STARBUCKS CORP
Form 10-K
November 12, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
Form 10-K
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended September 27, 2015
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .
Commission File Number: 0-20322
Starbucks Corporation
(Exact Name of Registrant as Specified in its Charter)

Washington	91-1325671
(State of Incorporation)	(IRS Employer ID)

2401 Utah Avenue South, Seattle, Washington 98134
(206) 447-1575
(Address of principal executive offices, zip code, telephone number)
Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.001 par value per share	Nasdaq Global Select Market

Securities Registered Pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation of S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

The aggregate market value of the voting stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing sale price of the registrant's common stock on March 29, 2015 as reported on the NASDAQ Global Select Market was $69 billion. As of November 6, 2015, there were 1,484.8 million shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the registrant's Annual Meeting of Shareholders to be held on March 23, 2016 have been incorporated by reference into Part III of this Annual Report on Form 10-K.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as "believes," "expects," "anticipates," "estimates," "intends," "plans," "seeks" or words of similar meaning, or future or conditional verbs, such as "will," "should," "could," "may," "aims," "intends," or "projects." A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. These forward-looking statements are all based on currently available operating, financial and competitive information and are subject to various risks and uncertainties. Our actual future results and trends may differ materially depending on a variety of factors, including, but not limited to, the risks and uncertainties discussed under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations". Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results. Any or all of the forward-looking statements contained in this Annual Report on Form 10-K and any other public statement made by us, including by our management, may turn out to be incorrect. We are including this cautionary note to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for forward-looking statements. We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I

Item 1. Business

General

Starbucks is the premier roaster, marketer and retailer of specialty coffee in the world, operating in 68 countries. Formed in 1985, Starbucks Corporation’s common stock trades on the NASDAQ Global Select Market ("NASDAQ") under the symbol "SBUX." We purchase and roast high-quality coffees that we sell, along with handcrafted coffee, tea and other beverages and a variety of fresh food items, including snack offerings, through company-operated stores. We also sell a variety of coffee and tea products and license our trademarks through other channels such as licensed stores, grocery and foodservice accounts. In addition to our flagship Starbucks Coffee brand, we sell goods and services under the following brands: Teavana, Tazo, Seattle’s Best Coffee, Evolution Fresh, La Boulange and Ethos.

Our objective is to maintain Starbucks standing as one of the most recognized and respected brands in the world. To achieve this, we are continuing the disciplined expansion of our global store base, adding stores in both existing, developed markets such as the U.S., and in newer, higher growth markets such as China, as well as optimizing the mix of company-operated and licensed stores in each market. In addition, by leveraging the experience gained through our traditional store model, we continue to offer consumers new coffee and other products in a variety of forms, across new categories, and through diverse channels. We also believe our Starbucks Global Responsibility strategy, commitments related to ethically sourcing high-quality coffee and contributing positively to the communities we do business in, and being an employer of choice are contributors to our objective.

In this Annual Report on Form 10-K ("10-K" or "Report") for the fiscal year ended September 27, 2015 ("fiscal 2015"), Starbucks Corporation (together with its subsidiaries) is referred to as "Starbucks," the "Company," "we," "us" or "our."

Segment Financial Information

We have four reportable operating segments: 1) Americas, which is inclusive of the U.S., Canada, and Latin America; 2) China/Asia Pacific ("CAP"); 3) Europe, Middle East, and Africa ("EMEA") and 4) Channel Development. We also have several non-reportable operating segments, including Teavana, Seattle's Best Coffee, Evolution Fresh, and our Digital Ventures business, as well as certain developing businesses such as the Starbucks Reserve® Roastery & Tasting Room, which are combined and referred to as All Other Segments. Revenues from our reportable segments and All Other Segments as a percentage of total net revenues for fiscal 2015 were as follows: Americas (69%), CAP (13%), EMEA (6%), Channel Development (9%) and All Other Segments (3%).

Our Americas, CAP, and EMEA segments include both company-operated and licensed stores. Our Americas segment is our most mature business and has achieved significant scale. Certain markets within our CAP and EMEA operations are still in the early stages of development and require a more extensive support organization, relative to their current levels of revenue and operating income, than our Americas operations. In certain markets within CAP and EMEA, occupancy costs and store operating expenses can be higher than in the Americas segment due to higher rents for prime store locations or costs of compliance with country-specific regulatory requirements. The Americas and EMEA segments also include certain foodservice accounts, primarily in Canada and the U.K.

Our Channel Development segment includes roasted whole bean and ground coffees, premium Tazo® teas, Starbucks- and Tazo-branded single-serve products, a variety of ready-to-drink beverages, such as Frappuccino®, Starbucks Doubleshot® and Starbucks Refreshers® beverages, and other branded products sold worldwide through channels such as grocery stores, warehouse clubs, specialty retailers, convenience stores, and U.S. foodservice accounts.

Starbucks segment information is included in Note 16, Segment Reporting, to the consolidated financial statements included in Item 8 of Part II of this 10-K.

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Revenue Components

We generate nearly all of our revenues through company-operated stores, licensed stores, consumer packaged goods ("CPG") and foodservice operations.

Company-operated and Licensed Store Summary as of September 27, 2015

	Americas	As a% of Total Americas Stores		CAP	As a% of Total CAP Stores		EMEA	As a% of Total EMEA Stores		All Other Segments	As a% of Total All Other Segments Stores		Total	As a% of Total Stores	
Company-operated stores	8,671	59	%	2,452	45	%	737	31	%	375	90	%	12,235	53	%
Licensed stores	6,132	41	%	3,010	55	%	1,625	69	%	41	10	%	10,808	47	%
Total	14,803	100	%	5,462	100	%	2,362	100	%	416	100	%	23,043	100	%

The mix of company-operated versus licensed stores in a given market will vary based on several factors, including our ability to access desirable local retail space, the complexity and expected ultimate size of the market for Starbucks, and our ability to leverage the support infrastructure in an existing geographic region.

Company-operated Stores

Revenue from company-operated stores accounted for 79% of total net revenues during fiscal 2015. Our retail objective is to be the leading retailer and brand of coffee and tea in each of our target markets by selling the finest quality coffee, tea and related products, as well as complementary food and snack offerings, and by providing each customer with a unique Starbucks Experience. The Starbucks Experience is built upon superior customer service, as well as clean and well-maintained stores that reflect the personalities of the communities in which they operate, thereby building a high degree of customer loyalty.

Our strategy for expanding our global retail business is to increase our market share in a disciplined manner, by selectively opening additional stores in new and existing markets, as well as increasing sales in existing stores, to support our long-term strategic objective to maintain Starbucks standing as one of the most recognized and respected brands in the world. Store growth in specific existing markets will vary due to many factors, including the maturity of the market, economic conditions, consumer behavior and local business practices.

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Company-operated store data for the year-ended September 27, 2015:

	Stores Open as of Sep 28, 2014	Opened	Closed	Transfers	Net	Stores Open as of Sep 27, 2015
Americas:						
U.S.	7,303	312	(56)	—	256	7,559
Canada	983	41	(15)	—	26	1,009
Brazil	89	18	(4)	—	14	103
Puerto Rico	20	—	(1)	(19)	(20)	—
Total Americas	8,395	371	(76)	(19)	276	8,671
China/Asia Pacific[1]:						
Japan	—	77	(13)	1,009	1,073	1,073
China	823	212	(9)	—	203	1,026
Thailand	203	36	(2)	—	34	237
Singapore	106	14	(4)	—	10	116
Total China/Asia Pacific	1,132	339	(28)	1,009	1,320	2,452
EMEA:						
U.K.	506	4	(18)	(64)	(78)	428
Germany	152	2	(5)	—	(3)	149
France	78	—	(2)	—	(2)	76
Switzerland	55	1	—	—	1	56
Austria	17	1	—	—	1	18
Netherlands	9	1	—	—	1	10
Total EMEA	817	9	(25)	(64)	(80)	737
All Other Segments:						
Teavana	365	11	(5)	—	6	371
Evolution Fresh	4	—	(1)	—	(1)	3
Starbucks Reserve® Roastery & Tasting Room	—	1	—	—	1	1
Total All Other Segments	369	12	(6)	—	6	375
Total company-operated	10,713	731	(135)	926	1,522	12,235

(1) China/Asia Pacific store data includes the transfer of 1,009 Japan stores from licensed stores to company-operated as a result of the acquisition of Starbucks Japan in the first quarter of fiscal 2015.

Starbucks® company-operated stores are typically located in high-traffic, high-visibility locations. Our ability to vary the size and format of our stores allows us to locate them in or near a variety of settings, including downtown and suburban retail centers, office buildings, university campuses, and in select rural and off-highway locations. We are continuing the expansion of our various store formats, including Drive Thru and express stores, to provide a greater degree of access and convenience for our customers.

Starbucks® stores offer a choice of coffee and tea beverages, as well as other premium coffee, tea and related products, including distinctively packaged roasted whole bean and ground coffees, a variety of premium single-serve and ready-to-drink coffee and tea products, juices and bottled water. Starbucks® stores also offer an assortment of fresh food and snack offerings, including selections focusing on high-quality ingredients, nutritional value and great flavor. A focused selection of beverage-making equipment and accessories are also sold in our stores. Each Starbucks® store varies its product mix depending upon the size of the store and its location. To complement the in-store experience, our company-operated Starbucks® stores in the U.S., Canada, and certain other international markets also provide customers free access to wireless internet.

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Retail sales mix by product type for company-operated stores:

Fiscal Year Ended	Sep 27, 2015	Sep 28, 2014	Sep 29, 2013
Beverages	73 %	73 %	74 %
Food	19 %	18 %	18 %
Packaged and single-serve coffees and teas	3 %	4 %	4 %
Other[(1)]	5 %	5 %	4 %
Total	100 %	100 %	100 %

(1) "Other" primarily consists of sales of ready-to-drink beverages, serveware and coffee-making equipment, among other items.

In fiscal 2014, we moved ready-to-drink beverage revenues from the "Food" category to the "Other" category and combined packaged and single-serve teas, which were previously included in the "Other" category, with packaged and single-serve coffees, which are now categorized as "Packaged and single-serve coffees and teas." Additionally, we revised our discount allocation methodology in fiscal 2014 to more precisely allocate sales discounts to the various revenue product categories. None of these changes had a material impact on the composition of our retail sales mix by product type.

Stored Value Cards

The Starbucks Card and our other branded stored value card programs are designed to provide customers with a convenient payment method, support gifting, and increase the frequency of store visits by cardholders, in part through the related My Starbucks Rewards® loyalty program where available, as discussed below. Stored value cards are issued to customers when they initially load them with an account balance. They can be obtained in our company-operated and most licensed stores in North America, China, Brazil, and many of our markets in the EMEA segment, as well as on-line, via the Starbucks® mobile app, and through other retailers, including a number of other international locations. Customers may access their card balances by utilizing their stored value card or the Starbucks® mobile app in participating stores, which also include certain Teavana® and Evolution Fresh™ locations. Using the Mobile Order and Pay functionality of the Starbucks® mobile app, customers can also place orders in advance for pick-up at certain participating locations in the U.S. Customers who register their card in the U.S., Canada, and certain other countries are automatically enrolled in the My Starbucks Rewards® program and can receive various benefits depending on factors such as the number of reward points ("Stars") earned in a 12-month period. Refer to Note 1, Summary of Significant Accounting Policies, included in Item 8 of Part II of this 10-K, for further discussion of our stored value cards and loyalty program.

