

The Walt Disney Company

NEWS FROM INVESTOR RELATIONS

There has been recent news coming from the Disney Board of Directors on matters of corporate governance. We thought this compilation would be useful to you.

In this edition of our *Investor Relations Newsletter* we include the following:

CONTENTS



EXCERPT FROM GEORGE MITCHELL'S 9/27/2004 LETTER TO THE EDITOR OF THE WALL STREET JOURNAL



DISNEY "GOVERNANCE AT A GLANCE"



EXCERPT FROM THE BOARD OF DIRECTORS' 9/21/2004 PRESS RELEASE REGARDING MANAGEMENT SUCCESSION PLANNING



NEW WEB SITE DESCRIPTION OF REDESIGNED MANAGEMENT INCENTIVE BONUS PROGRAM

October 13, 2004

EMBRACING BEST PRACTICES IN GOOD GOVERNANCE

Excerpt from George Mitchell's 9/27/2004 letter to the editor of The Wall Street Journal

Attention to governance at Disney is an ongoing process and, in my judgment, the Walt Disney board has aggressively responded to and embraced best practices in good governance. The four new directors who have joined the board in the past four years are independent under guidelines that are more stringent than those that are required by the SEC and New York Stock Exchange. Over the same period, three directors who were not deemed independent have left the board. These changes have made the board smaller, but more importantly have brought us to a point where a substantial majority of members are clearly independent of the company and its management.

Before it was legally mandated to do so, the board required that all of its key committees be independent and that the board meet regularly in executive session outside the presence of management. The board also separated the positions of chairman and CEO. Finally, to assist it in evaluating how best to move forward in this area, the board retained and for the past several years has been working closely with Ira Millstein, one of the nation's most prominent governance experts.

There is, of course, no area of governance more important than a board's responsibility for CEO succession. In this area the Disney board also has been active for some time, regularly meeting in executive session without management present. Recent events have put those efforts into sharper relief. Following a practice set by CEOs of companies such as GE, Intel, Colgate-Palmolive and American Express, Michael Eisner has provided our board with sufficient advance notice of his intentions, giving the board the time to conduct a thorough and careful search for the individual best qualified to lead the company into the future. As the board noted after its meeting last week, it has decided to retain an executive search firm to assist it in this process. We will be considering both the sole internal candidate, president and COO Robert Iger, and external candidates, with an expectation of identifying a CEO successor by June 2005.

From a financial performance perspective, Disney has an extremely strong and talented management team under the leadership of Messrs. Eisner and Iger, and is on track this year to increase earnings per share by more than 50%, with record cash flow and increased return on capital. Investors have taken notice. In the 12 months ending Sept. 24, Disney stock delivered a total return of 19.5%, better than the S&P 500's total return. Over the past three years, since just after 9/11, Disney shares have generated a total return to shareholders of more than 35% (a compounded annual return of 10.7%), more than any other major media/entertainment peer company and also better than the S&P 500's total return for the same period.

Under a strong and effective leadership team, The Walt Disney Company's condition and prospects are excellent. The board is committed to keeping the company on the right path, the creative path, the path to attractive economic returns and value creation for our shareholders. The board is keenly aware of the special place our company holds in the hearts of millions of people all over the world and the importance of its responsibility, especially in choosing the next CEO. We believe that the board and management team have charted a new course of growth for this great American institution.



George J. Mitchell
Chairman
The Walt Disney Company

THE WALT DISNEY COMPANY "GOVERNANCE AT A GLANCE"

INDEPENDENCE

- Supermajority independent
- Board meets regularly in executive session, without management or management Directors
- Disney's definition of independence meets or exceeds NYSE guidelines and includes restrictions on professional relationships with the company or senior management

BOARD COMPOSITION AND PRACTICES

- Board composition reflects range of skills and diversity appropriate to Disney's businesses and communities
- All Directors elected annually (no staggered board)
- Board and each Committee conduct annual self-evaluations
- Directors are participating in continuing Director education program
- Board has met 15 times so far in fiscal 2004; met 7 times in fiscal 2003
- Attendance is substantially better than 75% for all Directors
- The Board observes mandatory retirement policies

