgrounds through programs such as the Executive Incubator, Creative Talent Development and Inclusion, and the Disney Launchpad: Shorts Incubator ◦ Championed targeted development programs for underrepresented talent
- ◦ Hosted a series of innovative learning opportunities to spark dialogue among employees, leaders, Disney talent and external experts
- ◦ Sponsored over 75 employee-led Business Employee Resource Groups (BERGs) that represent and support the diverse communities that make up our workforce. The BERGs facilitate networking and connections with peers, outreach and mentoring, leadership and skill development and cross-cultural business innovation

- ◦ Added an Inclusion Key to the core set of values to serve as a catalyst for culture change and strengthen DPEP's traditional Four Keys, Safety, Courtesy, Show and Efficiency
- ◦ Reimagined The Disney Look appearance guidelines to cultivate a more inclusive environment that encourages and celebrates authentic expressions of belonging among employees

- **Health, wellness, family resources, and other benefits:** Disney's benefit offerings are designed to meet the varied and evolving needs of a diverse workforce across businesses and geographies while helping our employees care for themselves and their families. We provide:
  - Healthcare options aimed at improving quality of care while reducing out-of-pocket costs
  - Child care programs for employees, including access to onsite/community centers, enhanced back-up care choices to include personal caregivers, child care referral assistance and center discounts, homework help and a variety of parenting educational resources
  - Free mental and behavioral health resources, including on-demand access to the Employee Assistance Program (EAP) for employees and their dependents
  - Two Centers for Living Well that offer convenient, on-demand access to board-certified physicians and counselors
- **Continued response to COVID-19:** Our deliberate, phased, and multi-layered approach to respond to COVID-19 continued, and Disney was one of the first companies outside of the healthcare industry to institute a vaccination mandate for its employees, announced in July 2021. We:
  - Provided the ability for our employees to get vaccinated by offering on-site distribution in California, Florida, and Connecticut. Our Florida distribution center distributed approximately 1,000 doses weekly
  - Covered all COVID-19 testing and treatment under all Company medical plans at no cost to the employees and dependents
  - Introduced a process for those with medical or religious accommodation needs
  - Partnered with TrustAssure™ to help verify employee vaccination status
  - Provided employees with 24/7 access to a variety of educational resources about the pandemic, including ways to help stop the spread of the virus and to learn more about vaccination options. Due to increasing demand, a number of these resources were available to the public through a partnership with the Health Alliance, so employees could share them with friends and family
- **Disney Aspire:** We support the long-term career aspirations of our hourly employees and further our commitment to strengthening the communities in which we work through our education investment program, Disney Aspire. The program helps our employees achieve their goals professionally - whether at Disney or beyond - by equipping them with the skills they need to succeed in the rapidly changing 21st century career landscape. More than 12,000 employees are currently enrolled in Disney Aspire, and more than half of our program graduates have earned an Associate, Bachelor or Master's degree. Through Disney Aspire, we:
  - Pay 100% of tuition costs upfront at a variety of in-network learning providers and universities and reimburse employees for applicable books and fees
  - Provide access to a wide variety of degree, certificate, high school completion, college start, language learning and skilled trades programs
  - Offer employees flexibility to explore growth opportunities both internally and externally
  - Enable employees to choose the field they're most passionate about - fields of study do not have to be related to an employee's current position, nor do they have to stay at the Company upon completion of their studies
  - Offer exclusive access to the Disney Aspire Alumni Association, a support and networking group that connects graduates with leaders in their field of interest
- **Talent Development:** We prioritize and invest in creating opportunities to help employees grow and build their careers through a multitude of training and development programs. These include online, instructor-led and on-the-job learning formats as well as executive talent and succession planning paired with an individualized development approach
- **Social Responsibility and Community:** The Walt Disney Company's longstanding commitment to Corporate Social Responsibility (CSR) helps differentiate the Company as an employer that supports talent acquisition and retention. This year, we refreshed our CSR strategy to connect it more closely with the Company's mission and environmental and social issues relevant to our business and employees. Our CSR priorities include diversity, equity, and inclusion; environmental stewardship and conservation; human capital management; operating responsibly; and giving back to our communities with a special focus on supporting children and families. The refreshed strategy provides employees

with a path to embedding these CSR priorities into our offerings and operations in addition to our philanthropy. For example, employees on our creative teams are embracing inclusive storytelling while employees in our operational areas are embracing sustainable design. The Company also supports employees who give back to our communities with a generous matching gifts program and a unique employee volunteering program, Disney VoluntEARS, which rewards volunteer hours with the opportunity to direct not-for-profit donations by the Company.

Environmental and Sustainability

The Company has developed measurable environmental and sustainability goals for 2030, grounded in science and an assessment of where the Company's operations have the most significant impact on the environment, as well as the areas where it can most effectively mitigate that impact. These include goals to reach net zero Scope 1 and 2 greenhouse gas emissions for our direct operations and zero waste to landfill at our wholly owned and operated parks and resorts by 2030.

DISNEY MEDIAAND ENTERTAINMENT DISTRIBUTION

The DMED segment encompasses the Company's global film and episodic television content production and distribution activities. Content is distributed by a single organization across three significant lines of business: Linear Networks, Direct-to Consumer and Content Sales/Licensing and content is generally created by three production/content licensing groups: Studios, General Entertainment and Sports. The distribution organization has full accountability for the financial results of the entire media and entertainment business.

The operations of DMED's significant lines of business are as follows:

- Linear Networks
  - Domestic Channels: ABC Television Network (ABC) and eight owned ABC television stations (Broadcasting), and Disney, ESPN, Freeform, FX and National Geographic branded domestic television networks (Cable)
  - International Channels: Disney, ESPN, Fox, National Geographic and Star branded television networks outside of the U.S. ◦ A 50% equity investment in A+E Television Networks (A+E), which operates a variety of cable channels including A&E, HISTORY and Lifetime
- Direct-to-Consumer
  - Disney+, Disney+ Hotstar, ESPN+, Hulu and Star+ direct-to-consumer (DTC) streaming services
- Content Sales/Licensing
  - Sale/licensing of film and television content to third-party television and subscription video-on-demand (TV/SVOD) services
  - Theatrical distribution
  - Home entertainment distribution (DVD, Blu-ray discs and electronic home video licenses)
  - Music distribution
  - Staging and licensing of live entertainment events on Broadway and around the world (Stage Plays)

DMED also includes the following activities that are reported with Content Sales/Licensing:

- Post-production services by Industrial Light & Magic and Skywalker Sound
- A 30% ownership interest in Tata Sky Limited, which operates a direct-to-home satellite distribution platform in India

The significant revenues of DMED are as follows:

- Affiliate fees - Fees charged by our Linear Networks to multi-channel video programming distributors (i.e. cable, satellite, telecommunications and digital over-the-top (e.g. YouTube TV) service providers) (MVPDs) and television stations affiliated with ABC for the right to deliver our programming to their customers
- Advertising - Sales of advertising time/space at Linear Networks and Direct-to-Consumer
- Subscription fees - Fees charged to customers/subscribers for our DTC streaming services
- TV/SVOD distribution - Licensing fees and other revenue for the right to use our film and television productions and revenue from fees charged to customers to view our sports programming ("pay-per-view") and streaming access to films that are also playing in theaters ("Premier Access"). TV/SVOD distribution revenue is primarily reported in Content Sales/Licensing, except for pay-per-view and Premier Access revenue, which is reported in Direct-to-Consumer
- Theatrical distribution - Rentals from licensing our film productions to theaters
- Home entertainment - Sale of our film and television content to retailers and distributors in home video formats

- Other content sales/licensing revenue - Revenues from licensing our music, ticket sales from stage play performances and fees from licensing our intellectual properties ("IP") for use in stage plays
- Other revenue - Fees from sub-licensing of sports programming rights (reported in Linear Networks) and sales of post production services (reported with Content Sales/Licensing)

The significant expenses of DMED are as follows:

- Operating expenses consist primarily of programming and production costs, technical support costs, operating labor, distribution costs and costs of sales. Operating expenses also includes fees paid to Linear Networks from other DMED businesses for the right to air our linear networks and related services. Programming and production costs include amortization of acquired licensed programming rights (including sports rights), amortization of capitalized production costs (including participations and residuals) and production costs related to live programming such as news and sports. Programming and production costs are generally allocated across the DMED businesses based on the estimated relative value of the distribution windows. These costs are largely incurred across three content creation groups, as follows:

◦ Studios - Primarily capitalized production costs related to films produced under the Walt Disney Pictures, Twentieth Century Studios, Marvel, Lucasfilm, Pixar and Searchlight Pictures banners

◦ General Entertainment - Primarily acquisition of rights to and internal production of episodic television programs and news content. Internal content is generally produced by the following television studios: ABC Signature; 20th Television; Disney Television Animation; FX Productions; and various studios for which we commission productions for our branded channels and DTC streaming services

◦ Sports - Primarily acquisition of professional and college sports programming rights and related production costs •

Selling, general and administrative costs

• Depreciation and amortization

Media and Entertainment Distribution Strategy

Shifting consumer preferences for consumption of video content, and in particular the increasingly widespread adoption of video streaming technology, has significantly disrupted the traditional means and patterns of distribution for film and television content. In general, film content was traditionally distributed first in the theatrical market, followed by the home entertainment market and then in the TV/SVOD market. Episodic television content was traditionally distributed at linear networks and then in the TV/SVOD market.

In response to these changes, the Company has significantly increased its focus on distribution of content via our own DTC streaming services relative to distribution along traditional patterns. Although the Company continues to monetize a significant amount of its content in the traditional manner, our focus on our own DTC distribution has had a number of impacts including but not limited to:

• in some cases, we are producing exclusive content for our DTC streaming services;

• rather than selling our content in the TV/SVOD market, we may choose to distribute it on our DTC streaming services; • in part because of the impact of COVID-19 on theatrical markets around the world, we may alter our traditional theatrical distribution approach, for example by making a film available on our DTC streaming services at the same time it is in theaters; and

• we may choose to offer our content in pay-per-view format on our own DTC streaming services (e.g. Premier Access) in addition to distributing it in traditional home entertainment markets.

Over time, all else being equal, these impacts will tend to increase revenue at Direct-to-Consumer and reduce revenue at Linear Networks and Content Sales/Licensing.

A more detailed discussion of our distribution businesses and production groups follows.

Linear Networks

The majority of Linear Networks revenue is derived from affiliate fees and advertising sales. Generally, the Company's networks provide programming under multi-year licensing agreements with MVPDs that include contractually specified rates on a per subscriber basis. The amounts that we can charge to MVPDs for our networks is largely dependent on the quality and quantity of programming that we can provide and the competitive market for programming services. The ability to sell advertising time and the rates received are primarily dependent on the size and nature of the audience that the network can deliver to the advertiser as well as overall advertiser demand.

Linear Networks consist of our domestic and international branded television channels.

Domestic Channels

Our domestic channels include Cable operations comprising Disney, ESPN, Freeform, FX and National Geographic branded channels and Broadcasting operations comprising ABC and eight owned ABC affiliated television stations.

Cable

Disney Channels

Branded television channels include: Disney Channel; Disney Junior; and Disney XD (collectively Disney Channels). Disney Channels also includes the DisneyNOW App and website.

Disney Channel - the Disney Channel airs original series and movie programming 24 hours a day targeted to kids ages 2 to 14. The channel features live-action comedy series, animated programming and preschool series as well as original movies and theatrical films.

Disney Junior - the Disney Junior channel airs programming 24 hours a day targeted to kids ages 2 to 7 and their parents and caregivers. The channel features animated and live-action programming that blends Disney's storytelling and characters with learning. Disney Junior also airs as a programming block on the Disney Channel.

Disney XD - the Disney XD channel airs programming 24 hours a day targeted to kids ages 6 to 11. The channel features a mix of live-action and animated programming.

ESPN

Branded television channels include nine 24-hour domestic television sports channels: ESPN and ESPN2 (both of which are dedicated to professional and college sports as well as sports news and original programming); ESPNU (which is devoted to college sports); ESPNEWS (which simulcasts weekday ESPN Radio programming, re-airs select ESPN studio shows and airs a variety of other programming); SEC Network (which is dedicated to Southeastern Conference college athletics); ESPN Classic (which airs rebroadcasts of famous sporting events, sports documentaries and sports-themed movies); Longhorn Network (which is dedicated to The University of Texas athletics); ESPN Deportes (which airs professional and college sports as well as studio shows in Spanish); and ACC Network (which is dedicated to Atlantic Coast Conference college athletics). In addition, ESPN programs the sports schedule on ABC, which is branded ESPN on ABC.