Licensed Stores

Revenues from our licensed stores accounted for 10% of total net revenues in fiscal 2015. Licensed stores generally have a lower gross margin and a higher operating margin than company-operated stores. Under the licensed model, Starbucks receives a reduced share of the total store revenues, but this is more than offset by the reduction in our share of costs as these are primarily incurred by the licensee.

In our licensed store operations, we leverage the expertise of our local partners and share our operating and store development experience. Licensees provide improved, and at times the only, access to desirable retail space. Most licensees are prominent retailers with in-depth market knowledge and access. As part of these arrangements, we sell coffee, tea, food and related products to licensees for resale to customers and receive royalties and license fees from the licensees. We also sell certain equipment, such as coffee brewers and espresso machines, to our licensees for use in their operations. Employees working in licensed retail locations are required to follow our detailed store operating procedures and attend training classes similar to those given to employees in company-operated stores. For Teavana® and Seattle's Best Coffee®, as well as Starbucks® stores within certain markets, we also use traditional franchising and include these stores in the results of operations from our other licensed stores.

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Licensed store data for the year-ended September 27, 2015:

	Stores Open as of Sep 28, 2014	Opened	Closed	Transfers	Net	Stores Open as of Sep 27, 2015
Americas[1]:						
U.S.	4,659	357	(54)	—	303	4,962
Mexico	434	73	(1)	—	72	506
Canada	462	23	(136)	—	(113)	349
Other	241	55	—	19	74	315
Total Americas	5,796	508	(191)	19	336	6,132
China/Asia Pacific[2]:						
South Korea	700	149	(18)	—	131	831
China	544	244	(3)	—	241	785
Taiwan	323	41	(8)	—	33	356
Philippines	240	24	—	—	24	264
Japan	1,060	22	(15)	(1,009)	(1,002)	58
Other	625	101	(10)	—	91	716
Total China/Asia Pacific	3,492	581	(54)	(1,009)	(482)	3,010
EMEA:						
U.K.	285	65	(1)	65	129	414
Turkey	220	44	(4)	—	40	260
United Arab Emirates	115	18	(2)	—	16	131
Russia	87	21	(4)	—	17	104
Spain	86	4	(1)	—	3	89
Kuwait	72	5	—	—	5	77
Saudi Arabia	67	8	(4)	—	4	71
Other	391	92	(3)	(1)	88	479
Total EMEA	1,323	257	(19)	64	302	1,625
All Other Segments:						
Teavana	29	8	(2)	—	6	35
Seattle's Best Coffee	13	—	(7)	—	(7)	6
Total All Other Segments	42	8	(9)	—	(1)	41
Total licensed	10,653	1,354	(273)	(926)	155	10,808

(1) Americas store data includes the closure of 132 Target Canada licensed stores in the second quarter of fiscal 2015.

(2) China/Asia Pacific store data includes the transfer of 1,009 Japan stores from licensed stores to company-operated as a result of the acquisition of Starbucks Japan in the first quarter of fiscal 2015.

Consumer Packaged Goods

Revenues from sales of consumer packaged goods comprised 8% of total net revenues in fiscal 2015. Our consumer packaged goods business includes both domestic and international sales of packaged coffee and tea as well as a variety of ready-to-drink beverages and single-serve coffee and tea products to grocery, warehouse clubs and specialty retail stores. It also includes revenues from product sales to and licensing revenues from manufacturers that produce and market Starbucks-, Seattle’s Best Coffee- and Tazo-branded products through licensing agreements.

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Foodservice

Revenues from foodservice accounts comprised 3% of total net revenues in fiscal 2015. We sell Starbucks® and Seattle's Best Coffee® roasted whole bean and ground coffees, a selection of premium Tazo® teas, Starbucks VIA® Ready Brew, and other coffee and tea-related products to institutional foodservice companies that service business and industry, education, healthcare, office coffee distributors, hotels, restaurants, airlines and other retailers. We also sell our Seattle's Best Coffee® through arrangements with national accounts. The majority of the sales in this channel come through national broadline distribution networks with SYSCO Corporation, U.S. Foodservice™, and other distributors.

Product Supply

Starbucks is committed to selling the finest whole bean coffees and coffee beverages. To ensure compliance with our rigorous coffee standards, we control coffee purchasing, roasting and packaging, and the global distribution of coffee used in our operations. We purchase green coffee beans from multiple coffee-producing regions around the world and custom roast them to our exacting standards for our many blends and single origin coffees.

The price of coffee is subject to significant volatility. Although most coffee trades in the commodity market, high-altitude arabica coffee of the quality sought by Starbucks tends to trade on a negotiated basis at a premium above the "C" coffee commodity price. Both the premium and the commodity price depend upon the supply and demand at the time of purchase. Supply and price can be affected by multiple factors in the producing countries, including weather, natural disasters, crop disease, general increase in farm inputs and costs of production, inventory levels and political and economic conditions. Price is also impacted by trading activities in the arabica coffee futures market, including hedge funds and commodity index funds. In addition, green coffee prices have been affected in the past, and may be affected in the future, by the actions of certain organizations and associations that have historically attempted to influence prices of green coffee through agreements establishing export quotas or by restricting coffee supplies.

We buy coffee using fixed-price and price-to-be-fixed purchase commitments, depending on market conditions, to secure an adequate supply of quality green coffee. Price-to-be-fixed contracts are purchase commitments whereby the quality, quantity, delivery period, and other negotiated terms are agreed upon, but the date, and therefore the price, at which the base "C" coffee commodity price component will be fixed has not yet been established. For these types of contracts, either Starbucks or the seller has the option to select a date on which to "fix" the base "C" coffee commodity price prior to the delivery date. Until prices are fixed, we estimate the total cost of these purchase commitments. Total green coffee purchase commitments as of September 27, 2015 were $1.1 billion, comprised of $819 million under fixed-price contracts and an estimated $266 million under price-to-be-fixed contracts. As of September 27, 2015, approximately $38 million of our price-to-be-fixed contracts were effectively fixed through the use of futures contracts. All price-to-be-fixed contracts as of September 27, 2015 were at the Company's option to fix the base "C" coffee commodity price component. Total purchase commitments, together with existing inventory, are expected to provide an adequate supply of green coffee through fiscal 2016.

We depend upon our relationships with coffee producers, outside trading companies and exporters for our supply of green coffee. We believe, based on relationships established with our suppliers, the risk of non-delivery on such purchase commitments is remote.

To help ensure the future supply of high-quality green coffee, and to reinforce our leadership role in the coffee industry, Starbucks operates seven farmer support centers. The farmer support centers are staffed with agronomists and sustainability experts who work with coffee farming communities to promote best practices in coffee production designed to improve both coffee quality and yields.

In addition to coffee, we also purchase significant amounts of dairy products, particularly fluid milk, to support the needs of our company-operated stores. We believe, based on relationships established with our dairy suppliers, that the risk of non-delivery of sufficient fluid milk to support our stores is remote.

Products other than whole bean coffees and coffee beverages sold in Starbucks® stores include tea and a number of ready-to-drink beverages that are purchased from several specialty suppliers, usually under long-term supply contracts. Food products, such as La Boulange™ pastries, breakfast sandwiches and lunch items, are purchased from national, regional and local sources. As we continue to develop our food program, we expect the amount of food products purchased to become more significant to our operations. We also purchase a broad range of paper and plastic products, such as cups and cutlery, from several companies to support the needs of our retail stores as well as our manufacturing and distribution operations. We believe, based on relationships established with these suppliers and manufacturers, that the risk of material non-delivery of these items is remote.

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Competition

Our primary competitors for coffee beverage sales are specialty coffee shops and quick-service restaurants. In almost all markets in which we do business, there are numerous competitors in the specialty coffee beverage business. We believe that our customers choose among specialty coffee retailers primarily on the basis of product quality, service and convenience, as well as price. We continue to experience direct competition from large competitors in the U.S. quick-service restaurant sector and the U.S. ready-to-drink coffee beverage market, in addition to well-established companies in many international markets. We also compete with restaurants and other specialty retailers for prime retail locations and qualified personnel to operate both new and existing stores.

Our coffee and tea products sold through our Channel Development segment compete directly against specialty coffees and teas sold through grocery stores, warehouse clubs, specialty retailers, convenience stores, and U.S. foodservice accounts and compete indirectly against all other coffees and teas on the market.

Trademarks, Copyrights, Patents and Domain Names

Starbucks owns and has applied to register numerous trademarks and service marks in the U.S. and in other countries throughout the world. Some of our trademarks, including Starbucks, the Starbucks logo, Tazo, Seattle’s Best Coffee, Teavana, Frappuccino, Starbucks VIA, Evolution Fresh and La Boulange are of material importance. The duration of trademark registrations varies from country to country. However, trademarks are generally valid and may be renewed indefinitely as long as they are in use and/or their registrations are properly maintained.

We own numerous copyrights for items such as product packaging, promotional materials, in-store graphics and training materials. We also hold patents on certain products, systems and designs. In addition, Starbucks has registered and maintains numerous Internet domain names, including "Starbucks.com," "Starbucks.net," "Tazo.com," "Seattlesbest.com" and "Teavana.com."

Seasonality and Quarterly Results

Our business is subject to seasonal fluctuations, including fluctuations resulting from the holiday season in December. Excluding the impact of a $2.8 billion cash payment in the first quarter of fiscal 2014 related to the Kraft arbitration matter, our cash flows from operations are considerably higher in the first fiscal quarter than the remainder of the year. This is largely driven by cash received as Starbucks Cards are issued to and loaded by customers during the holiday season. Since revenues from Starbucks Cards are recognized upon redemption and not when cash is loaded onto them, the impact of seasonal fluctuations on the consolidated statements of earnings is much less pronounced. Quarterly results are also affected by the timing of the opening of new stores and the closing of existing stores. For these reasons, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year.

Employees

Starbucks employed approximately 238,000 people worldwide as of September 27, 2015. In the U.S., Starbucks employed approximately 157,000 people, with approximately 150,000 in company-operated stores and the remainder in support facilities, store development, and roasting, manufacturing, warehousing and distribution operations. Approximately 81,000 employees were employed outside of the U.S., with approximately 78,000 in company-operated stores and the remainder in regional support operations. The number of Starbucks employees represented by unions is not significant. We believe our current relations with our employees are good.

