

Starbucks Corporation
Simplified Overview of Starbucks Japan - From Joint Venture to Company-Operated in FY15

	Joint Venture Model		Company-Operated Model	
	Pre-acquisition - Starbucks owns 39.5% of Starbucks Japan		Post-acquisition - Starbucks owns 79% to 100% of Starbucks Japan	
	Impact of Starbucks Japan Joint Venture in CAP segment ⁽¹⁾		Acquisition-related items recorded in Unallocated corporate expenses	Starbucks Japan results recorded in CAP segment ⁽¹⁾
Net revenues:				
Company-operated stores	—		—	100%
Licensed stores ⁽²⁾	Royalties & product sales		—	100%
CPG, food service and other	—		—	100%
Total net revenues	(A)	Royalties & product sales	—	100%
Cost of sales including occupancy costs ⁽²⁾	Product COGS		—	100%
Store operating expenses	—		—	100%
Other operating expenses	—		—	100%
Depreciation and amortization expenses	—		—	100% ⁽³⁾
General and administrative expenses	—		Transaction & integration costs	100%
Total operating expenses	(B)	Product COGS	Transaction & integration costs	100%
Income from equity investees	(C)	39.5% of Starbucks Japan's earnings, net of Japanese taxes	—	—
Operating income	(D)	= (A) - (B) + (C)	= (A) - (B) + (C)	= (A) - (B) + (C)
<i>Amounts below operating income only impact unallocated corporate expenses (no impact to CAP segment results)</i>				
Interest income and other, net	(E)	—	Gain on 39.5% interest ⁽⁴⁾	—
Earnings before income taxes	(F)	= (D) + (E)	= (D) + (E)	= (D) + (E)
Income tax expense	(G)	Applicable rates x (F)	Applicable rates x (F)	Applicable Japan rates x (F)
Net earnings including noncontrolling interests	(H)	= (F) - (G)	= (F) - (G)	= (F) - (G)
Net earnings attributable to noncontrolling interests	(I)	—	—	= (H) x X% ⁽⁵⁾
Net earnings attributable to Starbucks		= (H) - (I)	= (H) - (I)	= (H) - (I)

Notes:

⁽¹⁾ Represents the portion of Starbucks Japan's results reflected in our consolidated and China/Asia Pacific ("CAP") segment statements of earnings on a US GAAP basis.

⁽²⁾ Represents Starbucks sales of products to Starbucks Japan, related product costs of goods sold, and royalties earned, which is based on a percentage of Starbucks Japan sales. These revenue streams and related product COGS will be fully eliminated under the company-operated model.

⁽³⁾ Will include the amortization of significant acquired intangible assets.

⁽⁴⁾ In Q1 FY15, we anticipate a gain to be recorded by Starbucks to bring its existing 39.5% ownership in Starbucks Japan up to its fair value.

⁽⁵⁾ Until Starbucks owns 100% of Starbucks Japan, a portion of the net earnings will be deducted for non-controlling interests (i.e., interests held by public shareholders and option holders).