ESPN also includes the following:

- ESPN.com, which delivers sports news, information and video on internet-connected devices, with approximately 20 editions in five languages across six countries globally. In the U.S., ESPN.com also features live video streams of ESPN channels to authenticated MVPD subscribers. Non-subscribers have limited access to certain content.
- ESPN App, which delivers scores, news, stories, highlights, short form video, podcasts and live audio, with fourteen editions in three languages globally. In the U.S., the ESPN App also features live video streams of ESPN's linear channels and exclusive events to authenticated MVPD subscribers. Non-subscribers have limited access to certain content. The ESPN App is available for download on various internet-connected devices.
- ESPN Radio, which is the largest sports radio network in the U.S. and includes four ESPN owned stations in New York, Los Angeles, Chicago and Dallas.

In addition, ESPN owns and operates the following events: ESPYs (annual awards show); X Games (winter and summer action sports competitions); and a portfolio of collegiate sporting events including: bowl games, basketball games, softball games and post season award shows.

ESPN is owned 80% by the Company and 20% by Hearst Corporation (Hearst).

Freeform

Freeform is a channel targeted to viewers ages 18 to 34 that airs original, Company owned ("library") and licensed television series, films and holiday programming events. Freeform also includes the Freeform App and website.

FX Channels

Branded general entertainment television channels include: FX; FXM; and FXX (collectively FX Channels), which air a mix of original, library and licensed television series and films.

National Geographic Channels

Branded television channels include: National Geographic; Nat Geo Wild; and Nat Geo Mundo (collectively National Geographic Channels). National Geographic Channels air scripted and documentary programming on such topics as natural history, adventure, science, exploration and culture.

National Geographic, including the magazine and online business reported in Content Sales/licensing, is owned 73% by the Company and 27% by the National Geographic Society.

The number of domestic subscribers (in millions) for the Company's significant cable channels as estimated by Nielsen Media Research[1] as of September 2021 (except where noted) are as follows:

	Subscribers[2]
Disney	
Disney Channel	76
Disney Junior	57
Disney XD	56
ESPN	
ESPN	76
ESPN2	76
ESPNU	51 (3)
ESPNEWS	59 (3)
SEC Network	55 (3)

ACC Network 42 **Freeform** 76 **FX Channels**
FX 77 FXX 72 FXM 47 **National Geographic Channels**
National Geographic 76 National Geographic Wild 51

(1) As a result of COVID-19, we understand there have been disruptions in Nielsen Media Research's ability to collect in-home data, which may have had an impact on the estimated subscriber counts at September 2020 and September 2021. We believe these disruptions were more significant at September 2020 than at September 2021.

(2) Estimates include traditional MVPD and the majority of digital OTT subscriber counts.

(3) Because Nielsen Media Research does not measure this channel, estimated subscribers are according to SNL Kagan as of December 2020.

Broadcasting

ABC

As of October 2, 2021, ABC had affiliation agreements with approximately 240 local television stations reaching almost 100% of U.S. television households. ABC broadcasts programs in the primetime, daytime, late night, news and sports "dayparts". ABC is also available digitally through the ABC App and website to authenticated MVPD subscribers. Non-subscribers have more limited access to on-demand episodes.

ABC also produces a variety of primetime specials, national news and daytime programming.

ABC provides online access to in-depth worldwide news and certain other programming through various Company operated and third party distribution platforms.

Domestic Television Stations

The Company owns eight television stations, six of which are located in the top ten television household markets in the U.S. All of our television stations are affiliated with ABC and collectively reach approximately 20% of the nation's television households.

The stations we own are as follows:

TV Station	**Market**	**Television Market Ranking** (1)
WABC	New York, NY	1
KABC	Los Angeles, CA	2
WLS	Chicago, IL	3
WPVI	Philadelphia, PA	4
KGO	San Francisco, CA	6
KTRK	Houston, TX	8
WTVD	Raleigh-Durham, NC	24
KFSN	Fresno, CA	55

(1) Based on Nielsen Media Research, U.S. Television Household Estimates, January 1, 2021.

International Channels

Our International Channels focus on General Entertainment, Sports and/or Family programming and operate under four significant brands: Disney; ESPN; Fox; and Star. The channels air programming from the Company's content production groups, locally produced content and licensed programming.

The Company's increased focus on DTC distribution in international markets is expected to negatively impact the International Channels business as we shift the primary means of monetizing our content from licensing of linear channels to distribution on our DTC platforms.

General Entertainment

The Company operates approximately 245 General Entertainment channels outside the U.S. primarily under the Fox, National Geographic and Star brands, which are broadcast in approximately 45 languages and 180 countries/territories.

Fox branded channels air a variety of scripted, reality and documentary programming. Channels are often thematically branded, focusing on such topics as comedy, cooking, crime, movies and travel, and are broadcast in most regions internationally.

National Geographic branded channels air scripted and documentary programming on such topics as natural history, adventure, science, exploration and culture, and are broadcast in most regions internationally.

Star branded channels air a variety of scripted, reality and documentary programming primarily in India. Channels are also broadcast in other countries in Asia Pacific.

In addition, the Company operates UTV and Bindass branded channels principally in India. UTV Action and UTV Movies offer Bollywood movies as well as Hollywood, Asian and Indian regional movies dubbed in Hindi. Bindass is a youth entertainment channel.

Sports

The Company operates approximately 55 Sports channels outside the U.S. under the ESPN, Fox and Star brands, which are broadcast in approximately 10 languages and 100 countries/territories.

ESPN branded channels primarily operate in Latin America, Asia Pacific and Europe. In the Netherlands, the ESPN branded channels are operated by Eredivisie Media & Marketing CV (EMM), which has the media and sponsorship rights of the Dutch Premier League for soccer. The Company owns 51% of EMM.

Fox branded sports channels primarily operate in Latin America, Asia Pacific and Europe. Fox Sports Premium, a pay television service in Argentina, airs the matches of the professional soccer league in Argentina.

Star branded sports channels primarily operate in India and certain other countries in Asia Pacific. Star has rights to various sports programming including cricket, soccer, tennis and field hockey.

Family

The Company operates approximately 85 Family channels outside the U.S. primarily under the Disney brand, which are broadcast in approximately 30 languages and 180 countries/territories.

Disney branded television channels include Disney Channel, Disney Junior, Disney XD and Disney International HD.

As of September 2021, the estimated number of international subscribers (in millions) for the Company's significant channels, based on internal management reports, are as follows:

Subscribers

Disney
Disney Channel 162 Disney Junior 154
Disney XD 83 (1)
ESPN 64 (1)
Fox 184 (1)
National Geographic 320 **Star**
(1)
General Entertainment 132 (1)
Sports 84

(1) Reflects our estimate of each unique subscriber that has access to one or more of these branded channels.

Equity Investments

The Company has investments in media businesses that are accounted for under the equity method, the most significant of which are A+E and CTV. The Company's share of the financial results for these investments is reported as "Equity in the income (loss) of investees, net" in the Company's Consolidated Statements of Operations.

A+E

A+E is owned 50% by the Company and 50% by Hearst. A+E operates a variety of cable channels:

- A&E – which offers entertainment programming including original reality and scripted series
- HISTORY – which offers original series and event-driven specials
- Lifetime and Lifetime Real Women – which offer female-focused programming
- Lifetime Movie Network (LMN) – which offers female-focused movies
- FYI – which offers contemporary lifestyle programming

A+E also has a 50% ownership interest in Viceland, a channel offering lifestyle-oriented documentaries and reality series aimed at millennial audiences.

A+E programming is available in approximately 200 countries and territories. A+E's networks are distributed internationally under multi-year licensing agreements with MVPDs. A+E programming is also sold to international television broadcasters and SVOD services.

As of September 2021, the number of domestic subscribers (in millions) for A+E channels as estimated by Nielsen Media Research[1] are as follows:

	Subscribers[2]
A&E	75
HISTORY	76
Lifetime	75
LMN	56
FYI	46

(1) As a result of COVID-19, we understand there have been disruptions in Nielsen Media Research's ability to collect in-home data, which may have had an impact on the estimated subscriber counts at September 2020 and September 2021. We believe these disruptions were more significant at September 2020 than at September 2021.

(2) Estimates include traditional MVPD and the majority of digital OTT subscriber counts.

CTV

ESPN holds a 30% equity interest in CTV Specialty Television, Inc., which owns television channels in Canada, including The Sports Networks (TSN) 1-5, Le Réseau des Sports (RDS), RDS2, RDS Info, ESPN Classic Canada, Discovery Canada and Animal Planet Canada.

Direct-to-Consumer

Our DTC businesses consist of subscription services that provide video streaming of general entertainment, family and sports programming (services are offered individually or in a bundle) and digital content distribution services. The subscription services are offered to customers directly or through third-party distributors on mobile and internet connected devices.

Disney+ Services (includes Disney+ Hotstar and Star+)

Disney+ is a subscription based DTC video streaming service with Disney, Pixar, Marvel, Star Wars and National Geographic branded programming, which are all top level selections or "tiles" within the Disney+ interface. Programming includes approximately 33,000 episodes and 1,850 movies from the Company's produced and acquired television and film library and approximately 75 exclusive original series and 40 exclusive original movies and specials. Disney+ launched in November 2019 in the U.S. and four other countries and launched in other Western European countries in the Spring of 2020. In April 2020, paid subscribers of the Hotstar streaming service in India were converted to Disney+ Hotstar subscribers, and in June 2020, current subscribers of the Disney Deluxe service in Japan were converted to Disney+ subscribers. In September 2020, Disney+ was launched in additional European countries and Disney+ Hotstar was launched in Indonesia. In November 2020, Disney+ was launched in Latin America. Additional launches are planned for various Asia Pacific territories by the end of calendar 2021.

Disney+ Hotstar is a subscription based DTC video streaming service with television shows, movies, sports, news and original series in approximately ten languages. The service incorporates gaming and social features. Disney+ Hotstar has exclusive streaming rights to Home Box Office, Inc.'s original programming in India and also carries content from Showtime. Disney+ Hotstar is available in India, Indonesia, Malaysia and Thailand.

In February 2021, Disney+ expanded its general entertainment content offerings outside of the U.S. and Latin America with the launch of a STAR tile. In August 2021, STAR+ launched as a standalone DTC streaming service in Latin America.

STAR and STAR+ programming includes a variety of general entertainment content from Disney's various studios as well as content licensed from third parties. STAR+ also includes live sports.

The majority of Disney+ revenue is derived from subscription fees. In addition, Disney+ Hotstar generates advertising revenue and Disney+ generates Premier Access fees.

As of October 2, 2021, the estimated number of paid Disney+, Disney+ Hotstar and STAR+ subscribers, based on internal management reports, was approximately 118 million.

ESPN+

ESPN+ is a subscription based DTC video streaming service offering thousands of live sporting events, on-demand sports content and original programming. ESPN+ revenue is derived from subscription fees, pay-per-view fees and, to a lesser extent, advertising sales. Live events available through the service include mixed martial arts, soccer, hockey, boxing, baseball, college sports, tennis and cricket. ESPN+ is currently the exclusive distributor for UFC pay-per-view events in the U.S. As of October 2, 2021, the estimated number of paid ESPN+ subscribers, based on internal management reports, was approximately 17 million.

Hulu

Hulu is a subscription based DTC video streaming service with content that is internally produced, commissioned or licensed.

Hulu's revenue is primarily derived from subscription fees and advertising sales. Hulu offers two SVOD services with either limited commercial announcements or with no commercial announcements, and offers a digital OTT MVPD (Live TV) service that can be combined with either of the SVOD services. Hulu's Live TV service includes live linear streams of cable networks and the major broadcast networks. In addition, Hulu offers subscriptions to premium services such as HBOMax, Cinemax, Starz and Showtime, which can be added to the Hulu service. Certain programming from ABC, Freeform and FX Channels is also available on the Hulu SVOD service one day after airing on these channels. As of October 2, 2021, the estimated number of paid Hulu subscribers, based on internal management reports, was approximately 44 million.

The Company has a 67% ownership interest in and full operational control of Hulu. NBC Universal (NBCU) owns the remaining 33% of Hulu. The Company has a put/call agreement with NBCU, which provides NBCU the option to require the Company to purchase NBCU's interest in Hulu and the Company the option to require NBCU to sell its interest in Hulu to the Company, in both cases, beginning in January 2024 (see Note 4 of the Consolidated Financial Statements for additional information).