Executive Officers of the Registrant

Name	Age	Position
Howard Schultz	62	chairman and chief executive officer
Kevin R. Johnson	55	president and chief operating officer
Cliff Burrows	56	group president, U.S. and Americas
John Culver	55	group president, China, Asia Pacific, Channel Development and Emerging Brands
Scott Maw	48	executive vice president, chief financial officer
Lucy Lee Helm	58	executive vice president, general counsel and secretary

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Howard Schultz is the founder of Starbucks Corporation and serves as the chairman and chief executive officer. Mr. Schultz has served as chairman of the board of directors since Starbucks inception in 1985, and in January 2008, he reassumed the role of president and chief executive officer. He served as president until March 2015. From June 2000 to February 2005, Mr. Schultz also held the title of chief global strategist. From November 1985 to June 2000, he served as chairman of the board and chief executive officer. From November 1985 to June 1994, Mr. Schultz also served as president. From January 1986 to July 1987, Mr. Schultz was the chairman of the board, chief executive officer and president of Il Giornale Coffee Company, a predecessor to the Company. From September 1982 to December 1985, Mr. Schultz was the director of retail operations and marketing for Starbucks Coffee Company, a predecessor to the Company.

Kevin R. Johnson has served as our president and chief operating officer since March 2015 and has been a Starbucks director since March 2009. Mr. Johnson served as Chief Executive Officer of Juniper Networks, Inc., a leading provider of high-performance networking products and services, from September 2008 to December 2013. He also served on the Board of Directors of Juniper Networks from September 2008 through February 2014. Prior to joining Juniper Networks, Mr. Johnson served as President, Platforms and Services Division for Microsoft Corporation, a worldwide provider of software, services and solutions. Mr. Johnson was a member of Microsoft’s Senior Leadership Team and held a number of senior executive positions over the course of his 16 years at Microsoft. Prior to joining Microsoft in 1992, Mr. Johnson worked in International Business Machine Corp.’s systems integration and consulting business.

Cliff Burrows joined Starbucks in April 2001 and has served as group president, U.S. and Americas since July 2015. From February 2014 to June 2015, he served as group president, U.S., Americas and Teavana. From May 2013 to February 2014, he served as group president, Americas and U.S., EMEA (Europe, Middle East and Africa) and Teavana. Mr. Burrows served as president, Starbucks Coffee Americas and U.S. from October 2011 to May 2013 and as president, Starbucks Coffee U.S. from March 2008 to October 2011. He served as president, Europe, Middle East and Africa (EMEA) from April 2006 to March 2008. He served as vice president and managing director, U.K. prior to April 2006. Prior to joining Starbucks, Mr. Burrows served in various management positions with Habitat Designs Limited, a furniture and housewares retailer.

John Culver joined Starbucks in August 2002 and has served as group president, China, Asia Pacific, Channel Development and Emerging Brands since May 2013. Mr. Culver served as president, Starbucks Coffee China and Asia Pacific from October 2011 to May 2013. From December 2009 to October 2011, he served as president, Starbucks Coffee International. Mr. Culver served as executive vice president; president, Global Consumer Products, Foodservice and Seattle’s Best Coffee from February 2009 to September 2009, and then as president, Global Consumer Products and Foodservice from October 2009 to November 2009. He previously served as senior vice president; president, Starbucks Coffee Asia Pacific from January 2007 to February 2009, and vice president; general manager, Foodservice from August 2002 to January 2007.

Scott Maw joined Starbucks in August 2011 and has served as executive vice president, chief financial officer since February 2014. From October 2012 to February 2014, he served as senior vice president, Corporate Finance and as corporate controller from August 2011 to October 2012. Prior to joining Starbucks, Mr. Maw served as chief financial officer of SeaBright Insurance Company from February 2010 to August 2011. From October 2008 to February 2010, Mr. Maw served as chief financial officer of the Consumer Banking division of JPMorgan Chase & Co., having held a similar position at Washington Mutual Bank prior to its acquisition by Chase. From 1994 to 2003, he served in various finance leadership positions at General Electric Company.

Lucy Lee Helm joined Starbucks in September 1999 and has served as executive vice president, general counsel and secretary since May 2012. She served as senior vice president and deputy general counsel from October 2007 to April 2012 and served as interim general counsel and secretary from April 2012 to May 2012. Ms. Helm previously served as vice president, assistant general counsel from June 2002 to September 2007 and as director, corporate counsel from September 1999 to May 2002. During her tenure at Starbucks, Ms. Helm has led various teams of the Starbucks legal department, including the Litigation and Brand protection team, the Global Business (Commercial) team and the Litigation and Employment team. Prior to joining Starbucks, Ms. Helm was a principal at the Seattle law firm of Riddell Williams P.S. from 1990 to 1999, where she was a trial lawyer specializing in commercial, insurance coverage

and environmental litigation.
Global Responsibility
We are committed to being a deeply responsible company in the communities where we do business. Our focus is on ethically sourcing high-quality coffee, reducing our environmental impacts and contributing positively to communities around the world. Starbucks Global Responsibility strategy and commitments are integral to our overall business strategy. As a result, we believe we deliver benefits to our stakeholders, including employees, business partners, customers, suppliers, shareholders, community members and others. For an overview of Starbucks Global Responsibility strategy and commitments, please visit www.starbucks.com/responsibility.

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Available Information

Starbucks 10-K reports, along with all other reports and amendments filed with or furnished to the Securities and Exchange Commission ("SEC"), are publicly available free of charge on the Investor Relations section of our website at investor.starbucks.com or at www.sec.gov as soon as reasonably practicable after these materials are filed with or furnished to the SEC. Our corporate governance policies, code of ethics and Board committee charters and policies are also posted on the Investor Relations section of Starbucks website at investor.starbucks.com. The information on our website is not part of this or any other report Starbucks files with, or furnishes to, the SEC.

Item 1A. Risk Factors

You should carefully consider the risks described below. If any of the risks and uncertainties described in the cautionary factors described below actually occurs, our business, financial condition and results of operations, and the trading price of our common stock could be materially and adversely affected. Moreover, we operate in a very competitive and rapidly changing environment. New factors emerge from time to time and it is not possible to predict the impact of all these factors on our business, financial condition or results of operation.

- Economic conditions in the U.S. and international markets could adversely affect our business and financial results.

As a retailer that is dependent upon consumer discretionary spending, our results of operations are sensitive to changes in macro-economic conditions. Our customers may have less money for discretionary purchases and may stop or reduce their purchases of our products or trade down to Starbucks or competitors' lower priced products as a result of job losses, foreclosures, bankruptcies, increased fuel and energy costs, higher interest rates, higher taxes and reduced access to credit. Decreases in customer traffic and/or average value per transaction will negatively impact our financial performance as reduced revenues without a corresponding decrease in expenses result in sales de-leveraging, which creates downward pressure on margins and also negatively impacts comparable store sales, net revenues, operating income and earnings per share. There is also a risk that if negative economic conditions persist for a long period of time or worsen, consumers may make long-lasting changes to their discretionary purchasing behavior, including less frequent discretionary purchases on a more permanent basis.

- Our success depends substantially on the value of our brands and failure to preserve their value, either through our actions or those of our business partners, could have a negative impact on our financial results.

We believe we have built an excellent reputation globally for the quality of our products, for delivery of a consistently positive consumer experience and for our corporate social responsibility programs. The Starbucks brand is recognized throughout the world and we have received high ratings in global brand value studies. To be successful in the future, particularly outside of the U.S., where the Starbucks brand and our other brands are less well-known, we believe we must preserve, grow and leverage the value of our brands across all sales channels. Brand value is based in part on consumer perceptions on a variety of subjective qualities.

Additionally, our business strategy, including our plans for new stores, foodservice, branded products and other initiatives, relies significantly on a variety of business partners, including licensee and joint venture relationships, particularly in our international markets, and third party manufacturers, distributors and retailers, particularly in our international Channel Development business. Licensees and foodservice operators are often authorized to use our logos and provide branded beverages, food and other products directly to customers. We provide training and support to, and monitor the operations of, certain of these business partners, but the product quality and service they deliver may be diminished by any number of factors beyond our control, including financial pressures they may face. We believe customers expect the same quality of products and service from our licensees and foodservice providers as they do from us and we strive to ensure customers receive the same quality of products and service experience whether they visit a company-operated store, licensed store or foodservice location. We also source our food, beverage and other products from a wide variety of domestic and international business partners in our supply chain operations, and in certain cases such products are produced or sourced by our licensees directly.

Business incidents, whether isolated or recurring and whether originating from us or our business partners, that erode consumer trust, such as actual or perceived breaches of privacy, contaminated food, recalls or other potential incidents discussed in this risk factors section, particularly if the incidents receive considerable publicity, including rapidly through social or digital media, or result in litigation, can significantly reduce brand value and have a negative impact on our financial results. Consumer demand for our products and our brand equity could diminish significantly if we or our licensees or other business partners fail to preserve the quality of our products, are perceived to act in an unethical or socially irresponsible manner, including with respect to the sourcing, content or sale of our products, fail to comply with laws and regulations or fail to deliver a consistently positive consumer experience in each of our markets. Additionally, inconsistent uses of our brand and other of our intellectual property assets, as well as failure to protect our intellectual property, including from unauthorized uses of our brand or other of our intellectual property assets, can erode consumer trust and our brand value and have a negative impact on our financial results.

- The unauthorized access, theft or destruction of customer or employee personal, financial or other data or of Starbucks proprietary or confidential information that is stored in our information systems or by third parties on our behalf could impact our reputation and brand and expose us to potential liability and loss of revenues.

Our information technology systems, such as those we use for our point-of-sale, web and mobile platforms, including online and mobile payment systems and rewards programs, and for administrative functions, including human resources, payroll, accounting and internal and external communications, as well as the information technology systems of our third party business partners and service providers, can contain personal, financial or other information that is entrusted to us by our customers and employees. Our information technology systems also contain Starbucks proprietary and other confidential information related to our business, such as business plans, product development initiatives and designs. Similar to many other retail companies and because of the prominence of our brand, we have experienced frequent attempts to compromise our information technology systems. To the extent we or a third party were to experience a material breach of our or such third party's information technology systems that result in the unauthorized access, theft, use or destruction of customers' or employees' data or that of the Company stored in such systems, including through cyber-attacks or other external or internal methods, it could result in a material loss of revenues from the potential adverse impact to our reputation and brand, our ability to retain or attract new customers and the potential disruption to our business and plans. Such security breaches also could result in a violation of applicable U.S. and international privacy and other laws, and subject us to private consumer or securities litigation and governmental investigations and proceedings, any of which could result in our exposure to material civil or criminal liability. Our reputation and brand and our ability to attract new customers could also be adversely impacted if we fail, or are perceived to have failed, to properly respond to these incidents. Such failure to properly respond could also result in similar exposure to liability. Significant capital investments and other expenditures could be required to remedy the problem and prevent future breaches, including costs associated with additional security technologies, personnel, experts and credit monitoring services for those whose data has been breached. These costs, which could be material, could adversely impact our results of operations in the period in which they are incurred and may not meaningfully limit the success of future attempts to breach our information technology systems.

Media or other reports of existing or perceived security vulnerabilities in our systems or those of our third party business partners or service providers, even if no breach has been attempted or has occurred, can also adversely impact our brand and reputation and materially impact our business. Additionally, the techniques and sophistication used to conduct cyber-attacks and breaches of information technology systems, as well as the sources and targets of these attacks, change frequently and are often not recognized until such attacks are launched or have been in place for a period of time. We continue to make significant investments in technology, third party services and personnel to develop and implement systems and processes that are designed to anticipate cyber-attacks and prevent breaches of our information technology systems or data loss, but these security measures cannot provide assurance that we will be successful in preventing such breaches or data loss.