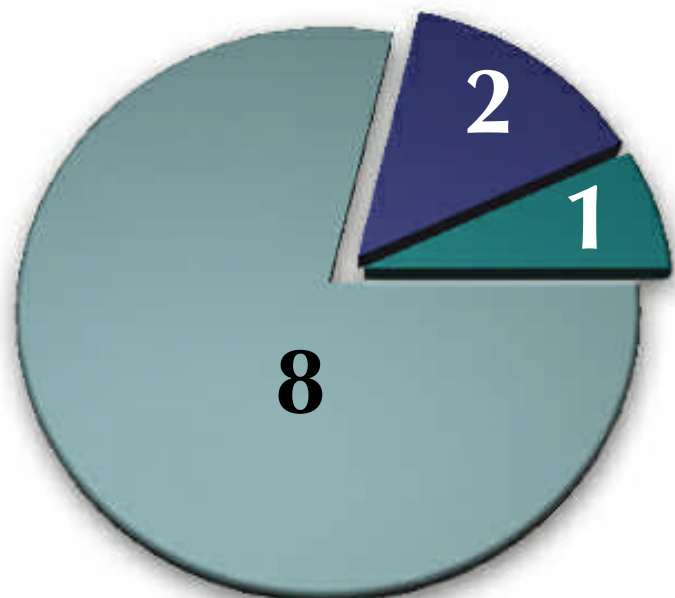
BOARD COMMITTEES

- Audit, Governance and Nominating, and Compensation Committees are 100% independent
- Audit has met 10 times so far in fiscal 2004; Compensation 12 times; and Governance and Nominating Committee 11 times
- The Compensation and Governance and Nominating Committees work with independent counsel/consultants

OTHER INITIATIVES

- Adopted comprehensive *Corporate Governance Guidelines*
- Ended engagement of auditors for consulting work
- Split Chairman and CEO roles
- Adopted procedures for shareholder communication with Directors
- Allowed "poison pill" to lapse

2004 BOARD OF DIRECTORS COMPOSITION



* For a Director to be deemed "independent," the Board shall affirmatively determine that the Director has no material relationship with the Company or its affiliates or any member of the senior management of the Company or his or her affiliates.

RECENT ANNOUNCEMENTS FROM THE WALT DISNEY COMPANY'S BOARD OF DIRECTORS

MANAGEMENT SUCCESSION PLANNING

On September 21, 2004, The Walt Disney Company's Board of Directors issued the following statement regarding management succession planning.

The Board will engage in a thorough, careful, and reasoned process to select as the next CEO the best person for the company, its shareholders, employees, customers, and for the many millions of others who care so much about The Walt Disney Company. The Board is keenly aware of the special place our company holds in the hearts of people all over the world and the importance of its responsibility in choosing a CEO.

To achieve its objective, the Board will:

1. Engage an executive search firm to assist it in selecting a CEO who possesses the qualities and experience the Board believes are necessary for this important position.
2. Consider both internal and external candidates. Bob Iger is the one internal candidate. He is an outstanding executive and the Board regards him as highly qualified for the position. However, the Board believes that the process should include full consideration of external candidates as well.
3. Complete the process and announce a successor as soon as possible, with an expected date of completion of June 2005.
4. Michael Eisner and the Board will work to assure a smooth and effective transition. The Board regards its responsibility on succession as so significant that all members should participate actively and fully in the entire process; and each has committed to do so.

REDESIGNED MANAGEMENT INCENTIVE BONUS PROGRAM

In September 2004, the Compensation Committee of the Board of Directors of The Walt Disney Company approved a redesigned Management Incentive Bonus Program for the Company's executives and managers. The new plan is designed to further clarify and formalize the Company's practice of linking executive compensation and performance. The Management Incentive Bonus Program is one component of the Company's overall executive compensation program, which also includes salary and long-term incentive compensation.

In developing the new annual bonus program, the Compensation Committee was guided by the following objectives:

- Aligning the interests of executives with the interests of the Company's shareholders;
- Reinforcing incentives to meet key Company goals and objectives that help drive increasing shareholder value over both the short and long term
- Allowing the Company to attract, retain and motivate the most talented and experienced leaders;
- Ensuring that executives will be held accountable, and appropriately rewarded, for both business and individual performance; and
- Fostering creativity, innovation, leadership, synergy and collaboration.

The new program, which will be implemented in the Company's 2005 fiscal year beginning October 1, 2004, will apply to all of the Company's bonus-eligible employees. The development of the new plan was carried out with the assistance of an independent compensation consultant retained by the Compensation Committee and included a study of evolving practices at other leading corporations.