Digital Content Distribution Services

BAMTech LLC (BAMTech) operates the Company's DTC sports business, which includes ESPN+. BAMTech also provides streaming technology services to third parties. BAMTech is owned 85% by the Company and 15% by Major League

Baseball (MLB), which has the right to sell its shares to the Company in the future (see Note 2 of the Consolidated Financial Statements for additional information). Hearst has a 20% interest in the Company's DTC sports business.

Content Sales/Licensing and Other

The majority of Content Sales/Licensing revenue is derived from TV/SVOD, theatrical and home entertainment distribution. In addition, revenue is generated from music distribution and stage plays.

The Company also publishes National Geographic magazine and provides post-production services through Industrial Light & Magic and Skywalker Sound. These activities are reported with Content Sales/Licensing.

TV/SVOD Distribution

Our film and television content is licensed to third-party television networks, television stations and other video service providers for distribution to viewers on television or a variety of internet-connected devices, including through SVOD services (such as Netflix and Amazon). For films released theatrically, the television distribution market generally comprises multiple pay and free TV windows, which have license periods of various lengths, generally following the home entertainment distribution window.

The Company's film library includes content from approximately 100 years of production history, as well as acquired film libraries and totals approximately 4,900 live-action titles and 400 animation titles.

The Company's television programming library includes content from approximately 70 years of production history. Series with four or more seasons include approximately 75 one-hour dramas, 50 half-hour comedies, 5 half-hour non-scripted series, 25 one-hour non-scripted series, 15 half-hour animated series and 10 half-hour live-action series.

Theatrical Distribution

The Company licenses full-length live-action and animated films from the Company's Studio production group to theaters globally. Cumulatively through October 2, 2021, the Company has released approximately 1,100 full-length live-action films and 100 full-length animated films. In the domestic and most major international markets, we generally distribute and market our films directly. In certain international markets our films are distributed by independent companies. During fiscal 2022, we expect to release approximately 20 films, although the timing and number of these releases could be impacted by COVID-19, and certain films intended for theatrical release may be made available on our DTC streaming services in certain territories.

The Company incurs significant marketing and advertising costs before and throughout the theatrical release of a film in an effort to generate public awareness of the film, to increase the public's intent to view the film and to help generate consumer interest in the subsequent home entertainment and other ancillary markets. These costs are expensed as incurred, which may result in a loss on a film in the theatrical markets, including in periods prior to the theatrical release of the film.

Home Entertainment Distribution

We distribute the Company's film and episodic television content in home entertainment markets in physical (DVD and Blu-ray disc) and electronic formats globally.

Domestically, films and episodic television content are distributed directly to retailers, wholesalers and consumers. Internationally, films and episodic television content are distributed directly and through independent distribution companies. Physical formats of our films and episodic television content are generally sold to retailers, such as Walmart and Target, and electronic formats are sold through e-tailers, such as Apple and Amazon, and MVPDs, such as Comcast and DirectTV. The Company also operates Disney Movie Club, which sells DVD/Blu-ray discs directly to consumers in the U.S. and Canada.

Distribution of film content in the home entertainment window generally starts two to four months after the theatrical release.

Electronic formats may be released up to four weeks ahead of the physical release.

Distribution of episodic television content in the home entertainment window includes sales of season passes that can be purchased prior to, during and after the broadcast season with individual episodes typically available to season pass customers shortly after the initial airing of the show in each territory. Individual episodes are also available for purchase shortly after their initial airing in each territory.

As of October 2, 2021, we have approximately 2,500 produced and acquired film titles that are actively distributed in the home entertainment window, including approximately 2,200 live-action titles and approximately 300 animated titles.

Concurrently with physical home entertainment distribution, we license titles to video-on-demand (VOD) services for electronic delivery to consumers for a specified rental period.

Disney Theatrical Group

Disney Theatrical Group develops, produces and licenses live entertainment events on Broadway and around the world. Productions include *The Lion King*, *Aladdin*, *Frozen*, *The Little Mermaid*, *Beauty and the Beast*, *The Hunchback of Notre Dame*, *Mary ® Poppins* (a co-production with Cameron Mackintosh Ltd), *Newsies, Aida* and *TARZAN* .

Disney Theatrical Group also licenses the Company's IP to Feld Entertainment, the producer of *Disney On Ice* and *Marvel Universe Live!*.

Music Distribution

The Disney Music Group (DMG) commissions new music for the Company's motion pictures and television programs and develops, produces, markets and distributes the Company's music worldwide either directly or through license agreements. DMG also licenses the songs and recording copyrights to third parties for printed music, records, audio-visual devices, public performances and digital distribution and produces live musical concerts. DMG includes Walt Disney Records, Hollywood Records, Disney Music Publishing and Disney Concerts.

Equity Investment

The Company has a 30% effective interest in Tata Sky Limited, which operates a direct-to-home satellite distribution platform in India.

Studios

The Studios produce motion pictures under the Walt Disney Pictures, Twentieth Century Studios, Marvel, Lucasfilm, Pixar and Searchlight Pictures banners. Costs to produce the films are generally capitalized and allocated to the distribution platform utilizing the content.

Marvel licensed rights to produce and distribute Spider-Man films to Sony Pictures Entertainment (Sony) prior to the Company's fiscal 2010 acquisition of Marvel. In general, Sony incurs the costs to produce and distribute Spider-Man films and the Company licenses the merchandise rights to third parties. The Company pays Sony a licensing fee based on each film's box office receipts, subject to specified limits. In general, the Company distributes all other Marvel-produced films.

In fiscal 2022, the Studios plan to produce approximately 50 titles, which include films and episodic television programs, for distribution theatrically and/or on our DTC platforms. The timing and number of productions could be impacted by COVID-19.

General Entertainment

Content produced by General Entertainment primarily consists of original episodic television programs and network news content. General Entertainment also acquires episodic television programming rights. Original content is generally produced by the following Company owned television studios: ABC Signature; 20th Television; Disney Branded Television; FX Productions; and National Geographic Studios. Original content is also commissioned by General Entertainment and produced by various other third party studios. Costs to produce original content are generally capitalized and allocated to the distribution platform utilizing the content. Program development is carried out in collaboration with writers, producers and creative teams.

We estimate the number of original programs that will be produced or commissioned by General Entertainment for use by the Company's various distribution platforms in fiscal 2022 is as follows, although the timing and number of productions could be impacted by COVID-19:

- 60 unscripted series
- 30 comedy series
- 25 drama series
- 15 docuseries/limited series
- 10 animated series
- 5 made for TV movies

• Numerous specials and shorts

Programming produced by our television studios for third-party platforms include eight returning and three new one-hour dramas; seven returning and one new half-hour comedies; and two new limited series. For many of these productions, the third parties have domestic linear distribution rights, and the Company has SVOD and international distribution rights.

Sports

The Company has various professional and college sports programming rights, which the Sports group uses to produce content aired on our Linear Networks and distributed on our DTC platforms including live events, sports news and original content. In the U.S., rights include college football (including bowl games and the College Football Playoff) and basketball, the

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National Basketball Association (NBA), the National Football League (NFL), MLB, US Open Tennis, the Professional Golfers' Association (PGA) Championship, the Women's National Basketball Association (WNBA), soccer, Top Rank Boxing, the Wimbledon Championships, the Masters golf tournament, mixed martial arts and the National Hockey League (NHL) (beginning with the 2021-2022 season). Internationally, rights include various cricket events (for which the Company has the global distribution rights to certain events), soccer (including English Premier League, La Liga, Bundesliga and multiple UEFA leagues), motorsports, tennis, combat sports, the NFL and MLB.

Competition and Seasonality

The Company's Linear Networks and DTC streaming services compete for viewers primarily with other television networks, independent television stations and other media, such as other DTC streaming services and video games. With respect to the sale of advertising time, we compete with other television networks, independent television stations, MVPDs and other advertising media such as digital content, newspapers, magazines, radio and billboards. Our television and radio stations primarily compete for audiences and advertisers in local market areas.

The Company's Linear Networks compete with other networks for carriage by MVPDs. The Company's contractual agreements with MVPDs are renewed or renegotiated from time to time in the ordinary course of business. Consolidation and other market conditions in the cable, satellite and telecommunication distribution industry and other factors may adversely affect the Company's ability to obtain and maintain contractual terms for the distribution of its various programming services that are as favorable as those currently in place.

The Content Sales/Licensing businesses compete with all forms of entertainment. A significant number of companies produce and/or distribute theatrical and television content, distribute products in the home entertainment market, provide pay television and SVOD services, and produce music and live theater.

The operating results of Content Sales/Licensing fluctuate due to the timing and performance of releases in the theatrical, home entertainment and television markets. Release dates are determined by several factors, including competition and the timing of vacation and holiday periods.

The Company's websites and digital products compete with other websites and entertainment products.

We also compete with other media and entertainment companies, independent production companies, SVOD providers and DTC streaming services for the acquisition of sports rights, creative and performing talent, story properties, show concepts, scripted and other programming, advertiser support and exhibition outlets that are essential to the success of our DMED businesses.

Advertising revenues at Linear Networks and Direct-to-Consumer are subject to seasonal advertising patterns, changes in viewership levels and the demand for sports programming. In general, domestic advertising revenues are typically somewhat higher during the fall and somewhat lower during the summer months. In addition, advertising revenues generated from sports programming are impacted by the timing of sports seasons and events, which varies throughout the year or may take place periodically (e.g. biannually, quadrennially). Affiliate revenues vary with the subscriber trends of MVPDs.

In addition, operating results at all of our businesses may fluctuate in response to business closures or disruptions, such as those described under *COVID-19 Pandemic*.

Federal Regulation

Television and radio broadcasting are subject to extensive regulation by the Federal Communications Commission (FCC) under federal laws and regulations, including the Communications Act of 1934, as amended. Violation of FCC regulations can result in substantial monetary fines, limited renewals of licenses and, in egregious cases, denial of license renewal or revocation of a license. FCC regulations that affect our DMED segment include the following:

• *Licensing of television and radio stations*. Each of the television and radio stations we own must be licensed by the FCC. These licenses are granted for periods of up to eight years, and we must obtain renewal of licenses as they expire in order to continue operating the stations. We (and the acquiring entity in the case of a divestiture) must also obtain FCC approval whenever we seek to have a license transferred in connection with the acquisition or divestiture of a station. The FCC may decline to renew or approve the transfer of a license in certain circumstances and may delay renewals while permitting a licensee to continue operating. Although we have received such renewals and approvals in the past or have been permitted to continue operations when renewal is delayed, there can be no assurance that this will be the case in the future.

- *Television and radio station ownership limits*. The FCC imposes limitations on the number of television stations and radio stations we can own in a specific market, on the combined number of television and radio stations we can own in

a single market and on the aggregate percentage of the national audience that can be reached by television stations we own. Currently:

  - FCC regulations may restrict our ability to own more than one television station in a market, depending on the size and nature of the market. We do not own more than one television station in any market.
  - Federal statutes permit our television stations in the aggregate to reach a maximum of 39% of the national audience. Pursuant to the most recent decision by the FCC as to how to calculate compliance with this limit, our eight stations reach approximately 20% of the national audience.
  - FCC regulations in some cases impose restrictions on our ability to acquire additional radio or television stations in the markets in which we own radio stations. We do not believe any such limitations are material to our current operating plans.

- *Dual networks*. FCC rules currently prohibit any of the four major broadcast television networks — ABC, CBS, Fox and NBC — from being under common ownership or control.
- *Regulation of programming*. The FCC regulates broadcast programming by, among other things, banning “indecent” programming, regulating political advertising and imposing commercial time limits during children’s programming. Penalties for broadcasting indecent programming can be over $400,000 per indecent utterance or image per station. Federal legislation and FCC rules also limit the amount of commercial matter that may be shown on broadcast or cable channels during programming designed for children 12 years of age and younger. In addition, broadcast stations are generally required to provide an average of three hours per week of programming that has as a “significant purpose” meeting the educational and informational needs of children 16 years of age and younger. FCC rules also give television station owners the right to reject or refuse network programming in certain circumstances or to substitute programming that the licensee reasonably believes to be of greater local or national importance.
- *Cable and satellite carriage of broadcast television stations.* With respect to MVPDs operating within a television station’s Designated Market Area, FCC rules require that every three years each television station elect either “must carry” status, pursuant to which MVPDs generally must carry a local television station in the station’s market, or “retransmission consent” status, pursuant to which the MVPDs must negotiate with the television station to obtain the consent of the television station prior to carrying its signal. The ABC owned television stations have historically elected retransmission consent.
- *Cable and satellite carriage of programming.* The Communications Act and FCC rules regulate some aspects of negotiations regarding cable and satellite retransmission consent, and some cable and satellite distribution companies have sought regulation of additional aspects of the carriage of programming on cable and satellite systems. New legislation, court action or regulation in this area could have an impact on the Company’s operations.