- Incidents involving food-borne illnesses, food tampering, food contamination or mislabeling, whether or not accurate, as well as adverse public or medical opinions about the health effects of consuming our products, could harm our business.

Instances or reports, whether true or not, of unclean water supply or food-safety issues, such as food-borne illnesses, food tampering, food contamination or mislabeling, either during growing, manufacturing, packaging, storing or preparation, have in the past severely injured the reputations of companies in the food processing, grocery and quick-service restaurant sectors and could affect us as well. Any report linking us to the use of unclean water, food-borne illnesses or food tampering, contamination, mislabeling or other food-safety issues could damage our brand value and severely hurt sales of our food products, including our beverages, and possibly lead to product liability claims, litigation (including class actions) or damages. Clean water is critical to the preparation of coffee and tea beverages and our ability to ensure a clean water supply to our stores can be limited, particularly in some international locations. We are also continuing to incorporate more products in our food lineup that require freezing or refrigeration, including produce (such as fruits and vegetables in our salads and juices), dairy products (such as milk and cheeses) and meats. If customers become ill from food-borne illnesses, tampering, contamination, mislabeling or other food-safety issues, we could be forced to temporarily close some stores and/or supply chain facilities, as well as recall products. In addition, instances of food-safety issues, even those involving solely the restaurants or stores of competitors or of suppliers or distributors (regardless of whether we use or have used those suppliers or distributors), could, by resulting in negative publicity about us or the foodservice industry in general, adversely affect our sales on a regional or global basis. A decrease in customer traffic as a result of food-safety concerns or negative publicity, or as a result of a temporary closure of any of our stores, product recalls or food-safety claims or litigation, could materially harm our business and results of operations.

Some of our products contain caffeine, dairy products, sugar and other compounds, the health effects of which are the subject of public scrutiny, including the suggestion that excessive consumption of caffeine, dairy products, sugar and other compounds

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can lead to a variety of adverse health effects. Particularly in the U.S., there is increasing consumer awareness of health risks, including obesity, due in part to increased publicity and attention from health organizations, as well as increased consumer litigation based on alleged adverse health impacts of consumption of various food products. While we have a variety of beverage and food items, including items that are coffee-free and have reduced calories, an unfavorable report on the health effects of caffeine or other compounds present in our products, whether accurate or not, or negative publicity or litigation arising from certain health risks could significantly reduce the demand for our beverages and food products and could materially harm our business and results of operations.

- We rely heavily on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our ability to effectively operate our business and could adversely affect our financial results.

We rely heavily on information technology systems across our operations, including for administrative functions, point-of-sale processing and payment in our stores and online, management of our supply chain, Starbucks Cards, online business, mobile technology, including mobile payments and ordering apps, reloads and loyalty functionality and various other processes and transactions. Our ability to effectively manage our business and coordinate the production, distribution and sale of our products depends significantly on the reliability, integrity and capacity of these systems. We also rely on third party providers and platforms for some of these information technology systems and support, including a small number of large third party providers for some of our administrative functions. Additionally, our systems are not fully redundant within a market or across our markets. As a result, we may be unable to use information systems in one market to cover system failures in such market or another market. Although we have security measures in place, they may not be effective in preventing the failure of these systems or platforms to operate effectively and be available. Such failures may be caused by various factors, including power outages, catastrophic events, problems with transitioning to upgraded or replacement systems or platforms, flaws in third party software, errors by our employees or third party service providers, or a breach in the security of these systems or platforms, including through cyber-attacks discussed in more detail in this risk factors section. If our disaster recovery and business continuity plans do not resolve these issues in an effective manner they could cause material negative impacts to our product availability and sales, the efficiency of our operations and our financial results.

- We may not be successful in implementing important strategic initiatives or effectively managing growth, which may have an adverse impact on our business and financial results.

There is no assurance that we will be able to implement important strategic initiatives in accordance with our expectations, which may result in an adverse impact on our business and financial results. These strategic initiatives are designed to create growth, improve our results of operations and drive long-term shareholder value, and include:

- being an employer of choice and investing in employees to deliver a superior customer experience;
- building our leadership position around coffee;
- increasing the scale of the Starbucks store footprint with disciplined global expansion and introducing flexible and unique store formats;
- creating new occasions in stores across all dayparts with new product offerings;
- continuing the global growth of our Channel Development business;
- delivering continued growth in our tea business through the Teavana brand; and
- driving convenience and brand engagement through our mobile, loyalty and digital capabilities.

In addition to other factors listed in this risk factors section, factors that may adversely affect the successful implementation of these initiatives, which could adversely impact our business and financial results, include the following:

- increases in labor costs, both domestically and internationally, such as general market and minimum wage levels and investing in competitive compensation, increased health care and workers’ compensation insurance costs and other benefits to attract and retain high quality employees, whether due to regulatory mandates or changing industry practices;
- increasing competition in channels in which we operate or seek to operate from new and existing large competitors that sell high-quality specialty coffee beverages;

- construction cost increases associated with new store openings and remodeling of existing stores; delays in store openings for reasons beyond our control or a lack of desirable real estate locations available for lease at reasonable rates, either of which could keep us from meeting annual store opening targets in the U.S. and internationally;
- not successfully scaling our supply chain infrastructure as our product offerings increase and as we continue to expand;
- the ability of our licensee partners to implement our growth platforms and product innovation;

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- lack of customer acceptance of new products (including due to price increases necessary to cover the costs of new products or higher input costs), brands (such as the global expansion of Teavana) and platforms (such as mobile technology), or customers reducing their demand for our current offerings as new products are introduced;
- the degree to which we enter into, maintain, develop and are able to negotiate appropriate terms and conditions of, and enforce, commercial and other agreements;
- not successfully consummating favorable strategic transactions or integrating acquired businesses; and
- the deterioration in our credit ratings, which could limit the availability of additional financing and increase the cost of obtaining financing to fund our initiatives.

Additionally, our Channel Development business is also in part dependent on the level of support our retail business partners provide our products, and in some markets there are only a few retailers. If our retail business partners do not provide sufficient levels of support for our products, which is at their discretion, it could limit our ability to grow our Channel Development business. Also, a relatively small number of licensee partners own a large number of licensed stores. If such licensee partners are not able to access sufficient funds or financing, or are otherwise unable to successfully operate and grow their businesses, including their licensed stores, it could adversely affect our results in the markets in which they operate their licensed stores.

Effectively managing growth can be challenging, particularly as we continue to expand into new channels outside the retail store model, increase our focus on our Channel Development and Teavana businesses, and expand into new markets internationally where we must balance the need for flexibility and a degree of autonomy for local management against the need for consistency with our goals, philosophy and standards. Growth can make it increasingly difficult to ensure a consistent supply of high-quality raw materials, to locate and hire sufficient numbers of key employees, to maintain an effective system of internal controls for a globally dispersed enterprise and to train employees worldwide to deliver a consistently high quality product and customer experience. Furthermore, if we are not successful in implementing these strategic initiatives, we may be required to evaluate whether certain assets, including goodwill and other intangibles, have become impaired. In the event we record an impairment charge, it could have a material impact on our financial results.

- We face intense competition in each of our channels and markets, which could lead to reduced profitability.

The specialty coffee market is intensely competitive, including with respect to product quality, innovation, service, convenience, and price, and we face significant and increasing competition in all these areas in each of our channels and markets. Accordingly, we do not have leadership positions in all channels and markets. In the U.S., the ongoing focus by large competitors in the quick-service restaurant sector on selling high-quality specialty coffee beverages could lead to decreases in customer traffic to Starbucks® stores and/or average value per transaction adversely affecting our sales and results of operations. Similarly, continued competition from well-established competitors in our international markets could hinder growth and adversely affect our sales and results of operations in those markets. Increased competition in the U.S. packaged coffee and tea and single-serve and ready-to-drink coffee beverage markets, including from new and large entrants to this market, could adversely affect the profitability of the Channel Development segment. Additionally, declines in general consumer demand for specialty coffee products for any reason, including due to consumer preference for other products, could have a negative effect on our business.

- We are highly dependent on the financial performance of our Americas operating segment.

Our financial performance is highly dependent on our Americas operating segment, as it comprised approximately 69% of consolidated total net revenues in fiscal 2015. If the Americas operating segment revenue trends slow or decline, especially in our U.S. and Canada markets, our other segments may be unable to make up any significant shortfall and our business and financial results could be adversely affected. And because the Americas segment is relatively mature and produces the large majority of our operating cash flows, such a slowdown or decline could result in reduced cash flows for funding the expansion of our international business and other initiatives and for returning cash to shareholders.

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We are increasingly dependent on the success of our CAP and EMEA operating segments in order to achieve our growth targets.

Our future growth increasingly depends on the growth and sustained profitability of our CAP and EMEA operating segments. Some or all of our international market business units ("MBUs"), which we generally define by the countries in which they operate, may not be successful in their operations or in achieving expected growth, which ultimately requires achieving consistent, stable net revenues and earnings. The performance of these international operations may be adversely affected by economic downturns in one or more of the countries in which our large MBUs operate. In particular, both our China and Japan MBUs contribute meaningfully to both net revenues and earnings for our CAP segment. In the EMEA segment, our UK MBU accounts for a significant portion of the net revenues. A decline in performance of any of these MBUs could have a material adverse impact on the results of our international operations.

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Additionally, some factors that will be critical to the success of the CAP and EMEA segments are different than those affecting our U.S. stores and licensees. Tastes naturally vary by region, and consumers in some MBUs may not embrace our products to the same extent as consumers in the U.S. or other international markets. Occupancy costs and store operating expenses can be higher internationally than in the U.S. due to higher rents for prime store locations or costs of compliance with country-specific regulatory requirements. Because many of our international operations are in an early phase of development, operating expenses as a percentage of related revenues are often higher compared to more developed operations, such as in the U.S. Additionally, our international joint venture partners or licensees may face capital constraints or other factors that may limit the speed at which they are able to expand and develop in a certain market.

Our international operations are also subject to additional inherent risks of conducting business abroad, such as:

- foreign currency exchange rate fluctuations, or requirements to transact in specific currencies;
- changes or uncertainties in economic, legal, regulatory, social and political conditions in our markets;
- interpretation and application of laws and regulations;
- restrictive actions of foreign or U.S. governmental authorities affecting trade and foreign investment, especially during periods of heightened tension between the U.S. and such foreign governmental authorities, including protective measures such as export and customs duties and tariffs, government intervention favoring local competitors, and restrictions on the level of foreign ownership;
- import or other business licensing requirements;
- the enforceability of intellectual property and contract rights;
- limitations on the repatriation of funds and foreign currency exchange restrictions due to current or new U.S. and international regulations;
- in developing economies, the growth rate in the portion of the population achieving sufficient levels of disposable income may not be as fast as we forecast;
- difficulty in staffing, developing and managing foreign operations and supply chain logistics, including ensuring the consistency of product quality and service, due to governmental actions affecting supply chain logistics, distance, language and cultural differences, as well as challenges in recruiting and retaining high quality employees in local markets;
- local laws that make it more expensive and complex to negotiate with, retain or terminate employees;
- delays in store openings for reasons beyond our control, competition with locally relevant competitors or a lack of desirable real estate locations available for lease at reasonable rates, any of which could keep us from meeting annual store opening targets and, in turn, negatively impact net revenues, operating income and earnings per share; and
- disruption in energy supplies affecting our markets.