Under the program, 70% of the individual annual bonus compensation determination for the most senior corporate executives and 70% of the bonus pool determination for other corporate executives and managers will be based on performance against specific financial measures established at the outset of each fiscal year by the Compensation Committee. The remaining 30% will be based upon the Committee's assessment of other performance objectives and factors. The

most senior corporate executives' bonuses will also be subject to further adjustment up or down by as much as 20%, depending upon how the Company's earnings per share (EPS) performance for the year compares to EPS performance of the Standard & Poor's 500 Index of companies over the same period. For executives and managers at the Company's business segments, 50% of the bonus pool determination will be based on segment-level financial performance, 20% based on a combination of overall company financial and other performance objectives, and 30% based on performance against other segment-level goals.

Under the new program, the Compensation Committee will set specific target performance measures at the beginning of each year. These targets will be based upon a review of the annual operating plan of the Company as a whole and any relevant business segment, considered in the context of prior years' results and other factors.

For fiscal year 2005, the overall Company-level financial performance measures relevant to the bonus determination will be targeted levels of:

1. Operating income,
2. Earnings per share (EPS),
3. After-tax free cash flow¹, and
4. Economic profit².

For executive officers whose compensation is subject to Section 162(m) of the Internal Revenue Code, bonuses intended to comply with Section 162(m)'s requirements will also continue to be subject to an additional financial performance test set pursuant to the Company's 2002 Executive Performance Plan.

The following tables summarize the weighting of performance measures to be applied in the new program:

Senior Corporate Executive Individual Bonus Determination and Bonus Pool Determination for other Corporate Executives and Managers	Overall Company-Level Financial Performance	Performance Against Other Corporate Objectives and Factors	Total
	70%	30%	100%

Segment-level financial performance measures will vary among the Company's lines of business because the drivers of value differ by line of business. Bonus pools for segment-level management will be determined principally by segment financial performance, although they will also be tied to overall Company performance, as shown below:

Segment-Level Bonus Pool Determination	Overall Company-Level Performance	Segment Level Financial Performance	Performance Against Other Segment-Level Objectives and Factors	Total
	20%	50%	30%	100%

¹ "After-tax free cash flow" is defined as cash flow from operations less investments in parks, resorts and other properties.

² "Economic profit" is defined as net operating profit after tax, minus a charge for capital employed in the business, based on the cost of capital.

Evaluating performance against other corporate wide and segment-level objectives provides the Company with the ability to set goals and reward managers and executives for performance beyond purely financial measures, including, for example, exceptional leadership, creativity, collaboration, diversity initiatives, crisis management and other activities that are critical to driving long-term value for the shareholders of the Company.

In setting individual target bonuses for the most senior corporate executives and bonus pool levels for all other bonus-eligible employees at the beginning of each fiscal year, the Committee will consider a range of factors, including (but not limited to) a review of peer group compensation both within the entertainment industry and more broadly and the level of growth reflected in the Company's annual operating plan.

“By further clarifying and making more formal the company’s practice of linking bonus compensation and financial performance, the Board is underscoring its commitment to strong governance and to motivating and holding accountable the management team in a way that drives meaningful shareholder value,”
- Judith Estrin, Director and head of the Board’s Compensation Committee

The Compensation Committee will also have discretion as to whether annual bonuses for the Company's most senior corporate executive officers will be paid in cash, restricted stock, restricted stock units or a combination. The Committee will also retain discretion, in appropriate circumstances, to grant a lower bonus or no bonus at all.

The Company will implement the redesigned program over the coming months, and reserves the right to make adjustments to program components as it deems appropriate to ensure that the program appropriately serves the objectives for which it was designed.

Forward Looking Statements

Certain statements in this newsletter may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are made on the basis of our views and assumptions regarding future events and business performance as of the time the statements are made and we do not undertake any obligation to update these statements. The expectations for fiscal year 2004 included herein are based on reported results of operations for the Company through the end of the Company's third fiscal quarter (June 30, 2004) and the Company's estimation of results during the fourth fiscal quarter. Actual results for the fourth quarter and for the fiscal year cannot be determined until financial reporting on the period and associated reviews are completed, and actual results may differ materially from the results estimated by the Company. In addition, events occurring after the completion of the period may have a material impact on the reported results for the quarter. In particular, the Company continues to monitor the status of its investments in leveraged airplane leases in light of recent public information regarding Delta Airlines' financial status. Information concerning additional factors that could cause actual results to differ materially from those in forward-looking statements is contained from time to time in the Company's filings with the U.S. Securities and Exchange Commission, including the Company's annual report on Form 10-K for the year ended September 30, 2003.