The foregoing is a brief summary of certain provisions of the Communications Act, other legislation and specific FCC rules and policies. Reference should be made to the Communications Act, other legislation, FCC rules and public notices and rulings of the FCC for further information concerning the nature and extent of the FCC’s regulatory authority.

FCC laws and regulations are subject to change, and the Company generally cannot predict whether new legislation, court action or regulations, or a change in the extent of application or enforcement of current laws and regulations, would have an adverse impact on our operations.

DISNEY PARKS, EXPERIENCES AND PRODUCTS

The operations of DPEP’s significant lines of business are as follows:

- Parks & Experiences:
  - Theme parks and resorts, which include: Walt Disney World Resort in Florida; Disneyland Resort in California; Disneyland Paris; Hong Kong Disneyland Resort (48% ownership interest); and Shanghai Disney Resort (43% ownership interest), all of which are consolidated in our results. Additionally, the Company licenses our IP to a third party to operate Tokyo Disney Resort.
  - Disney Cruise Line, Disney Vacation Club, National Geographic Expeditions (73% ownership interest), Adventures by Disney and Aulani, a Disney Resort & Spa in Hawaii
- Consumer Products:
  - Licensing of our trade names, characters, visual, literary and other IP to various manufacturers, game developers, publishers and retailers throughout the world, for use on merchandise, published materials and games

◦ Sale of branded merchandise through retail, online and wholesale businesses, and development and publishing of books, comic books and magazines (except National Geographic magazine, which is reported in DMED)

The significant revenues of DPEP are as follows:

- Theme park admissions - Sales of tickets for admission to our theme parks
- Parks & Experiences merchandise, food and beverage - Sales of merchandise, food and beverages at our theme parks and resorts and cruise ships
- Resorts and vacations - Sales of room nights at hotels, sales of cruise and other vacations and sales and rentals of vacation club properties
- Merchandise licensing and retail:
  - Merchandise licensing - Royalties from licensing our IP for use on consumer goods
  - Retail - Sales of merchandise at The Disney Store and through internet shopping sites generally branded shopDisney, as well as to wholesalers (including books, comic books and magazines)
- Parks licensing and other - Revenues from sponsorships, real estate rent and sales and royalties earned on Tokyo Disney Resort revenues.

The significant expenses of DPEP are as follows:

- Operating expenses consisting primarily of operating labor, costs of goods sold, infrastructure costs, supplies, commissions and entertainment offerings. Infrastructure costs include information systems expense, repairs and maintenance, property taxes, utilities and fuel, retail occupancy costs, insurance and transportation
- Selling, general and administrative costs
- Depreciation and amortization

Significant capital investments:

- In recent years, the majority of the Company's capital spend has been at our parks and experiences business, which is principally for theme park and resort expansion, new attractions, cruise ships, capital improvements and systems infrastructure. The various investment plans discussed in the "Parks & Experiences" section are based on management's current expectations. Actual investment may differ.

Parks & Experiences

Walt Disney World Resort

The Walt Disney World Resort is located approximately 20 miles southwest of Orlando, Florida, on approximately 25,000 acres of land. The resort includes theme parks (the Magic Kingdom, EPCOT, Disney's Hollywood Studios and Disney's Animal Kingdom); hotels; vacation club properties; a retail, dining and entertainment complex (Disney Springs); a sports complex; conference centers; campgrounds; golf courses; water parks; and other recreational facilities designed to attract visitors for an extended stay.

The Walt Disney World Resort is marketed through a variety of international, national and local advertising and promotional activities. A number of attractions and restaurants in each of the theme parks are sponsored or operated by other corporations under multi-year agreements.

Magic Kingdom — The Magic Kingdom consists of six themed areas: Adventureland, Fantasyland, Frontierland, Liberty Square, Main Street USA and Tomorrowland. Each land provides a unique guest experience featuring themed attractions, restaurants, merchandise shops and entertainment experiences.

EPCOT — EPCOT consists of four major themed areas: World Showcase, World Celebration, World Nature and World Discovery. All areas feature themed attractions, restaurants, merchandise shops and entertainment experiences. Countries represented with pavilions include Canada, China, France, Germany, Italy, Japan, Mexico, Morocco, Norway, the United Kingdom and the U.S. EPCOT is undergoing a multi-year transformation, which includes the addition of Remy's Ratatouille Adventure attraction and the *Harmonious* nighttime spectacular, which both opened in October 2021, and Guardians of the Galaxy: Cosmic Rewind, which is expected to open in summer 2022.

Disney's Hollywood Studios — Disney's Hollywood Studios consists of eight themed areas: Animation Courtyard, Commissary Lane, Echo Lake, Grand Avenue, Hollywood Boulevard, *Star Wars*: Galaxy's Edge, Sunset Boulevard and Toy Story Land. The areas provide behind-the-scenes glimpses of Hollywood-style action through various shows and attractions and offer themed food service, merchandise shops and entertainment experiences.

Disney's Animal Kingdom — Disney's Animal Kingdom consists of a 145-foot tall Tree of Life centerpiece surrounded by five themed areas: Africa, Asia, DinoLand USA, Discovery Island and Pandora - The World of Avatar. Each themed area contains attractions, restaurants, merchandise shops and entertainment experiences. The park features more than 300 species of live mammals, birds, reptiles and amphibians and 3,000 varieties of vegetation.

Hotels, Vacation Club Properties and Other Resort Facilities — As of October 2, 2021, the Company owned and operated 18 resort hotels and vacation club facilities at the Walt Disney World Resort, with approximately 24,000 rooms and 3,500 vacation club units. Resort facilities include 500,000 square feet of conference meeting space and Disney's Fort Wilderness camping and recreational area, which offers approximately 800 campsites. The Company is constructing the *Star Wars*: Galactic Starcruiser, a new hotel at the Walt Disney World Resort scheduled to open in March 2022.

Disney Springs is an approximately 120-acre retail, dining and entertainment complex and consists of four areas: Marketplace, The Landing, Town Center and West Side. The areas are home to more than 150 venues including the 64,000-square-foot World of Disney retail store. Most of the Disney Springs facilities are operated by third parties that pay rent to the Company.

Nine independently-operated hotels with approximately 6,000 rooms are situated on property leased from the Company.

ESPN Wide World of Sports Complex is a 230-acre center that hosts professional caliber training and competitions, festival and tournament events and interactive sports activities. The complex, which welcomes both amateur and professional athletes, accommodates multiple sporting events, including baseball, basketball, football, soccer, softball, tennis and track and field. It also includes a stadium, as well as two venues designed for cheerleading, dance competitions and other indoor sports. In 2020, the complex hosted the remainder of the previously suspended NBA season, including the playoffs and finals.

Other recreational amenities and activities available at the Walt Disney World Resort include three championship golf courses, miniature golf courses, full-service spas, tennis, sailing, swimming, horseback riding and a number of other sports and leisure time activities. The resort also includes two water parks: Disney's Blizzard Beach and Disney's Typhoon Lagoon.

Disneyland Resort

The Company owns 486 acres and has rights under a long-term lease for use of an additional 55 acres of land in Anaheim, California. The Disneyland Resort includes two theme parks (Disneyland and Disney California Adventure), three resort hotels and a retail, dining and entertainment complex (Downtown Disney).

The Disneyland Resort is marketed through a variety of international, national and local advertising and promotional activities. A number of the attractions and restaurants in the theme parks are sponsored or operated by other corporations under multi-year agreements.

Disneyland — Disneyland consists of nine themed areas: Adventureland, Critter Country, Fantasyland, Frontierland, Main Street USA, Mickey's Toontown, New Orleans Square, *Star Wars*: Galaxy's Edge, and Tomorrowland. These areas feature themed attractions, restaurants, merchandise shops and entertainment experiences.

Disney California Adventure — Disney California Adventure is adjacent to Disneyland and includes eight themed areas: Avengers Campus, Buena Vista Street, Cars Land, Grizzly Peak, Hollywood Land, Pacific Wharf, Paradise Gardens Park and Pixar Pier. These areas include themed attractions, restaurants, merchandise shops and entertainment experiences.

Hotels, Vacation Club Units and Other Resort Facilities — Disneyland Resort includes three Company owned and operated hotels and vacation club facilities with approximately 2,400 rooms, 50 vacation club units and 180,000 square feet of conference meeting space.

Downtown Disney is a themed 15-acre retail, entertainment and dining complex with approximately 30 venues located adjacent to both Disneyland and Disney California Adventure. Most of the Downtown Disney facilities are operated by third parties that pay rent to the Company.

Aulani, a Disney Resort & Spa

Aulani, a Disney Resort & Spa, is a Company-operated family resort on a 21-acre oceanfront property on Oahu, Hawaii featuring approximately 350 hotel rooms, an 18,000-square-foot spa and 12,000 square feet of conference meeting space. The resort also has approximately 480 vacation club units.

Disneyland Paris

Disneyland Paris is located on a 5,510-acre development in Marne-la-Vallée, approximately 20 miles east of Paris, France. The land is being developed pursuant to a master agreement with French governmental authorities. Disneyland Paris includes two theme parks (Disneyland Park and Walt Disney Studios Park); seven themed resort hotels; two convention centers; a shopping, dining and entertainment complex (Disney Village); and a 27-hole golf facility. Of the 5,510 acres comprising the site, approximately half have been developed to date, including a planned community (Val d'Europe) and an eco-tourism destination (Villages Nature).

Disneyland Park — Disneyland Park consists of five themed areas: Adventureland, Discoveryland, Fantasyland, Frontierland and Main Street USA. These areas include themed attractions, restaurants, merchandise shops and entertainment experiences.

Walt Disney Studios Park — Walt Disney Studios Park includes four themed areas: Front Lot, Production Courtyard, Toon Studio and Worlds of Pixar. These areas each include themed attractions, restaurants, merchandise shops and entertainment experiences. Walt Disney Studios Park is undergoing a multi-year expansion that will include Avengers Campus, which is expected to open in summer 2022, and a new theme area based on Frozen.

Hotels and Other Facilities — Disneyland Paris operates seven resort hotels, with approximately 5,750 rooms and 250,000 square feet of conference meeting space. In addition, eight on-site hotels that are owned and operated by third parties provide approximately 2,575 rooms.

Disney Village is an approximately 500,000-square-foot retail, dining and entertainment complex located between the theme parks and the hotels. A number of the Disney Village facilities are operated by third parties that pay rent to the Company.

Val d'Europe is a planned community near Disneyland Paris that is being developed in phases. Val d'Europe currently includes a regional train station, hotels and a town center consisting of a shopping center as well as office, commercial and residential space. Third parties operate these developments on land leased or purchased from the Company.

Villages Nature is a European eco-tourism resort that consists of recreational facilities, restaurants and 900 vacation units. The resort is a 50% joint venture between the Company and Pierre & Vacances-Center Parcs, who manages the venture.

Hong Kong Disneyland Resort

The Company owns a 48% interest in Hong Kong Disneyland Resort and the Government of the Hong Kong Special Administrative Region (HKSAR) owns a 52% interest. The resort is located on 310 acres on Lantau Island and is in close proximity to the Hong Kong International Airport and the Hong Kong-Zhuhai-Macau Bridge. Hong Kong Disneyland Resort includes one theme park and three themed resort hotels. A separate Hong Kong subsidiary of the Company is responsible for managing Hong Kong Disneyland Resort. The Company is entitled to receive royalties and management fees based on the operating performance of Hong Kong Disneyland Resort.

Hong Kong Disneyland — Hong Kong Disneyland consists of seven themed areas: Adventureland, Fantasyland, Grizzly Gulch, Main Street USA, Mystic Point, Tomorrowland and Toy Story Land. These areas feature themed attractions, restaurants, merchandise shops and entertainment experiences. The park is in the midst of a multi-year expansion project that includes a Frozen-themed area.

Hotels — Hong Kong Disneyland Resort includes three themed hotels with a total of 1,750 rooms and approximately 16,000 square feet of conference meeting space.