Moreover, many of the foregoing risks are particularly acute in developing countries, which are important to our long-term growth prospects.

- Increases in the cost of high-quality arabica coffee beans or other commodities or decreases in the availability of high-quality arabica coffee beans or other commodities could have an adverse impact on our business and financial results.

We purchase, roast, and sell high-quality whole bean arabica coffee beans and related coffee products. The price of coffee is subject to significant volatility and has and may again increase significantly due to one or more of the factors described below. The high-quality arabica coffee of the quality we seek tends to trade on a negotiated basis at a premium above the "C" price. This premium depends upon the supply and demand at the time of purchase and the amount of the premium can vary significantly. Increases in the "C" coffee commodity price do increase the price of high-quality arabica coffee and also impact our ability to enter into fixed-price purchase commitments. We frequently enter into supply contracts whereby the quality, quantity, delivery period, and other negotiated terms are agreed upon, but the date, and therefore price, at which the base "C" coffee commodity price component will be fixed has not yet been established. These are known as price-to-be-fixed contracts. The supply and price of coffee we purchase can also be affected by multiple factors in the producing countries, including weather, natural disasters, crop disease, general increase in farm inputs and costs of production, inventory levels and political and economic conditions, as well as the actions of certain organizations and associations that have historically attempted to influence prices of green coffee through agreements establishing export quotas or by restricting coffee supplies. Speculative trading in coffee commodities can also influence coffee prices. Because of the significance of coffee beans to our operations, combined with our ability to only partially mitigate future price risk through purchasing practices and hedging activities, increases in the cost of high-quality arabica coffee beans could have an adverse impact on our profitability. In addition, if we are not able to purchase sufficient quantities of green coffee due to any of the above factors or to a worldwide or regional shortage, we may not be able to fulfill the demand for our coffee, which could have an adverse impact on our profitability.

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We also purchase significant amounts of dairy products, particularly fluid milk, to support the needs of our company-operated retail stores. Additionally, and although less significant to our operations than coffee or dairy, other commodities, including but not limited to tea and those related to food inputs, such as cocoa, produce, baking ingredients, meats, eggs and energy, as well as the processing of these inputs, are important to our operations. Increases in the cost of dairy products and other commodities, or lack of availability, whether due to supply shortages, delays or interruptions in processing, or otherwise, especially in international markets, could have an adverse impact on our profitability.

- Our financial condition and results of operations are sensitive to, and may be adversely affected by, a number of factors, many of which are largely outside our control.

Our operating results have been in the past and will continue to be subject to a number of factors, many of which are largely outside our control. Any one or more of the factors listed below or described elsewhere in this risk factors section could adversely impact our business, financial condition and/or results of operations:

- increases in real estate costs in certain domestic and international markets;
- adverse outcomes of litigation; and
- especially in our larger or fast growing markets, labor discord, war, terrorism (including incidents targeting us), political instability, boycotts, social unrest, and natural disasters, including health pandemics that lead to avoidance of public places or restrictions on public gatherings such as in our stores.

- Interruption of our supply chain could affect our ability to produce or deliver our products and could negatively impact our business and profitability.

Any material interruption in our supply chain, such as material interruption of roasted coffee supply due to the casualty loss of any of our roasting plants, interruptions in service by our third party logistic service providers or common carriers that ship goods within our distribution channels, trade restrictions, such as increased tariffs or quotas, embargoes or customs restrictions, or natural disasters that cause a material disruption in our supply chain could negatively impact our business and our profitability.

Additionally, our food, beverage and other products are sourced from a wide variety of domestic and international business partners in our supply chain operations, and in certain cases are produced or sourced by our licensees directly. We rely on these suppliers and vendors to provide high quality products and to comply with applicable laws. Our ability to find qualified suppliers and vendors who meet our standards and supply products in a timely and efficient manner is a significant challenge, especially with respect to goods sourced from outside the U.S. For certain products, we may rely on one or very few suppliers or vendors. A vendor's or supplier's failure to meet our standards, provide products in a timely and efficient manner, or comply with applicable laws is beyond our control. These issues, especially for those products for which we rely on one or few suppliers or vendors, could negatively impact our business and profitability.

- Failure to meet market expectations for our financial performance will likely adversely affect the market price and volatility of our stock.

Failure to meet market expectations going forward, particularly with respect to operating margins, earnings per share, comparable store sales, operating cash flows, and net revenues, will likely result in a decline and/or increased volatility in the market price of our stock. In addition, price and volume fluctuations in the stock market as a whole may affect the market price of our stock in ways that may be unrelated to our financial performance.

- The loss of key personnel or difficulties recruiting and retaining qualified personnel could adversely impact our business and financial results.

Much of our future success depends on the continued availability and service of senior management personnel. The loss of any of our executive officers or other key senior management personnel could harm our business. We must continue to recruit, retain and motivate management and other employees sufficiently, both to maintain our current business and to execute our strategic initiatives, some of which involve ongoing expansion in business channels outside of our traditional company-operated store model. Our success also depends substantially on the contributions and abilities of our retail store employees whom we rely on to give customers a superior in-store experience and elevate our brand. Accordingly, our performance depends on our ability to recruit and retain high quality employees to work in and manage our stores, both domestically and internationally. If we are unable to recruit, retain and motivate employees sufficiently to maintain our current business and support our projected growth, our business and financial performance may be adversely affected.

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- Failure to comply with applicable laws and changing legal and regulatory requirements could harm our business and financial results.

Our policies and procedures are designed to comply with all applicable laws, accounting and reporting requirements, tax rules and other regulations and requirements, including those imposed by the SEC, NASDAQ, and foreign countries, as well as applicable trade, labor, healthcare, privacy, food, anti-bribery and corruption and merchandise laws. The complexity of the regulatory environment in which we operate and the related cost of compliance are both increasing due to additional or changing legal and regulatory requirements, our ongoing expansion into new markets and new channels, and the fact that foreign laws occasionally conflict with domestic laws. In addition to potential damage to our reputation and brand, failure by us or our business partners to comply with the various laws and regulations, as well as changes in laws and regulations or the manner in which they are interpreted or applied, may result in litigation, civil and criminal liability, damages, fines and penalties, increased cost of regulatory compliance and restatements of our financial statements.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The significant properties used by Starbucks in connection with its roasting, manufacturing, warehousing, distribution and corporate administrative operations, serving all segments, are as follows:

Location	Approximate Size in Square Feet	Purpose
Rancho Cucamonga, CA	265,000	Manufacturing
San Francisco, CA	79,000	Warehouse and distribution
Stratford, CT	81,000	Warehouse and distribution
Augusta, GA	131,000	Manufacturing
Minden, NV (Carson Valley)	360,000	Roasting and distribution
York, PA	888,000	Roasting, distribution and warehouse
Gaston, SC (Sandy Run)	117,000	Roasting and distribution
Lebanon, TN	680,000	Distribution center
Auburn, WA	491,000	Warehouse and distribution
Kent, WA	510,000	Roasting and distribution
Seattle, WA	1,004,000	Corporate administrative
Amsterdam, Netherlands	97,000	Roasting and distribution
Samutprakarn, Thailand	81,000	Warehouse and distribution

We own our roasting facilities and lease the majority of our warehousing and distribution locations. As of September 27, 2015, Starbucks had 12,235 company-operated stores, almost all of which are leased. We also lease space in various locations worldwide for regional, district and other administrative offices, training facilities and storage. In addition to the locations listed above, we hold inventory at various locations managed by third-party warehouses.

Item 3. Legal Proceedings

See Note 15, Commitments and Contingencies, to the consolidated financial statements included in Item 8 of Part II of this 10-K for information regarding certain legal proceedings in which we are involved.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for the Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

SHAREHOLDER INFORMATION

MARKET INFORMATION AND DIVIDEND POLICY

Starbucks common stock is traded on NASDAQ, under the symbol "SBUX."

The following table shows the quarterly high and low sale prices per share of Starbucks common stock as reported by NASDAQ for each quarter during the last two fiscal years and the quarterly cash dividend declared per share of our common stock during the periods indicated, as adjusted to give effect to the two-for-one stock split discussed in Note 1, Summary of Significant Accounting Policies, included in Item 8 of Part II of this 10-K:

	High	Low	Cash Dividends Declared
Fiscal 2015:			
Fourth Quarter	$59.32	$42.05	$0.20
Third Quarter	54.75	46.28	0.16
Second Quarter	49.60	39.28	0.16
First Quarter	42.10	35.39	0.16
Fiscal 2014:			
Fourth Quarter	$40.32	$36.89	$0.16
Third Quarter	39.18	33.97	0.13
Second Quarter	39.42	34.34	0.13
First Quarter	41.25	37.23	0.13

As of November 6, 2015, we had approximately 17,900 shareholders of record. This does not include persons whose stock is in nominee or "street name" accounts through brokers.

Future decisions to pay cash dividends continue to be at the discretion of the Board of Directors and will be dependent on our operating performance, financial condition, capital expenditure requirements, and other factors that the Board of Directors considers relevant.

ISSUER PURCHASES OF EQUITY SECURITIES

The following table provides information regarding repurchases of our common stock during the quarter ended September 27, 2015:

Period[(1)]	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[(2)]	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
June 29, 2015 — July 26, 2015	7,503,869	$55.14	7,503,869	53,497,642
July 27, 2015 — August 23, 2015	200,780	52.03	200,780	53,296,862
August 24, 2015 — September 27, 2015	592,087	56.63	592,087	52,704,775
Total	8,296,736	$55.17	8,296,736	

(1) Monthly information is presented by reference to our fiscal months during the fourth quarter of fiscal 2015.

(2) The share repurchase program is conducted under authorizations made from time to time by our Board of Directors. On November 15, 2012, we publicly announced the authorization of up to 50 million shares, as adjusted to give effect to the two-for-one stock split discussed in Note 1, Summary of Significant Accounting Policies, included in Item 8 of Part II of this 10-K. On July 23, 2015, we publicly announced the authorization of up to an additional 50 million shares. These authorizations have no expiration date.

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Performance Comparison Graph

The following graph depicts the total return to shareholders from October 3, 2010 through September 27, 2015, relative to the performance of the Standard & Poor's 500 Index, the NASDAQ Composite Index, and the Standard & Poor's 500 Consumer Discretionary Sector, a peer group that includes Starbucks. All indices shown in the graph have been reset to a base of 100 as of October 3, 2010, and assume an investment of $100 on that date and the reinvestment of dividends paid since that date. The stock price performance shown in the graph is not necessarily indicative of future price performance.