Shanghai Disney Resort

The Company owns a 43% interest in Shanghai Disney Resort and Shanghai Shendi (Group) Co., Ltd (Shendi) owns a 57% interest. The resort is located in the Pudong district of Shanghai on approximately 1,000 acres of land, which includes the Shanghai Disneyland theme park; two themed resort hotels; a retail, dining and entertainment complex (Disneytown); and an outdoor recreation area. A management company, in which the Company has a 70% interest and Shendi has a 30% interest, is responsible for operating the resort and receives a management fee based on the operating performance of Shanghai Disney Resort. The Company is also entitled to royalties based on the resort's revenues.

Shanghai Disneyland — Shanghai Disneyland consists of seven themed areas: Adventure Isle, Fantasyland, Gardens of Imagination, Mickey Avenue, Tomorrowland, Toy Story Land and Treasure Cove. These areas feature themed attractions, shows, restaurants, merchandise shops and entertainment experiences. The Company is constructing an eighth themed area based on the animated film *Zootopia*.

Hotels and Other Facilities — Shanghai Disneyland Resort includes two themed hotels with a total of 1,220 rooms. Disneytown is an 11-acre outdoor complex of dining, shopping and entertainment venues located adjacent to Shanghai Disneyland. Most Disneytown facilities are operated by third parties that pay rent to Shanghai Disney Resort.

Tokyo Disney Resort

Tokyo Disney Resort is located on 494 acres of land, six miles east of downtown Tokyo, Japan. The Company earns royalties on revenues generated by the Tokyo Disney Resort, which is owned and operated by Oriental Land Co., Ltd. (OLC), a third-party Japanese corporation. The resort includes two theme parks (Tokyo Disneyland and Tokyo DisneySea); four Disney-branded hotels; six other hotels (operated by third parties other than OLC); a retail, dining and entertainment complex (Ikspiari); and Bon Voyage, a Disney themed merchandise location.

Tokyo Disneyland — Tokyo Disneyland consists of seven themed areas: Adventureland, Critter Country, Fantasyland, Tomorrowland, Toontown, Westernland and World Bazaar.

Tokyo DisneySea — Tokyo DisneySea is divided into seven "ports of call," including American Waterfront, Arabian Coast, Lost River Delta, Mediterranean Harbor, Mermaid Lagoon, Mysterious Island and Port Discovery. OLC is expanding Tokyo DisneySea to include an eighth themed port, Fantasy Springs.

Hotels and Other Resort Facilities — Tokyo Disney Resort includes four Disney-branded hotels with a total of more than 2,400 rooms and a monorail, which links the theme parks and resort hotels with Ikspiari. OLC is currently constructing an approximate 600-room Toy Story themed hotel that is expected to open in April 2022 and an approximate 475-room Disney-branded hotel at Tokyo DisneySea that is expected to open in 2023.

Disney Vacation Club (DVC)

DVC offers ownership interests in 15 resort facilities located at the Walt Disney World Resort; Disneyland Resort; Aulani; Vero Beach, Florida; and Hilton Head Island, South Carolina. Available units are offered for sale under a vacation ownership plan and are operated as hotel rooms when not occupied by vacation club members. The Company's vacation club units range from deluxe studios to three-bedroom grand villas. Unit counts in this document are presented in terms of two-bedroom equivalents. DVC had approximately 4,300 vacation club units as of October 2, 2021. The Company also plans to convert certain existing hotel rooms at Disney's Grand Floridian Resort & Spa into approximately 70 DVC units by summer 2022 and build a new DVC property at Disneyland Resort with 135 units that is expected to open in 2023.

Disney Cruise Line

Disney Cruise Line is a four-ship vacation cruise line, which operates out of ports in North America and Europe. The *Disney Magic* and the *Disney Wonder* are approximately 85,000-ton 875-stateroom ships, and the *Disney Dream* and the *Disney Fantasy* are approximately 130,000-ton 1,250-stateroom ships. The ships cater to families, children, teenagers and adults, with distinctly-themed areas and activities for each group. Many cruise vacations include a visit to Disney's Castaway Cay, a 1,000-acre private Bahamian island.

The Company is expanding its cruise business by adding three new ships. The first ship, the *Disney Wish*, is scheduled to launch in June 2022 with the other two ships to be delivered from the shipyard in 2024 and 2025. Each new ship can be powered by liquefied natural gas and will be approximately 140,000 tons with 1,250 staterooms.

The Company has an agreement with the Government of The Bahamas to create and manage a destination at Lighthouse Point on the island of Eleuthera, which is scheduled to open in 2024.

Adventures by Disney and National Geographic Expeditions

Adventures by Disney and National Geographic Expeditions offer guided tour packages predominantly at non-Disney sites around the world.

Walt Disney Imagineering

Walt Disney Imagineering provides master planning, real estate development, attraction, entertainment and show design, engineering support, production support, project management and research and development for the DPEP segment.

Consumer Products

Licensing

The Company's merchandise licensing operations cover a diverse range of product categories, the most significant of which are: toys, apparel, games, home décor and furnishings, accessories, health and beauty, books, food, footwear, stationery, consumer electronics and magazines. The Company licenses characters from its film, television and other properties for use on third-party products in these categories and earns royalties, which are usually based on a fixed percentage of the wholesale or retail selling price of the products. Some of the major properties licensed by the Company include: Mickey and Minnie, Star Wars, Frozen, Disney Princess, Avengers, Spider-Man, Toy Story, Disney Classics, Winnie the Pooh and Cars.

Retail

The Company sells Disney-, Marvel-, Pixar- and Lucasfilm-branded products through retail stores and internet sites globally. During 2021, the Company announced plans to focus on its e-commerce business and significantly reduced its brick-and-mortar footprint in North America and Europe. At October 2, 2021, the Company owns and operates approximately 40 stores in Japan, 20 stores in North America, 15 stores in Europe and two stores in China. Retail stores operate under The Disney Store name and are generally located in leading shopping malls and other retail complexes. Internet sites are generally branded shopDisney.

The Company creates, distributes and publishes a variety of products in multiple countries and languages based on the Company's branded franchises. The products include children's books, comic books, digital comics and ebooks, learning products and storytelling apps.

Competition and Seasonality

The Company's theme parks and resorts as well as Disney Cruise Line and Disney Vacation Club compete with other forms of entertainment, lodging, tourism and recreational activities. The profitability of the leisure-time industry may be influenced by various factors that are not directly controllable, such as economic conditions including business cycle and exchange rate fluctuations, health concerns, the political environment, travel industry trends, amount of available leisure time, oil and transportation prices, weather patterns and natural disasters. The licensing and retail business competes with other licensors, retailers and publishers of character, brand and celebrity names, as well as other licensors, publishers and developers of game software, online video content, websites, other types of home entertainment and retailers of toys and kids merchandise.

All of the theme parks and the associated resort facilities are operated on a year-round basis. Typically, theme park attendance and resort occupancy fluctuate based on the seasonal nature of vacation travel and leisure activities, the opening of new guest offerings and pricing and promotional offers. Peak attendance and resort occupancy generally occur during the summer months when school vacations occur and during early winter and spring holiday periods. The licensing, retail and wholesale businesses are influenced by seasonal consumer purchasing behavior, which generally results in higher revenues during the Company's first and fourth fiscal quarter, and by the timing and performance of theatrical and game releases and cable programming broadcasts.

INTELLECTUAL PROPERTY PROTECTION

The Company's businesses throughout the world are affected by its ability to exploit and protect against infringement of its IP, including trademarks, trade names, copyrights, patents and trade secrets. Important IP includes rights in the content of motion pictures, television programs, electronic games, sound recordings, character likenesses, theme park attractions, books and magazines, and merchandise. Risks related to the protection and exploitation of IP rights are set forth in Item 1A – Risk Factors.

AVAILABLE INFORMATION

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available without charge on our website, www.disney.com/investors, as soon as reasonably practicable after they are filed electronically with the U.S. Securities and Exchange Commission (SEC). We are providing the address to our internet site solely for the information of investors. We do not intend the address to be an active link or to otherwise incorporate the contents of the website into this report.

ITEM 1A. Risk Factors

For an enterprise as large and complex as the Company, a wide range of factors could materially affect future developments and performance. In addition to the factors affecting specific business operations identified in connection with the description of these operations and the financial results of these operations elsewhere in our filings with the SEC, the most significant factors affecting our business include the following:

BUSINESS, ECONOMIC, MARKET and OPERATING CONDITION RISKS

The adverse impact of COVID-19 on our businesses will continue for an unknown length of time and may continue to impact certain of our key sources of revenue.

Since early 2020, the world has been and continues to be impacted by COVID-19 and its variants. COVID-19 and measures to prevent its spread has impacted our segments in a number of ways, most significantly at the DPEP segment where our theme parks and resorts were closed and cruise ship sailings and guided tours were suspended. Most of our businesses have been closed, suspended or restricted consistent with government mandates or guidance. These operations resumed, generally at reduced capacity, at various points since May 2020. We experienced significant disruptions in the production and availability of content. Although film and television production generally resumed beginning in the fourth quarter of fiscal 2020, we continue to see disruption in production activities depending on local circumstances. Production delays and fewer theatrical releases have limited the availability of film content to be sold in distribution windows subsequent to the theatrical release. Theaters have been subject to capacity limitations and shifting government mandates or guidance regarding COVID-19 restrictions. Declines in linear viewership and consumption of our content (due to production delays or otherwise) result in decreased advertising revenue.

Sports content continues to be delayed or impacted by COVID-19 restrictions. Continued or increased unavailability of sports content is likely to exacerbate the impacts to our business. Other of our offerings will be exposed to additional financial impacts in the event of future significant unavailability of content. COVID-19 impacts could also hasten the erosion of historical sources of revenue at our Linear Networks businesses. We have experienced reduced numbers of reservations at our hotels and cruises. We have experienced increased returns and refunds and customer requests for payment deferrals.

Collectively, our impacted businesses have historically been the source of the majority of our revenue. Many of our businesses that are open are operating subject to restrictions and increased expenses. These and other impacts of COVID-19 on our businesses will continue for an unknown length of time. COVID-19 impacts that have subsided may again impact our businesses in the future and new impacts may emerge from COVID-19 developments or other pandemics. For example, some of our parks closed due to government mandates or guidance following their initial reopening.

Consumers may change their behavior and consumption patterns in response to the prolonged suspension of certain of our businesses, such as subscription to pay television packages (which experienced accelerated decline during some periods after the onset of COVID-19) or theater-going to watch movies. Certain of our customers, including individuals as well as businesses such as theatrical distributors, affiliates, licensees of rights to use our programming and IP, advertisers and others, have been negatively impacted by the economic downturn caused by COVID-19, which may continue to result in decreased purchases of our goods and services even after certain operations resume. Some industries in which our customers operate, such as theatrical distribution, retail and travel, could experience contraction, which could impact the profitability of our businesses going forward. Additionally, we have incurred and will continue to incur incremental costs to implement health and safety measures, reopen our parks and restart our halted projects and operations. As we have resumed production of content, including live sports events, we have incurred costs to implement health and safety measures and productions will generally take longer to complete.

Our mitigation efforts in response to the impacts of COVID-19 on our businesses have had, or may have, negative impacts. The Company (or our Board of Directors, as applicable) issued senior notes in March and May 2020, entered into an additional $5.0 billion credit facility in April 2020 (which has now been terminated), did not pay a dividend with respect to fiscal 2020 operations and has not declared nor paid a dividend with respect to fiscal 2021 operations; suspended certain capital projects; temporarily reduced certain discretionary expenditures (such as spending on marketing); temporarily reduced management compensation; temporarily eliminated Board of Director retainers and committee fees; furloughed over half of our employees; and reduced our employee population. Such mitigation measures have resulted in the delay or suspension of certain projects in which we have invested, particularly at our parks and resorts and studio operations. We may take additional mitigation actions in the future such as raising additional financing; not declaring future dividends (the Company has announced an intention not to declare further dividends until a return to a more normalized operating environment); reducing, or not making, certain payments, such as some contributions to our pension and postretirement medical plans; further suspending capital spending; reducing film and television content investments; or implementing additional furloughs or reductions in force or modifying our operating strategy. These and other of our mitigating actions may have an adverse impact on our businesses. Additionally, there are limitations on our ability to mitigate the adverse financial impact of COVID-19, including the fixed costs of our theme park business and the impact COVID-19 may have on capital markets and our cost of borrowing. Further, the benefit of certain mitigation efforts will not continue to be available going forward. For example, as our employees are returning from furlough, the cost reductions of the related furloughs are no longer available and we are incurring expenses to recall and hire employees.