	Oct 3, 2010	Oct 2, 2011	Sep 30, 2012	Sep 29, 2013	Sep 28, 2014	Sep 27, 2015
Starbucks Corporation	$100.00	$146.04	$201.46	$311.59	$307.16	$480.45
S&P 500	100.00	101.14	131.69	157.17	188.18	187.02
NASDAQ Composite	100.00	103.65	136.22	168.91	202.57	208.69
S&P Consumer Discretionary	100.00	106.17	145.07	191.26	213.77	241.95

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Item 6. Selected Financial Data

The following selected financial data is derived from the consolidated financial statements. All per-share data has been retroactively adjusted to give effect to the two-for-one stock split discussed in Note 1, Summary of Significant Accounting Policies, included in Item 8 of Part II of this 10-K. The data below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Risk Factors," and the consolidated financial statements and notes.

Financial Information (in millions, except per share data):

As of and for the Fiscal Year Ended [1]	Sep 27, 2015 (52 Wks)	Sep 28, 2014 (52 Wks)	Sep 29, 2013 (52 Wks)	Sep 30, 2012 (52 Wks)	Oct 2, 2011 (52 Wks)
Results of Operations					
Net revenues:					
Company-operated stores	$15,197.3	$12,977.9	$11,793.2	$10,534.5	$9,632.4
Licensed stores	1,861.9	1,588.6	1,360.5	1,210.3	1,007.5
CPG, foodservice and other	2,103.5	1,881.3	1,713.1	1,532.0	1,060.5
Total net revenues	$19,162.7	$16,447.8	$14,866.8	$13,276.8	$11,700.4
Operating income/(loss)[2]	$3,601.0	$3,081.1	$(325.4)	$1,997.4	$1,728.5
Net earnings including noncontrolling interests[2]	2,759.3	2,067.7	8.8	1,384.7	1,248.0
Net earnings attributable to noncontrolling interests	1.9	(0.4)	0.5	0.9	2.3
Net earnings attributable to Starbucks[2]	2,757.4	2,068.1	8.3	1,383.8	1,245.7
EPS — diluted[2]	1.82	1.35	0.01	0.90	0.81
Cash dividends declared per share	0.680	0.550	0.445	0.360	0.280
Net cash provided by operating activities	3,749.1	607.8	2,908.3	1,750.3	1,612.4
Capital expenditures (additions to property, plant and equipment)	1,303.7	1,160.9	1,151.2	856.2	531.9
Balance Sheet					
Total assets	$12,446.1	$10,752.9	$11,516.7	$8,219.2	$7,360.4
Long-term debt (including current portion)	2,347.5	2,048.3	1,299.4	549.6	549.5
Shareholders' equity	5,818.0	5,272.0	4,480.2	5,109.0	4,384.9

(1) Our fiscal year ends on the Sunday closest to September 30.

(2) Fiscal 2013 results include a pretax charge of $2,784.1 million resulting from the conclusion of our arbitration with Kraft Foods Global, Inc. The impact of this charge to net earnings attributable to Starbucks and diluted EPS, net of the related tax benefit, was $1,713.1 million and $1.12 per share, respectively.

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Comparable Store Sales:

Fiscal Year Ended	Sep 27, 2015 (52 Wks)	Sep 28, 2014 (52 Wks)	Sep 29, 2013 (52 Wks)	Sep 30, 2012 (52 Wks)	Oct 2, 2011 (52 Wks)
Percentage change in comparable store sales[3]					
Americas					
Sales growth	7 %	6 %	7 %	8 %	8 %
Change in transactions	3 %	2 %	5 %	6 %	5 %
Change in ticket	4 %	3 %	2 %	2 %	2 %
China/Asia Pacific					
Sales growth	9 %	7 %	9 %	15 %	22 %
Change in transactions	8 %	6 %	7 %	11 %	20 %
Change in ticket	1 %	— %	2 %	3 %	2 %
EMEA					
Sales growth	4 %	5 %	— %	— %	3 %
Change in transactions	2 %	3 %	2 %	— %	3 %
Change in ticket	1 %	2 %	(2)%	— %	— %
Consolidated					
Sales growth	7 %	6 %	7 %	7 %	8 %
Change in transactions	3 %	3 %	5 %	6 %	6 %
Change in ticket	4 %	3 %	2 %	1 %	2 %

(3) Includes only Starbucks® company-operated stores open 13 months or longer. Comparable store sales exclude the effect of fluctuations in foreign currency exchange rates.

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Store Count Data:

As of and for the Fiscal Year Ended	Sep 27, 2015 (52 Wks)	Sep 28, 2014 (52 Wks)	Sep 29, 2013 (52 Wks)	Sep 30, 2012 (52 Wks)	Oct 2, 2011 (52 Wks)
Net stores opened/(closed) and transferred during the year:					
Americas[4,5]					
Company-operated stores	276	317	276	228	32
Licensed stores	336	381	404	280	215
China/Asia Pacific [6,7]					
Company-operated stores	1,320	250	239	152	74
Licensed stores	(482)	492	349	296	192
EMEA[8]					
Company-operated stores	(80)	(9)	(29)	10	25
Licensed stores	302	180	129	101	79
All Other Segments [9]					
Company-operated stores	6	12	343	—	6
Licensed stores[10]	(1)	(24)	(10)	(4)	(478)
Total	1,677	1,599	1,701	1,063	145
Stores open at year end:					
Americas [4,5]					
Company-operated stores	8,671	8,395	8,078	7,802	7,574
Licensed stores	6,132	5,796	5,415	5,011	4,731
China/Asia Pacific[6,7]					
Company-operated stores	2,452	1,132	882	643	491
Licensed stores	3,010	3,492	3,000	2,651	2,355
EMEA[8]					
Company-operated stores	737	817	826	855	845
Licensed stores	1,625	1,323	1,143	1,014	913
All Other Segments [9]					
Company-operated stores	375	369	357	14	14
Licensed stores [10]	41	42	66	76	80
Total	23,043	21,366	19,767	18,066	17,003

(4) Americas store data has been adjusted for the sale of store locations in Chile to a joint venture partner in the fourth quarter of fiscal 2013 by reclassifying historical information from company-operated stores to licensed stores, and to exclude Seattle's Best Coffee and Evolution Fresh, which are reported within All Other Segments.

(5) Americas store data includes the closure of 132 Target Canada licensed stores in the second quarter of fiscal 2015.

(6) China/Asia Pacific store data has been adjusted for the transfer of certain company-operated stores to licensed stores in the fourth quarter of fiscal 2014.

(7) China/Asia Pacific store data includes the transfer of 1,009 Japan stores from licensed stores to company-operated as a result of the acquisition of Starbucks Japan in the first quarter of fiscal 2015.

(8) EMEA store data has been adjusted for the acquisition of store locations in Austria and Switzerland in the fourth quarter of fiscal 2011 by reclassifying historical information from licensed stores to company-operated stores, and the transfer of certain company-operated stores to licensed stores in the fourth quarter of fiscal 2012 and in the second and fourth quarters of fiscal 2014.

(9) Includes 337 Teavana® stores acquired in the second quarter of fiscal 2013.

(10) Includes the closure of 475 licensed Seattle's Best Coffee® locations in Borders Bookstores during fiscal 2011.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Our fiscal year ends on the Sunday closest to September 30. The fiscal years ended on September 27, 2015, September 28, 2014 and September 29, 2013 all included 52 weeks. Starbucks 2016 fiscal year will include 53 weeks, with the 53rd week falling in our fourth fiscal quarter. All references to store counts, including data for new store openings, are reported net of related store closures, unless otherwise noted.

Financial Highlights

- Total net revenues increased 17% to $19.2 billion in fiscal 2015 compared to $16.4 billion in fiscal 2014.
- Global comparable store sales grew 7% driven by a 4% increase in average ticket and a 3% increase in the number of transactions.
- Consolidated operating income increased to $3.6 billion in fiscal 2015 compared to operating income of $3.1 billion in fiscal 2014. Fiscal 2015 operating margin was 18.8% compared to 18.7% in fiscal 2014. The operating margin expansion was primarily driven by sales leverage, partially offset by the impact of our ownership change in Starbucks Japan and increased salaries and benefits due to increased store partner (employee) investments.
- Earnings per share ("EPS") for fiscal 2015 increased to $1.82, compared to EPS of $1.35 in fiscal 2014, primarily due to the gain resulting from the fair value adjustment of our preexisting equity interest in Starbucks Japan upon acquisition, which increased EPS by $0.26 per share in fiscal 2015. The remaining increase was primarily due to improved sales leverage and the incremental tax benefit related to domestic manufacturing deductions claimed for the current year and on U.S. corporate income tax returns for fiscal years 2010 through 2014.
- Cash flows from operations were $3.7 billion in fiscal 2015 compared to $607.8 million in fiscal 2014. The increase was primarily driven by lapping the prior year payment of $2.8 billion for the Kraft arbitration matter. The remaining change of $377 million was primarily due to strong earnings, partially offset by unfavorable changes in working capital accounts, mainly due to timing.
- Capital expenditures were $1.3 billion in fiscal 2015 compared to $1.2 billion in fiscal 2014.
- We returned $2.4 billion to our shareholders in fiscal 2015 through share repurchases and dividends compared to $1.6 billion in fiscal 2014.

Overview

Starbucks results for fiscal 2015 demonstrate the continued strength of our global business model and our ability to successfully make disciplined investments in our business and our partners (employees). Our net revenues grew 17% over fiscal 2014 and all reportable segments drove an increase in consolidated operating income. Consolidated operating margin expanded to 18.8% from 18.7% in fiscal 2014, largely driven by sales leverage, partially offset by the 90 basis point impact of our ownership change in Starbucks Japan as well as increased salaries and benefits due to investments in our store partners (employees) in the Americas segment. The ownership change in Starbucks Japan reflects the change in accounting from a joint venture to a consolidated market and includes the acquisition-related transaction and integration costs.

The Americas segment continued to perform well in fiscal 2015, with revenues growing 11% to $13.3 billion, primarily driven by comparable store sales growth of 7%, comprised of a 4% increase in average ticket and a 3% increase in number of transactions, as well as incremental revenues from 612 net new store openings over the last 12 months. Growth in our core beverages, paired with the success of our food offerings and beverage innovation, drove the increase in comparable store sales. Americas operating margin grew 80 basis points to 24.2% in fiscal 2015, primarily driven by sales leverage, partially offset by increased salaries and benefits due to investments in our store partners (employees) and digital platforms related to in-store initiatives. Looking forward, we expect to continue to drive revenue growth and moderate margin expansion through new stores and leveraging investments in both our store partners (employees) and our digital platforms, such as Mobile Order and Pay.

Our fiscal 2015 China/Asia Pacific segment results reflect the impact of fully consolidating Starbucks Japan since October 31, 2014. Incremental revenues from the change in ownership of Starbucks Japan were the primary driver of the 112% increase in segment revenues, to $2.4 billion. Also contributing were increased sales from the opening of 767 net new stores over the past year, along with a 9% increase in comparable store sales, primarily driven by an 8% increase in transactions. Operating income grew 34%, to $501 million, while operating margin declined 1,210 basis points to 20.9%. The overall operating margin decline was due to the 1,410 basis point impact of the ownership change in Starbucks Japan, which was partially offset by 200 basis points of expansion primarily due to sales leverage. We expect this segment will become a more significant contributor to overall company revenue growth in the future as we look forward to continued net new store openings and the first full year of

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consolidating Starbucks Japan. In fiscal 2016, we also expect China to continue to move towards being one of our largest international markets, primarily driven by expanding our retail store presence and increasing transaction growth.

Our EMEA segment revenues declined 6% to $1.2 billion, primarily driven by unfavorable foreign currency translation of approximately $116 million. This was partially offset by revenue growth of $38 million that was primarily driven by incremental revenues from 238 net new licensed store openings over the past year. EMEA operating margin expanded 460 basis points to 13.8% in fiscal 2015, primarily due to sales leverage driven by our ongoing portfolio shift to higher-margin licensed stores. We expect our continued disciplined licensed store expansion and focus on the customer experience in this region will result in improved operating performance, with operating margin approaching 15% in fiscal 2016.

The Channel Development segment revenues grew 12% to $1.7 billion in fiscal 2015, primarily due to increased sales of premium single-serve products, driven by sales of Starbucks- and Tazo-branded K-Cup® portion packs, and improved packaged coffee sales. Operating margin increased 180 basis points to 37.8%, primarily driven by leverage on cost of sales and increased income due to strong performance by our North American Coffee Partnership joint venture. We continue to expand customer occasions outside of our retail stores and through our developing international presence. For fiscal 2016, we expect moderate margin expansion primarily driven by growing our premium single-serve category with innovative new beverages, including the ready-to-drink market.

Fiscal 2016 — The View Ahead

For fiscal 2016, we expect revenue growth in excess of 10%, driven by strong comparable store sales slightly above the mid-single digits, the addition of approximately 1,800 net new stores, and a 53rd fiscal week, which is expected to contribute an incremental 2% to our revenue growth rate. Approximately one-half of net new store openings will be in our China/Asia Pacific segment, with approximately 40% coming from the Americas and the remaining 10% from the EMEA segment.

We expect consolidated operating margin and earnings per share to increase slightly in fiscal 2016 when compared to our fiscal 2015 results, primarily due to leverage on revenue growth and a 53rd fiscal week, which we expect to contribute approximately $0.06 to earnings per share, partially offset by continued investments in our store partners (employees) in the Americas segment and the development of these initiatives in our international markets, as well as digital innovation.

The effective tax rate for fiscal 2016 is expected to be between 34% to 35%.

Capital expenditures in fiscal 2016 are expected to be approximately $1.4 billion, primarily for new stores and store renovations, as well as for other investments to support our ongoing growth initiatives.

Acquisitions and Divestitures

See Note 2, Acquisitions and Divestitures, to the consolidated financial statements included in Item 8 of Part II of this 10-K for information regarding acquisitions and divestitures.

RESULTS OF OPERATIONS — FISCAL 2015 COMPARED TO FISCAL 2014

Consolidated results of operations (in millions):

Revenues

Fiscal Year Ended	Sep 27, 2015	Sep 28, 2014	% Change	
Net revenues:				
Company-operated stores	$15,197.3	$12,977.9	17.1	%
Licensed stores	1,861.9	1,588.6	17.2	
CPG, foodservice and other	2,103.5	1,881.3	11.8	
Total net revenues	$19,162.7	$16,447.8	16.5	%

Total net revenues increased $2.7 billion, or 17%, over fiscal 2014, primarily due to increased revenues from company-operated stores (contributing $2.2 billion). The growth in company-operated store revenues was primarily driven by incremental revenues from the acquisition of Starbucks Japan (approximately $1.1 billion), an increase in comparable store sales (approximately 7% growth, or $852 million) and incremental revenues from 550 net new Starbucks® company-operated store openings over the past 12 months (approximately $590 million). Partially offsetting these increases was the impact of unfavorable foreign currency translation (approximately $252 million).

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Licensed store revenue growth also contributed $273 million to the increase in total net revenues, primarily resulting from the opening of 1,075 net new Starbucks® licensed stores over the past 12 months and improved comparable store sales as well as increased La Boulange food sales to our licensees in the Americas segment. Partially offsetting these increases was a decrease in licensed store revenues resulting from the impact of our ownership change in Starbucks Japan (approximately $45 million).

CPG, foodservice and other revenues increased $222 million, primarily due to increased sales of premium single-serve products (approximately $116 million), U.S. packaged coffee (approximately $55 million) and foodservice sales (approximately $40 million).

Operating Expenses

Fiscal Year Ended	Sep 27, 2015	Sep 28, 2014	Sep 27, 2015	Sep 28, 2014
			% of Total Net Revenues	
Cost of sales including occupancy costs	$7,787.5	$6,858.8	40.6 %	41.7 %
Store operating expenses	5,411.1	4,638.2	28.2	28.2
Other operating expenses	522.4	457.3	2.7	2.8
Depreciation and amortization expenses	893.9	709.6	4.7	4.3
General and administrative expenses	1,196.7	991.3	6.2	6.0
Litigation credit	—	(20.2)	—	(0.1)
Total operating expenses	15,811.6	13,635.0	82.5	82.9
Income from equity investees	249.9	268.3	1.3	1.6
Operating income	$3,601.0	$3,081.1	18.8 %	18.7 %
Store operating expenses as a % of related revenues			35.6 %	35.7 %

Cost of sales including occupancy costs as a percentage of total net revenues decreased 110 basis points, primarily driven by sales and operating leverage on cost of sales (approximately 60 basis points), driven by strong sales and initiatives in our supply chain, such as improvements in sourcing, as well as sales leverage on occupancy costs (approximately 40 basis points).

Store operating expenses were flat as a percentage of total net revenues. Store operating expenses as a percentage of company-operated store revenues, decreased 10 basis points, primarily driven by sales leverage (approximately 50 basis points) and decreased expenses, largely salaries and benefits, due to the shift to more licensed stores in EMEA (approximately 40 basis points), partially offset by increased investments in store partners (employees) and digital platforms related to in-store initiatives (approximately 100 basis points) in the Americas segment.

Other operating expenses as a percentage of total net revenues decreased 10 basis points. Excluding the impact of company-operated store revenues, other operating expenses were flat, primarily due to sales leverage (approximately 70 basis points), partially offset by increased marketing (approximately 20 basis points), largely due to timing, the impairment of certain assets in the Americas segment (approximately 20 basis points) and the impact of our ownership change in Starbucks Japan (approximately 20 basis points).

Depreciation and amortization expenses as a percentage of total net revenues increased 40 basis points, primarily due to the impact of our ownership change in Starbucks Japan (approximately 30 basis points).

General and administrative expenses as a percentage of total net revenues increased 20 basis points, primarily driven by the impact of our ownership change in Starbucks Japan (approximately 10 basis points).

The $20 million decrease in litigation credit for fiscal 2015 was due to lapping a prior year credit related to a reduction of our estimated prejudgment interest payable associated with the Kraft arbitration, as a result of paying our obligation earlier than anticipated.

Income from equity investees decreased $18 million, primarily due to the impact of our ownership change in Starbucks Japan and the absence of income from our Malaysia joint venture sold in the fourth quarter of fiscal 2014, partially offset by improved performance from our North American Coffee Partnership and China joint ventures. As a percentage of total revenues, income from equity investees decreased 30 basis points, primarily due to the impact of our ownership change in Starbucks Japan (approximately 30 basis points).

The overall increase in operating margin of 10 basis points was driven by the changes discussed above, including the impact of our ownership change in Starbucks Japan and the acquisition-related transaction and integration costs, which contributed unfavorably to operating margin (approximately 90 basis points).

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Other Income and Expenses

Fiscal Year Ended	Sep 27, 2015	Sep 28, 2014	Sep 27, 2015	Sep 28, 2014
			% of Total Net Revenues	
Operating income	$3,601.0	$3,081.1	18.8 %	18.7 %
Gain resulting from acquisition of joint venture	390.6	—	2.0	—
Loss on extinguishment of debt	(61.1)	—	(0.3)	—
Interest income and other, net	43.0	142.7	0.2	0.9
Interest expense	(70.5)	(64.1)	(0.4)	(0.4)
Earnings before income taxes	3,903.0	3,159.7	20.4	19.2
Income taxes	1,143.7	1,092.0	6.0	6.6
Net earnings including noncontrolling interests	2,759.3	2,067.7	14.4	12.6
Net earnings/(loss) attributable to noncontrolling interests	1.9	(0.4)	—	—
Net earnings attributable to Starbucks	$2,757.4	$2,068.1	14.4 %	12.6 %
Effective tax rate including noncontrolling interests			29.3 %	34.6 %

During the first quarter of fiscal 2015, we recorded a gain of $391 million as a result of remeasuring our preexisting 39.5% ownership interest in Starbucks Japan to fair value upon acquisition.

During the fourth quarter of fiscal 2015, we recorded a loss of $61 million related to the redemption of our $550 million of 6.250% Senior Notes (the "2017 notes"), which were originally scheduled to mature in August 2017. The loss primarily relates to the optional redemption premium outlined in the 2017 notes indenture, as well as expenses related to the previously capitalized original issuance costs and accelerated amortization of the unamortized discount.

Net interest income and other decreased $100 million, primarily due to lapping the gain on the sale of our equity interest in our Malaysia joint venture (approximately $68 million) in the prior year and net unfavorable fair value adjustments from derivative instruments used to manage our risk of commodity price fluctuations (approximately $25 million) in fiscal 2015.

Interest expense increased $6 million primarily due to incurring a full quarter of interest in the first quarter of fiscal 2015 on the long-term debt we issued in December of fiscal 2014 as well as the reclassification of $2 million from accumulated other comprehensive income to interest expense related to remaining unrecognized losses from interest rate contracts associated with the 2017 notes redeemed in the fourth quarter of fiscal 2015.

Our tax rate is affected by recurring items, such as tax rates in foreign jurisdictions and the relative amounts of income we earn in those jurisdictions, as well as discrete items that may occur in any given year, but are not consistent from year to year. The effective tax rate for fiscal 2015 was 29.3% compared to 34.6% for fiscal 2014. The decrease in the rate for fiscal 2015 was primarily due to the 3.7% impact of the gain associated with the remeasurement of our preexisting 39.5% ownership interest in Starbucks Japan upon acquisition, which was almost entirely non-taxable, as well as the 1.5% incremental tax benefit related to domestic manufacturing deductions claimed in fiscal 2015 on U.S. corporate income tax returns for fiscal years 2010 through 2015.

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Segment Information
Results of operations by segment (in millions):
Americas

Fiscal Year Ended	Sep 27, 2015	Sep 28, 2014	Sep 27, 2015		Sep 28, 2014	
			As a % of Americas Total Net Revenues			
Net revenues:						
Company-operated stores	$11,925.6	$10,866.5	89.7	%	90.7	%
Licensed stores	1,334.4	1,074.9	10.0		9.0	
Foodservice and other	33.4	39.1	0.3		0.3	
Total net revenues	13,293.4	11,980.5	100.0		100.0	
Cost of sales including occupancy costs	4,845.0	4,487.0	36.4		37.5	
Store operating expenses	4,387.9	3,946.8	33.0		32.9	
Other operating expenses	122.8	100.4	0.9		0.8	
Depreciation and amortization expenses	522.3	469.5	3.9		3.9	
General and administrative expenses	192.1	167.8	1.4		1.4	
Total operating expenses	10,070.1	9,171.5	75.8		76.6	
Operating income	$3,223.3	$2,809.0	24.2	%	23.4	%
Store operating expenses as a % of related revenues			36.8	%	36.3	%

Revenues

Americas total net revenues for fiscal 2015 increased $1.3 billion, or 11%, primarily due to increased revenues from company-operated stores (contributing $1.1 billion) and licensed stores (contributing $260 million).