Even our operations that were not suspended or that have resumed continue to be adversely impacted by government mandated restrictions (such as density limitations and travel restrictions and requirements); measures we voluntarily implement; measures we are contractually obligated to implement; the distancing practices and health concerns of consumers, talent and production workers; and logistical limitations. Upon reopening our parks and resorts businesses we have seen certain instances of lower demand. Geographic variation in government requirements and ongoing changes to restrictions have disrupted and could further disrupt our businesses, including our production operations. Our operations could be suspended, re-suspended or subjected to new or reinstated limitations by government action or otherwise in the future as a result of developments related to COVID-19, such as the current expansion of the delta variant or other variants. For example, both Hong Kong Disneyland Resort and Disneyland Paris have reopened and closed multiple times since the onset of COVID-19. Some of our employees who returned to work were later refurloughed. Our operations could be further negatively impacted and our reputation could be negatively impacted by a significant COVID-19 outbreak impacting our employees, customers or others interacting with our businesses, including our supply chain.

In fiscal year 2020, we operated at a net loss and in fiscal year 2021, our net income from continuing operations remained substantially below pre-pandemic levels. We have impaired goodwill and intangible assets at our International Channels businesses and written down the value of certain of our retail store assets. Certain of our other assets could also become impaired, including further impairments of goodwill and intangible assets; we have increased, and may further increase, allowances for credit losses; and there may be changes in judgments in determining the fair-value of assets; and estimates related to variable consideration may change due to increased returns, reduced usage of our products or services and decreased royalties. Our leverage ratios have increased as a result of COVID-19's impact on our financial performance, which caused certain of the credit rating agencies to downgrade their assessment of our credit ratings, and are expected to remain elevated at least in the near term. Our debt ratings may be further downgraded, which may negatively impact our cost of borrowing. Due to reduced operating cash flow, we may utilize cash balances and/or future financings to fund a portion of our operations and investments in our businesses. Financial risks may be exacerbated by a number of factors, including the timing of customer deposit refunds and liquidity issues among our key customers, particularly advertisers, television affiliates, theatrical exhibitors

and distributors, and licensees. These factors have impacted timely payments by such customers to the Company. Additionally, loss of or delay in the collection of receivables as a result of contractual performance short falls, meeting our contractual payment obligations, and investments we need to make in our business may result in increased financial risk. The Company has $12.5 billion in trade accounts receivable outstanding at October 2, 2021, with an allowance for credit losses of $0.2 billion. Our estimates and judgments with respect to the collectability of our receivables are subject to greater uncertainty due to the impacts of COVID-19. Economic or political conditions in a country outside the U.S. could also reduce our ability to hedge exposure to currency fluctuations in the country or our ability to repatriate revenue from the country.

The impacts of COVID-19 to our business have generally amplified, or reduced our ability to mitigate, the other risks discussed in our filings with the SEC and our remediation efforts may not be successful.

COVID-19 also makes it more challenging for management to estimate future performance of our businesses. COVID-19 has already adversely impacted our businesses and net cash flow, and we expect the ultimate magnitude of these disruptions on our financial and operational results will be dictated by the length of time that such disruptions continue which will, in turn, depend on the currently unknowable duration and severity of the impacts of COVID-19, and among other things, the impact and duration of governmental actions imposed in response to COVID-19 and individuals' and companies' risk tolerance regarding health matters going forward. Where actual performance in our international markets significantly underperforms management's forecasts, the Company has had, and could have further, foreign currency hedge gains/losses which are not offset by the realization of exposures, resulting in excess hedge gains or losses. While we cannot be certain as to the duration of the impacts of COVID-19, we expect impacts of COVID-19 to continue to affect our financial results in fiscal 2022.

Changes in U.S., global, and regional economic conditions are expected to have an adverse effect on the profitability of our businesses.

A decline in economic activity, such as recession or economic downturn, in the U.S. and other regions of the world in which we do business can adversely affect demand for any of our businesses, thus reducing our revenue and earnings. Global economic activity has declined as a result of the impacts of COVID-19. Past declines in economic conditions reduced spending at our parks and resorts, purchases of and prices for advertising on our broadcast and cable networks and owned stations, performance of our home entertainment releases, and purchases of Company-branded consumer products, and similar impacts can be expected should such conditions recur. The current decline in economic conditions could also reduce attendance at our parks and resorts, prices that MVPDs pay for our cable programming or subscription levels for our cable programming or direct-to-consumer products. Economic conditions can also impair the ability of those with whom we do business to satisfy their obligations to us. In addition, an increase in price levels generally, or in price levels in a particular sector such as the energy sector (such as current inflation related to domestic and global supply chain issues, which has led to both overall price increases and pronounced price increases in certain sectors), could result in a shift in consumer demand away from the entertainment and consumer products we offer, which could also adversely affect our revenues and, at the same time, increase our costs. A decline in economic conditions could impact implementation of our expansion plans. Changes in exchange rates for foreign currencies may reduce international demand for our products or increase our labor or supply costs in non-U.S. markets, or reduce the U.S. dollar value of revenue we receive and expect to receive from other markets. Economic or political conditions in a country could also reduce our ability to hedge exposure to currency fluctuations in the country or our ability to repatriate revenue from the country. Broader supply chain delays, such as those currently impacting global distribution may impact our ability to sell and deliver goods or otherwise disrupt our operations.

Changes in technology and in consumer consumption patterns may affect demand for our entertainment products, the revenue we can generate from these products or the cost of producing or distributing products.

The media entertainment and internet businesses in which we participate increasingly depend on our ability to successfully adapt to shifting patterns of content consumption through the adoption and exploitation of new technologies. New technologies affect the demand for our products, the manner in which our products are distributed to consumers, ways we charge for and receive revenue for our entertainment products and the stability of those revenue streams, the sources and nature of competing content offerings, the time and manner in which consumers acquire and view some of our entertainment products and the options available to advertisers for reaching their desired audiences. This trend has impacted the business model for certain traditional forms of distribution, as evidenced by the industry-wide decline in ratings for broadcast television, the reduction in demand for home entertainment sales of theatrical content, the development of alternative distribution channels for broadcast and cable programming and declines in subscriber levels for traditional cable channels, including for a number of our networks. Declines in linear viewership have resulted in decreased advertising revenue. In order to respond to these developments, we regularly consider, and from time to time implement changes to our business models, most recently by developing, investing in and acquiring DTC products and reorganizing our media and entertainment businesses to accelerate our DTC strategies. There can be no assurance that our DTC offerings and other efforts will successfully respond to these changes. We expect to forgo revenue from traditional sources, particularly as we expand our DTC offerings. There can be no assurance that the DTC model and other business models we may develop will ultimately be as profitable as our existing or historic business models.

Misalignment with public and consumer tastes and preferences for entertainment, travel and consumer products could negatively impact demand for our entertainment offerings and products and adversely affect the profitability of any of our businesses.

Our businesses create entertainment, travel and consumer products whose success depends substantially on consumer tastes and preferences that change in often unpredictable ways. The success of our businesses depends on our ability to consistently create content, which may be distributed, among other ways, through broadcast, cable, internet or cellular technology, theme park attractions, hotels and other resort facilities and travel experiences and consumer products. Such distribution must meet the changing preferences of the broad consumer market and respond to competition from an expanding array of choices facilitated by technological developments in the delivery of content. The success of our theme parks, resorts, cruise ships and experiences, as well as our theatrical releases, depends on demand for public or out-of-home entertainment experiences. COVID-19 may impact consumer tastes and preferences. Many of our businesses increasingly depend on acceptance of our offerings and products by consumers outside the U.S., and their success therefore depends on our ability to successfully predict and adapt to changing consumer tastes and preferences outside as well as inside the U.S. Moreover, we must often invest substantial amounts in content production and acquisition, acquisition of sports rights, theme park attractions, cruise ships or hotels and other facilities or customer facing platforms before we know the extent to which these products will earn consumer acceptance. The impacts of COVID-19 are inhibiting and delaying our ability to earn returns on some of these and other investments. If our entertainment offerings and products (including our content offerings, which have been impacted by COVID-19) as well as our methods to make our offerings and products available to consumers, do not achieve sufficient consumer acceptance, our revenue may decline, decline further or fail to grow to the extent we anticipate when making investment decisions and thereby further adversely affect the profitability of one or more of our businesses. Consumer tastes and preferences impact, among other items, revenue from advertising sales (which are based in part on ratings for the programs in which advertisements air), affiliate fees, subscription fees, theatrical film receipts, the license of rights to other distributors, theme park admissions, hotel room charges and merchandise, food and beverage sales, sales of licensed consumer products or sales of our other consumer products and services.

The success of our businesses is highly dependent on the existence and maintenance of intellectual property rights in the entertainment products and services we create.

The value to us of our IP is dependent on the scope and duration of our rights as defined by applicable laws in the U.S. and abroad and the manner in which those laws are construed. If those laws are drafted or interpreted in ways that limit the extent or duration of our rights, or if existing laws are changed, our ability to generate revenue from our IP may decrease, or the cost of obtaining and maintaining rights may increase.

The unauthorized use of our IP may increase the cost of protecting rights in our IP or reduce our revenues. The convergence of computing, communication and entertainment devices, increased broadband internet speed and penetration, increased availability and speed of mobile data transmission and increasingly sophisticated attempts to obtain unauthorized access to data systems have made the unauthorized digital copying and distribution of our films, television productions and other creative works easier and faster and protection and enforcement of IP rights more challenging. The unauthorized distribution and access to entertainment content generally continues to be a significant challenge for IP rights holders. Inadequate laws or weak enforcement mechanisms to protect entertainment industry IP in one country can adversely affect the results of the Company's operations worldwide, despite the Company's efforts to protect its IP rights. COVID-19 and distribution innovation in response to COVID-19 has increased opportunities to access content in unauthorized ways. Additionally, negative economic conditions coupled with a shift in government priorities could lead to less enforcement. These developments require us to devote substantial resources to protecting our IP against unlicensed use and present the risk of increased losses of revenue as a result of unlicensed distribution of our content and other commercial misuses of our IP.

With respect to IP developed by the Company and rights acquired by the Company from others, the Company is subject to the risk of challenges to our copyright, trademark and patent rights by third parties. Successful challenges to our rights in IP may result in increased costs for obtaining rights or the loss of the opportunity to earn revenue from or utilize the IP that is the subject of challenged rights. From time to time, the Company has been notified that it may be infringing certain IP rights of third parties. Technological changes in industries in which the Company operates and extensive patent coverage in those areas may increase the risk of such claims being brought and prevailing.

Protection of electronically stored data and other cybersecurity is costly, and if our data or systems are materially compromised in spite of this protection, we may incur additional costs, lost opportunities, damage to our reputation, disruption of service or theft of our assets.

We maintain information necessary to conduct our business, including confidential and proprietary information as well as personal information regarding our customers and employees, in digital form. We also use computer systems to deliver our products and services and operate our businesses. Data maintained in digital form is subject to the risk of unauthorized access, modification, exfiltration, destruction or denial of access and our computer systems are subject to cyberattacks that may result in disruptions in service. We use many third party systems and software, which are also subject to supply chain and other

cyberattacks. We develop and maintain an information security program to identify and mitigate cyber risks but the development and maintenance of this program is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. Accordingly, despite our efforts, the risk of unauthorized access, modification, exfiltration, destruction or denial of access with respect to data or systems and other cybersecurity attacks cannot be eliminated entirely, and the risks associated with a potentially material incident remain. In addition, we provide some confidential, proprietary and personal information to third parties in certain cases when it is necessary to pursue business objectives. While we obtain assurances that these third parties will protect this information and, where we believe appropriate, monitor the protections employed by these third parties, there is a risk the confidentiality of data held by third parties may be compromised.

If our information or cyber security systems or data are compromised in a material way, our ability to conduct our business may be impaired, we may lose profitable opportunities or the value of those opportunities may be diminished and, as described above, we may lose revenue as a result of unlicensed use of our intellectual property. If personal information of our customers or employees is misappropriated, our reputation with our customers and employees may be damaged resulting in loss of business or morale, and we may incur costs to remediate possible harm to our customers and employees or damages arising from litigation and/or to pay fines or take other action with respect to judicial or regulatory actions arising out of the incident. Insurance we obtain may not cover losses or damages associated with such attacks or events. Our systems and the systems of third parties with whom we engage are continually attacked.

A variety of uncontrollable events may reduce demand for or consumption of our products and services, impair our ability to provide our products and services or increase the cost or reduce the profitability of providing our products and services. Demand for and consumption of our products and services, particularly our theme parks and resorts, is highly dependent on the general environment for travel and tourism. The environment for travel and tourism, as well as demand for and consumption of other entertainment products, can be significantly adversely affected in the U.S., globally or in specific regions as a result of a variety of factors beyond our control, including: health concerns (including as it has been by COVID-19 and could be by future pandemics); adverse weather conditions arising from short-term weather patterns or long-term climate change, catastrophic events or natural disasters (such as excessive heat or rain, hurricanes, typhoons, floods, tsunamis and earthquakes); international, political or military developments (including social unrest); a decline in economic activity; and terrorist attacks. These events and others, such as fluctuations in travel and energy costs and computer virus attacks, intrusions or other widespread computing or telecommunications failures, may also damage our ability to provide our products and services or to obtain insurance coverage with respect to some of these events. An incident that affected our property directly would have a direct impact on our ability to provide goods and services and could have an extended effect of discouraging consumers from attending our facilities. Moreover, the costs of protecting against such incidents, including the costs of protecting against the spread of COVID-19, reduces the profitability of our operations.

For example, COVID-19 and measures to prevent the spread of COVID-19 are currently impairing our ability to provide our products and services and reducing consumption of those products and services. Further, prior to COVID-19, events in Hong Kong impacted profitability of our Hong Kong operations and may continue to do so, and past hurricanes have impacted the profitability of Walt Disney World Resort in Florida and future hurricanes may also do so.

The negative economic consequences of COVID-19 may be particularly challenging in markets where individuals and local businesses have limited access to government supported "safety nets," which could lead to political instability and unrest, and further depress demand for our products and services over a longer timeframe.

In addition, we derive affiliate fees and royalties from the distribution of our programming, sales of our licensed goods and services by third parties, and the management of businesses operated under brands licensed from the Company, and we are therefore dependent on the successes of those third parties for that portion of our revenue. A wide variety of factors could influence the success of those third parties and if negative factors significantly impacted a sufficient number of those third parties, the profitability of one or more of our businesses could be adversely affected. In specific geographic markets, we have experienced delayed and/or partial payments from certain affiliate partners due to liquidity issues.

We obtain insurance against the risk of losses relating to some of these events, generally including physical damage to our property and resulting business interruption, certain injuries occurring on our property and some liabilities for alleged breach of legal responsibilities. When insurance is obtained it is subject to deductibles, exclusions, terms, conditions and limits of liability. The types and levels of coverage we obtain vary from time to time depending on our view of the likelihood of specific types and levels of loss in relation to the cost of obtaining coverage for such types and levels of loss and we may experience material losses not covered by our insurance. For example, most losses related to impacts of COVID-19 will not be covered by insurance available to us.

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Changes in our business strategy or restructuring of our businesses may increase our costs or otherwise affect the profitability of our businesses or the value of our assets.

As changes in our business environment occur we have adjusted, and may further adjust our business strategies to meet these changes and we may otherwise decide to further restructure our operations or particular businesses or assets. For example, in October 2020 we announced a reorganization of our media and entertainment businesses to accelerate our DTC strategies. In March 2021 we announced the closure of a substantial number of our Disney-branded retail stores; and we have announced exploration of a number of new types of businesses. Our new organization and strategies may not produce the anticipated benefits, such as supporting our growth strategies and enhancing shareholder value. Our new organization and strategies could be less successful than our previous organizational structure and strategies. In addition, external events including changing technology, changing consumer purchasing patterns, acceptance of our theatrical and other content offerings and changes in macroeconomic conditions may impair the value of our assets. When these changes or events occur, we may incur costs to change our business strategy and may need to write-down the value of assets. For example, current conditions, including COVID-19 and our business decisions, have reduced the value of some of our assets. We have impaired goodwill and intangible assets at our International Channels businesses and impaired the value of certain of our retail store assets. We may write-down other assets as our strategy evolves to account for the current business environment. We also make investments in existing or new businesses, including investments in international expansion of our business and in new business lines. In recent years, such investments have included expansion and renovation of certain of our theme parks, expansion of our fleet of cruise ships, the acquisition of TFCF and investments related to DTC offerings. Some of these investments have returns that are negative or low, the ultimate business prospects of the businesses related to these investments are uncertain, these investments may impact the profitability of our other businesses, and these risks are exacerbated by COVID-19. In any of these events, our costs may increase, we may have significant charges associated with the write-down of assets or returns on new investments may be lower than prior to the change in strategy or restructuring. Even if our strategies are effective in the long term, growth of our new offerings is unlikely to be even quarter over quarter and we may not expand into new markets as or when anticipated. Our ability to forecast for new businesses may be impacted by our lack of experience operating in those new businesses, volatility beyond our control (such as the events beyond our control noted above) and our ability to obtain or develop the content and rights on which our projections are based. Accordingly, we may not achieve our forecasted outcomes.

Increased competitive pressures may reduce our revenues or increase our costs.

We face substantial competition in each of our businesses from alternative providers of the products and services we offer and from other forms of entertainment, lodging, tourism and recreational activities. This includes, among other types, competition for human resources, content and other resources we require in operating our business. For example:

- Our programming and production operations compete to obtain creative, performing and business talent, sports and other programming, story properties, advertiser support and market share with other studio operators, television networks, SVOD providers and other new sources of broadband delivered content.
- Our television networks and stations and DTC offerings compete for the sale of advertising time with other television and SVOD services, as well as with newspapers, magazines, billboards and radio stations. In addition, we increasingly face competition for advertising sales from internet and mobile delivered content, which offer advertising delivery technologies that are more targeted than can be achieved through traditional means.
- Our television networks compete for carriage of their programming with other programming providers. • Our theme parks and resorts compete for guests with all other forms of entertainment, lodging, tourism and recreation activities.
- Our content sales/licensing operations compete for customers with all other forms of entertainment. •

Our consumer products business competes with other licensors and creators of IP.

• Our DTC businesses compete for customers with an increasing number of competitors' DTC offerings, all other forms of media and all other forms of entertainment, as well as for technology, creative, performing and business talent and for content. Competition in each of these areas may increase as a result of technological developments and changes in market structure, including consolidation of suppliers of resources and distribution channels. Increased competition may divert consumers from our creative or other products, or to other products or other forms of entertainment, which could reduce our revenue or increase our marketing costs.

Competition for the acquisition of resources can increase the cost of producing our products and services, deprive us of talent necessary to produce high quality creative material or increase the cost of compensation for our employees. Such competition may also reduce, or limit growth in, prices for our products and services, including advertising rates and subscription fees at our media networks, parks and resorts admissions and room rates, prices for consumer products from which we derive license revenues, and fees for our DTC offerings.

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Our results may be adversely affected if long-term programming or carriage contracts are not renewed on sufficiently favorable terms.

We enter into long-term contracts for both the acquisition and the distribution of media programming and products, including contracts for the acquisition of programming rights for sporting events and other programs, and contracts for the distribution of our programming to content distributors. As these contracts expire, we must renew or renegotiate the contracts, and if we are unable to renew them on acceptable terms, we may lose programming rights or distribution rights. Even if these contracts are renewed, the cost of obtaining programming rights may increase (or increase at faster rates than our historical experience) or programming distributors, facing pressures resulting from increased subscription fees and alternative distribution challenges, may demand terms (including pricing and the breadth of distribution) that reduce our revenue from distribution of programs (or increase revenue at slower rates than our historical experience). Moreover, our ability to renew these contracts on favorable terms may be affected by consolidation in the market for program distribution, the entrance of new participants in the market for distribution of content on digital platforms and the impacts of COVID-19. With respect to the acquisition of programming rights, particularly sports programming rights, the impact of these long-term contracts on our results over the term of the contracts depends on a number of factors, including the strength of advertising markets, subscription levels and rates for programming, effectiveness of marketing efforts and the size of viewer audiences. There can be no assurance that revenues from programming based on these rights will exceed the cost of the rights plus the other costs of producing and distributing the programming.

Changes in regulations applicable to our businesses may impair the profitability of our businesses. Our broadcast networks and television stations are highly regulated, and each of our other businesses is subject to a variety of U.S. and overseas regulations. Some of these regulations include:

- U.S. FCC regulation of our television and radio networks, our national programming networks and our owned television stations. See Item 1 — Business — Disney Media and Entertainment Distribution, Federal Regulation. • Federal, state and foreign privacy and data protection laws and regulations.
- Regulation of the safety and supply chain of consumer products and theme park operations, including potential regulation regarding the sourcing, importation and the sale of goods.
- Environmental protection regulations.
- Imposition by foreign countries of trade restrictions, restrictions on the manner in which content is currently licensed and distributed, ownership restrictions, currency exchange controls or film or television content requirements, investment obligations or quotas.
- Domestic and international labor laws, tax laws or currency controls.

Changes in any of these regulations or regulator activities in any of these areas, or others, may require us to spend additional amounts to comply with the regulations, or may restrict our ability to offer products and services in ways that are profitable. For example, in January 2019 India implemented regulation and tariffs impacting certain bundling of channels; U.S. agencies have enhanced trade restrictions and legislation is currently under consideration that would prohibit importation of goods from certain regions; and in many countries/regions around the world (including but not limited to the EU) regulators are requiring us to broadcast on our linear (or display on our DTC streaming services) programming produced in specific countries as well as invest specified amounts of our revenues in local content productions.

Public health and other regional, national, state and local regulations and policies are impacting our ability to operate our businesses at all or in accordance with historic practice. In addition to the government requirements that have closed or impacted most of our businesses as a result of COVID-19, government requirements may continue to be extended and new government requirements may be imposed.

Our operations outside the U.S. may be adversely affected by the operation of laws in those jurisdictions. Our operations in non-U.S. jurisdictions are in many cases subject to the laws of the jurisdictions in which they operate rather than U.S. law. Laws in some jurisdictions differ in significant respects from those in the U.S. These differences can affect our ability to react to changes in our business, and our rights or ability to enforce rights may be different than would be expected under U.S. law. Moreover, enforcement of laws in some overseas jurisdictions can be inconsistent and unpredictable, which can affect both our ability to enforce our rights and to undertake activities that we believe are beneficial to our business. In addition, the business and political climate in some jurisdictions may encourage corruption, which could reduce our ability to compete successfully in those jurisdictions while remaining in compliance with local laws or U.S. anti-corruption laws applicable to our businesses. As a result, our ability to generate revenue and our expenses in non-U.S. jurisdictions may differ from what would be expected if U.S. law governed these operations.

Damage to our reputation or brands may negatively impact our Company across businesses and regions.

Our reputation and globally recognizable brands are integral to the success of our businesses. Because our brands engage consumers across our businesses, damage to our reputation or brands in one business may have an impact on our other

businesses. Because some of our brands are globally recognized, brand damage may not be locally contained. Maintenance of the reputation of our Company and brands depends on many factors including the quality of our offerings, maintenance of trust with our customers and our ability to successfully innovate. Significant negative claims or publicity regarding the Company or its operations, products, management, employees, practices, business partners, business decisions, social responsibility and culture may damage our brands or reputation, even if such claims are untrue. Damage to our reputation or brands could impact our sales, business opportunities, profitability, recruiting and valuation of our securities.

Risks that impact our business as a whole may also impact the success of our DTC business.

We may not successfully execute on our DTC strategy. An increasing number of competitors have entered DTC businesses. Consumers may not be willing to pay for an expanding set of DTC streaming services, potentially exacerbated by an economic downturn. We face competition for creative talent and may not be successful in recruiting and retaining talent. Government regulation, including revised foreign content and ownership regulations, may impact the implementation of our DTC business plans. The highly competitive environment in which we operate puts pricing pressure on our DTC offerings and may require us to lower our prices or not take price increases to attract or retain customers. These and other risks may impact the profitability and success of our DTC businesses.

Potential credit ratings actions, increases in interest rates, or volatility in the U.S. and global financial markets could impede access to, or increase the cost of, financing our operations and investments.