The increase in company-operated store revenues was driven by a 7% increase in comparable store sales (approximately $745 million), as well as incremental revenues from 318 net new Starbucks® company-operated store openings over the past 12 months (approximately $455 million). Partially offsetting these increases was unfavorable foreign currency translation (approximately $139 million), primarily driven by the strengthening of the U.S. dollar against the Canadian dollar.

The increase in licensed store revenues was primarily due to higher product sales to and royalty revenues from our licensees, resulting from increased La Boulange™ food sales to our licensees beginning in the first quarter of fiscal 2015, as well as the opening of 317 net new licensed stores over the past 12 months and improved comparable store sales.

Operating Expenses

Cost of sales including occupancy costs as a percentage of total net revenues decreased 110 basis points, primarily driven by leverage on cost of sales (approximately 60 basis points), lower commodity costs (approximately 30 basis points), mainly dairy, and sales leverage on occupancy costs (approximately 30 basis points).

Store operating expenses as a percentage of total net revenues increased 10 basis points. As a percentage of company-operated store revenues, store operating expenses increased 50 basis points, primarily driven by increased investments in store partners (employees) and digital platforms related to in-store initiatives (approximately 130 basis points), partially offset by sales leverage (approximately 100 basis points).

Other operating expenses as a percentage of total net revenues increased 10 basis points. Excluding the impact of company-operated store revenues, other operating expenses were flat, primarily driven by sales leverage (approximately 60 basis points), offset by the impairment of certain assets in the region (approximately 60 basis points).

Depreciation and amortization expenses as a percentage of total revenues were flat, primarily driven by sales leverage (approximately 10 basis points), offset by incremental costs from investments in our existing store portfolio (approximately 10 basis points).

The combination of these changes resulted in an overall increase in operating margin of 80 basis points over fiscal 2014.

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China/Asia Pacific

Fiscal Year Ended	Sep 27, 2015	Sep 28, 2014	Sep 27, 2015	Sep 28, 2014
			As a % of China/Asia Pacific Total Net Revenues	
Net revenues:				
Company-operated stores	$2,127.3	$859.4	88.8 %	76.1 %
Licensed stores	264.4	270.2	11.0	23.9
Foodservice and other	4.2	—	0.2	—
Total net revenues	2,395.9	1,129.6	100.0	100.0
Cost of sales including occupancy costs	1,071.5	547.4	44.7	48.5
Store operating expenses	609.8	221.1	25.5	19.6
Other operating expenses	62.2	48.0	2.6	4.2
Depreciation and amortization expenses	150.7	46.1	6.3	4.1
General and administrative expenses	120.8	58.5	5.0	5.2
Total operating expenses	2,015.0	921.1	84.1	81.5
Income from equity investees	119.6	164.0	5.0	14.5
Operating income	$500.5	$372.5	20.9 %	33.0 %
Store operating expenses as a % of related revenues			28.7 %	25.7 %

Discussion of our China/Asia Pacific segment results below reflects the impact of fully consolidating Starbucks Japan due to the ownership change from an equity method joint venture to a company-operated market since the acquisition date of October 31, 2014. Under the joint venture model, we recognized royalties and product sales within revenue and related product cost of sales as well as our proportionate share of Starbucks Japan's net earnings, which we recognized within income from equity investees. This resulted in a lower gross margin and a very high operating margin. Under the company-operated ownership model, Starbucks Japan's operating results are reflected in most income statement lines of this segment and have an operating margin more in line with that of our other retail businesses.

Revenues

China/Asia Pacific total net revenues for fiscal 2015 increased $1.3 billion, or 112%, largely due to increased revenues from company-operated stores (approximately $1.3 billion). The increase in company-operated store revenues was primarily driven by incremental revenues from the acquisition of Starbucks Japan (approximately $1.1 billion). Also contributing were incremental revenues from the opening of 247 net new company-operated stores over the past 12 months (approximately $160 million) and a 9% increase in comparable store sales (approximately $74 million).

Licensed store revenues decreased $6 million, primarily due to our ownership change in Starbucks Japan to mostly company-operated stores (approximately $45 million). This decrease was partially offset by increased product sales to and royalty revenues from licensees (approximately $27 million), resulting from the opening of 520 net new licensed store openings over the past 12 months, improved comparable store sales, and incremental revenues from the ownership changes in Australia and Malaysia (approximately $17 million) in the fourth quarter of fiscal 2014.

Operating Expenses

Cost of sales including occupancy costs as a percentage of total net revenues decreased 380 basis points, primarily due to the impact of our ownership change in Starbucks Japan (approximately 230 basis points) and the shift in our cost of sales mix resulting from growth of company-operated stores, which have a higher gross margin (approximately 50 basis points). Sales leverage (approximately 40 basis points) also contributed.

Store operating expenses as a percentage of total net revenues increased 590 basis points. As a percentage of company-operated store revenues, store operating expenses increased 300 basis points, primarily driven by the impact of our ownership change in Starbucks Japan (approximately 410 basis points), partially offset by the sale of our Australia retail operations in the fourth quarter of fiscal 2014 (approximately 70 basis points) and sales leverage (approximately 50 basis points).

Other operating expenses as a percentage of total net revenues decreased 160 basis points. Excluding the impact of company-operated store revenues, other operating expenses increased 540 basis points, primarily due to the impact of our ownership change in Starbucks Japan (approximately 350 basis points) as well as increased salaries and benefits largely due to increased headcount to support growth in our China market (approximately 150 basis points).

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Depreciation and amortization expenses as a percentage of total revenues increased 220 basis points, primarily due to the impact of our ownership change in Starbucks Japan (approximately 210 basis points).

General and administrative expenses as a percentage of total revenues decreased 20 basis points, primarily due to sales leverage (approximately 40 basis points) and the impact of the sale of our Australia retail operations in the fourth quarter of fiscal 2014 (approximately 20 basis points), which includes lapping professional fees associated with the sale. The impact of our ownership change in Starbucks Japan contributed unfavorably (approximately 60 basis points).

Income from equity investees decreased $44 million, primarily due to the impact of our ownership change in Starbucks Japan and absence of income from our Malaysia joint venture sold in the fourth quarter of fiscal 2014, partially offset by improved performance from our China joint venture. As a percentage of total net revenues, income from equity investees declined 950 basis points, primarily due to the impact of our ownership change in Starbucks Japan (approximately 870 basis points).

The overall decrease in operating margin of 1,210 basis points over fiscal 2014 was primarily driven by the impact of our ownership change in Starbucks Japan (approximately 1,410 basis points), partially offset by 200 basis points of margin expansion driven by the other items discussed above.

EMEA

Fiscal Year Ended	Sep 27, 2015	Sep 28, 2014	Sep 27, 2015		Sep 28, 2014	
			As a % of EMEA Total Net Revenues			
Net revenues:						
Company-operated stores	$911.2	$1,013.8	74.9	%	78.3	%
Licensed stores	257.2	238.4	21.1		18.4	
Foodservice	48.3	42.6	4.0		3.3	
Total net revenues	1,216.7	1,294.8	100.0		100.0	
Cost of sales including occupancy costs	582.5	646.8	47.9		50.0	
Store operating expenses	308.7	365.8	25.4		28.3	
Other operating expenses	51.8	48.2	4.3		3.7	
Depreciation and amortization expenses	52.0	59.4	4.3		4.6	
General and administrative expenses	56.6	59.1	4.7		4.6	
Total operating expenses	1,051.6	1,179.3	86.4		91.1	
Income from equity investees	3.1	3.7	0.3		0.3	
Operating income	$168.2	$119.2	13.8	%	9.2	%
Store operating expenses as a % of related revenues			33.9	%	36.1	%

Revenues

EMEA total net revenues for fiscal 2015 decreased $78 million, or 6%. The decrease was primarily due to a decline in company-operated store revenues (approximately $103 million), which was largely due to unfavorable foreign currency translation (approximately $94 million). Also contributing to the decrease in company-operated revenues was the shift to more licensed stores in the region, which includes net store closures as well as the absence of revenues from the conversion of certain stores in the U.K. from company-operated to licensed. This decline was partially offset by 4% growth in comparable store sales.

Licensed store revenues increased $19 million, or 8%, primarily due to higher product sales to and royalty revenues from our licensees (approximately $45 million), resulting from the opening of 238 net new licensed stores over the past 12 months and improved comparable store sales, partially offset by unfavorable foreign currency translation (approximately $22 million).

Operating Expenses

Cost of sales including occupancy costs as a percentage of total net revenues decreased 210 basis points, primarily due to favorable foreign currency exchange (approximately 130 basis points). We buy and sell products, primarily roasted coffee, in multiple currencies throughout the region depending on the functional currency of each market. Differences in those rates generated favorable foreign currency exchange for fiscal 2015 resulting in a benefit in cost of sales.

Sales leverage(approximately 40 basis points) also contributed to the decrease.

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Store operating expenses as a percentage of total net revenues decreased 290 basis points. As a percentage of company-operated store revenues, store operating expenses decreased 220 basis points primarily due to gains on the sales of certain store assets in the region (approximately 150 basis points) as well as decreased expenses, largely salaries and benefits, driven by the shift to more licensed stores (approximately 40 basis points).

Other operating expenses as a percentage of total net revenues increased 60 basis points. Excluding the impact of company-operated store revenues, other operating expenses decreased 20 basis points, primarily driven by the gain on the sale of certain assets in the region (approximately 40 basis points) and improved collection results (approximately 20 basis points). These decreases were partially offset by increased costs to grow our non-retail operations in the region (approximately 50 basis points), largely driven by higher marketing costs.

The combination of these changes resulted in an overall increase in operating margin of 460 basis points over fiscal 2014.

Channel Development

Fiscal Year Ended	Sep 27, 2015	Sep 28, 2014	Sep 27, 2015		Sep 28, 2014	
			As a % of Channel Development Total Net Revenues			
Net revenues:						
CPG	$1,329.0	$1,178.8	76.8	%	76.2	%
Foodservice	401.9	367.2	23.2		23.8	
Total net revenues	1,730.9	1,546.0	100.0		100.0	
Cost of sales	974.8	882.4	56.3		57.1	
Other operating expenses	210.5	187.0	12.2		12.1	
Depreciation and amortization expenses	2.7	1.8	0.2		0.1	
General and administrative expenses	16.2	18.2	0.9		1.2	
Total operating expenses	1,204.2	1,089.4	69.6		70.5	
Income from equity investees	127.2	100.6	7.3		6.5	
Operating income	$653.9	$557.2	37.8	%	36.0	%

Revenues

Channel Development total net revenues for fiscal 2015 increased $185 million, or 12%, over the prior year, primarily driven by high