Our borrowing costs have been, and can be affected by short- and long-term debt ratings assigned by independent ratings agencies that are based, in part, on the Company's performance as measured by credit metrics such as leverage and interest coverage ratios. As a result of COVID-19, Standard and Poor's downgraded our long-term debt ratings by two notches to BBB+ and downgraded our short term debt ratings by one notch to A-2. Fitch downgraded our long- and short-term credit ratings by one notch to A- and F2, respectively. As of October 2, 2021 Moody's Investors Service's long- and short-term debt ratings for the Company were A2 and P-1 (Stable), respectively, Standard and Poor's long- and short-term debt ratings for the Company were BBB+ and A-2 (Stable), respectively, and Fitch's long- and short-term debt ratings for the Company were A- and F2 (Stable), respectively. These ratings actions have increased, and any potential future downgrades could further increase, our cost of borrowing and/or make it more difficult for us to obtain financing.

In addition, increases in interest rates or volatility in U.S. and global financial markets could impact our access to, or increase the cost of, financing. Past disruptions in the U.S. and global credit and equity markets made it more difficult for many businesses to obtain financing on acceptable terms. These conditions tended to increase the cost of borrowing and if they recur, our cost of borrowing could increase and it may be more difficult to obtain financing for our operations or investments.

Labor disputes may disrupt our operations and adversely affect the profitability of any of our businesses. A significant number of employees in various parts of our businesses are covered by collective bargaining agreements, including employees of our theme parks and resorts as well as writers, directors, actors, production personnel and others employed at DMED. In addition, the employees of licensees who manufacture and retailers who sell our consumer products, and employees of providers of programming content (such as sports leagues) may be covered by labor agreements with their employers. In general, a labor dispute involving our employees or the employees of our licensees or retailers who sell our consumer products or providers of programming content may disrupt our operations and reduce our revenues. Resolution of disputes or negotiation of rate increases may increase our costs.

The seasonality of certain of our businesses and timing of certain of our product offerings could exacerbate negative impacts on our operations.

Each of our businesses is normally subject to seasonal variations and variations in connection with the timing of our product offerings, including as follows:

- Revenues in our DPEP segment fluctuate with changes in theme park attendance and resort occupancy resulting from the seasonal nature of vacation travel and leisure activities and seasonal consumer purchasing behavior, which generally results in increased revenues during the Company's first and fourth fiscal quarters. Peak attendance and resort occupancy generally occur during the summer months when school vacations occur and during early winter and spring holiday periods. Our parks, resorts and experiences are or may be operating at diminished capacity or have been or may be closed during these periods as a result of COVID-19. In addition, licensing revenues fluctuate with the timing and performance of our theatrical releases and cable programming broadcasts, many of which have been delayed, canceled or modified.
- Revenues from television networks and stations are subject to seasonal advertising patterns and changes in viewership levels. In general, advertising revenues are somewhat higher during the fall and somewhat lower during the summer months.

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- Revenues from content sales/licensing fluctuate due to the timing of content releases across various distribution markets. Release dates and methods are determined by a number of factors, including, among others, competition, the timing of vacation and holiday periods and impacts of COVID-19 to various distribution markets.
- DTC revenues fluctuate based on changes in the number of subscribers and subscriber fee or revenue mix; viewership levels on our digital platforms; and the demand for sports and film and television content. Each of these may depend on the availability of content, which varies from time to time throughout the year based on, among other things, sports seasons, content production schedules and league shut downs. Because our DTC business is relatively new, we have limited data on which to base our understanding of DTC seasonality.

Accordingly, negative impacts on our business occurring during a time of typical high seasonal demand could have a disproportionate effect on the results of that business for the year. Examples include the ongoing impact of COVID-19 on various high seasons or hurricane damage to our parks during the summer travel season.

Sustained increases in costs of pension and postretirement medical and other employee health and welfare benefits may reduce our profitability.

With approximately 190,000 employees, our profitability is substantially affected by costs of pension and current and postretirement medical benefits. We may experience significant increases in these costs as a result of macroeconomic factors, which are beyond our control, including increases in the cost of health care. Impacts of COVID-19 may lead to an increase in the cost of medical insurance and expenses. In addition, changes in investment returns and discount rates used to calculate pension and postretirement medical expense and related assets and liabilities can be volatile and may have an unfavorable impact on our costs in some years. These macroeconomic factors as well as a decline in the fair value of pension and postretirement medical plan assets may put upward pressure on the cost of providing pension and postretirement medical benefits and may increase future funding requirements. There can be no assurance that we will succeed in limiting cost increases, and continued upward pressure could reduce the profitability of our businesses.

The alteration or discontinuation of LIBOR may adversely affect our borrowing costs.

Certain of our interest rate derivatives and a portion of our indebtedness bear interest at variable interest rates, primarily based on LIBOR, which may be subject to regulatory guidance and/or reform that could cause interest rates under our current or future debt agreements to perform differently than in the past or cause other unanticipated consequences. In July 2017, the Chief Executive of the U.K. Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that the FCA will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021. However, on November 30, 2020, ICE Benchmark Administration ("IBA"), indicated that it would consult on its intention to cease publication of most USD LIBOR tenors beyond June 30, 2023. On March 5, 2021, IBA confirmed it would cease publication of Overnight, 1, 3, 6 and 12 Month USD LIBOR settings immediately following the LIBOR publication on June 30, 2023. IBA also intends to cease publishing 1 Week and 2 Month USD LIBOR settings immediately following the LIBOR publication on December 31, 2021. The Alternative Reference Rates Committee (ARCC), which was convened by the Federal Reserve Board and the New York Fed, has identified the Secured Overnight Financing Rate (SOFR) as the recommended risk-free alternative rate for USD LIBOR. The extended cessation date for most USD LIBOR tenors will allow for more time for existing legacy USD LIBOR contracts to mature and provide additional time to continue to prepare for the transition from LIBOR. At this time, it is not possible to predict the effect any discontinuance, modification or other reforms to LIBOR, or the establishment of alternative reference rates such as SOFR, or any other reference rate, will have on the Company or its borrowing costs.

ACQUISITION RISKS

Our consolidated indebtedness increased substantially following completion of the TFCF acquisition and further increased as a result of the impacts of COVID-19. This increased level of indebtedness could adversely affect us, including by decreasing our business flexibility.

As a result of the TFCF acquisition in fiscal 2019, the Company's net indebtedness increased substantially. The increased indebtedness could have the effect of, among other things, reducing our financial flexibility and reducing our flexibility to respond to changing business and economic conditions, such as those presented by COVID-19, among others. Increased levels of indebtedness could also reduce funds available for capital expenditures, share repurchases and dividends, and other activities and may create competitive disadvantages for us relative to other companies with lower debt levels. The Company has announced an intention not to declare further dividends until a return to a more normalized operating environment. Our leverage ratios have increased as the result of COVID-19's impact on financial performance, which caused certain of the credit ratings agencies to downgrade their assessment of our credit ratings, and are expected to remain elevated at least in the near term. Our debt ratings may be further downgraded, which may negatively impact our cost of borrowings.

Consummation of the TFCF acquisition has increased our exposure to the risks of operating internationally. We are a diversified entertainment company that offers entertainment, travel and consumer products worldwide. Although many of our businesses increasingly depend on acceptance of our offerings and products by consumers outside of the U.S., the combination

Organization of Information

Management's Discussion and Analysis provides a narrative on the Company's financial performance and condition that should be read in conjunction with the accompanying financial statements. It includes the following sections: • Significant Developments

- Consolidated Results and Non-Segment Items
- Business Segment Results
- Corporate and Unallocated Shared Expenses
- Restructuring Activities
- Liquidity and Capital Resources
- Supplemental Guarantor Financial Information
- Critical Accounting Policies and Estimates
- Forward-Looking Statements

In Item 7, we discuss fiscal 2021 and 2020 results and comparisons of fiscal 2021 results to fiscal 2020 results. Discussions of fiscal 2019 results and comparisons of fiscal 2020 results to fiscal 2019 results can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the update to Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 2020 as reported in [Exhibit 99.1 to the Current Report on form 8-K of the Company filed April 1, 2021].

SIGNIFICANT DEVELOPMENTS

COVID-19 Pandemic

Since early 2020, the world has been, and continues to be, impacted by COVID-19 and its variants. COVID-19 and measures to prevent its spread has impacted our segments in a number of ways, most significantly at the DPEP segment where our theme parks and resorts were closed and cruise ship sailings and guided tours were suspended. These operations resumed, generally at reduced capacity, at various points since May 2020. We have delayed, or in some cases, shortened or cancelled theatrical releases, and stage play performances were suspended as of March 2020. Stage play operations resumed, generally at reduced capacity, in the first quarter of fiscal 2021. Theaters have been subject to capacity limitations and shifting government mandates or guidance regarding COVID-19 restrictions. We experienced significant disruptions in the production and availability of content, including the delay of key live sports programming during fiscal 2020 and fiscal 2021, as well as the suspension of most film and television production in March 2020. Although film and television production generally resumed beginning in the fourth quarter of fiscal 2020, we continue to see disruption of production activities depending on local circumstances. Fewer theatrical releases and production delays have limited the availability of film content to be sold in distribution windows subsequent to the theatrical release.

We have taken a number of mitigation efforts in response to the impacts of COVID-19 on our businesses. We significantly increased cash balances through the issuance of senior notes in March and May 2020. The Company did not pay a dividend with respect to fiscal 2020 operations and has not declared or paid a dividend with respect to fiscal 2021 operations; suspended certain capital projects; reduced certain discretionary expenditures (such as spending on marketing); reduced management compensation for several months in fiscal 2020 and temporarily eliminated Board of Director retainers and committee fees in fiscal 2020. In addition, we furloughed over 120,000 of our employees (who continued to receive Company provided medical benefits), most of which have returned from furlough as operations have reopened. At the end of fiscal 2020, the Company announced a workforce reduction plan, which was essentially completed in the first half of fiscal 2021. We may take additional mitigation actions in the future such as raising additional financing; not declaring future dividends; reducing, or not making, certain payments, such as some contributions to our pension and postretirement medical plans; further suspending capital spending, reducing film and television content investments; or implementing additional furloughs or reductions in force; or modifying our operating strategies. Some of these measures may have an adverse impact on our businesses.

The most significant impact on operating income since the second quarter of fiscal 2020 from COVID-19 was at the DPEP segment due to revenue lost as a result of closures and/or reduced operating capacities. Although results improved in the second half of fiscal 2021 compared to the second half of fiscal 2020 from reopening our DPEP businesses, we continue to be impacted by reduced operating capacities. COVID-19 also had a negative impact in fiscal 2021 at our DMED segment compared to fiscal 2020 as higher advertising revenue from the return of live sporting events was more than offset by higher sports programming costs. Our other film and television distribution businesses were impacted by revenue lost from the deferral or cancellation of significant film releases, partially offset by costs avoided due to a reduction in film cost amortization, marketing and distribution costs. The impact of COVID 19 on fiscal 2021 and 2020 results is not necessarily indicative of the impact on future period results.

The impact of these disruptions and the extent of their adverse impact on our financial and operational results will be dictated by the length of time that such disruptions continue, which will, in turn, depend on the currently unknowable duration and severity of the impacts of COVID-19 and its variants, and among other things, the impact and duration of governmental actions imposed in response to COVID-19 and individuals' and companies' risk tolerance regarding health matters going forward.

Our businesses have incurred and will continue to incur additional costs to address government regulations and the safety of our employees, guests and talent. For example, when we reopened theme parks and retail stores, we incurred and will continue to incur costs for such things as additional custodial services, personal protection equipment, temperature screenings and testing, sanitizer and cleaning supplies and signage, among other items. Similar costs have been incurred in the production of film and television content, including live sporting events, and productions may take longer to complete. The timing, duration and extent of these costs will depend on the timing and scope of the resumption of our operations. These costs totaled approximately $1 billion in fiscal 2021. Some of these costs have been capitalized and will be amortized over future periods. With the unknown duration of COVID-19, it is not possible to precisely estimate the impact of COVID-19 on our operations in future periods, although we estimate a modestly lower impact in fiscal 2022. In addition, we are no longer benefiting from certain savings related to the closure of certain businesses, such as related furloughs. The reopening or closure of our businesses is dependent on applicable government requirements, which vary by location and are subject to ongoing changes.

Additionally, see Part I., Item 1A. Risk Factors - The adverse impact of COVID-19 on our businesses will continue for an unknown length of time and may continue to impact certain of our key sources of revenue.

Direct-to-Consumer

The Company has significantly increased its focus on distribution of branded film and episodic content via our own DTC streaming services. As a result, we are forgoing certain licensing revenue from the sale of this content to third parties in TV/SVOD markets. We also expect to forgo revenue as we shut down channels in certain markets as a result of investment in our DTC offerings. In addition, we are increasing programming and production investments to create exclusive content for our DTC offerings.