

REFINITIV

## DELTA REPORT

### 10-Q

COST - COSTCO WHOLESALE CORP /NE

10-Q - MAY 12, 2024 COMPARED TO 10-Q - FEBRUARY 18, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 480

█ CHANGES 111

█ DELETIONS 201

█ ADDITIONS 168

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **February 18, 2024** **May 12, 2024**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 0-20355

**Costco Wholesale Corporation**

(Exact name of registrant as specified in its charter)

Washington

91-1223280

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer Identification No.)

999 Lake Drive, Issaquah, WA 98027

(Address of principal executive offices) (Zip Code)

(Registrant's telephone number, including area code): **(425) 313-8100**

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of each class</b>	<b>Trading symbol(s)</b>	<b>Name of each exchange on which registered</b>
Common Stock, \$.005 Par Value	COST	The Nasdaq Global Select Market

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  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares outstanding of the issuer's common stock as of **March 6, 2024** **May 29, 2024** was **443,504,036** **443,335,024**.

COSTCO WHOLESALE CORPORATION

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PART I—FINANCIAL INFORMATION

Item 1—Financial Statements

**COSTCO WHOLESALE CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(amounts in millions, except per share data) (unaudited)

	12 Weeks Ended	12 Weeks Ended	24 Weeks Ended	12 Weeks Ended	36 Weeks Ended
	February 18, 2024	February 12, 2023	February 18, 2024	February 12, 2023	
	May 12, 2024	May 7, 2023	May 12, 2024	May 7, 2023	
<b>REVENUE</b>					
Net sales					
Net sales					
Net sales					
Membership fees					
Total revenue					
<b>OPERATING EXPENSES</b>					
Merchandise costs					
Merchandise costs					
Merchandise costs					
Selling, general and administrative					
Operating income					
<b>OTHER INCOME (EXPENSE)</b>					

Interest expense
Interest expense
Interest expense
Interest income and other, net
<b>INCOME BEFORE INCOME TAXES</b>
Provision for income taxes
<b>NET INCOME</b>
<b>NET INCOME</b>
<b>NET INCOME</b>
<b>NET INCOME PER COMMON SHARE:</b>
Basic
Basic
Basic
Diluted
Shares used in calculation (000s):
Basic
Basic
Basic
Diluted

The accompanying notes are an integral part of these condensed consolidated financial statements.

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	COSTCO WHOLESALE CORPORATION							
	CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME							
	(amounts in millions) (unaudited)							
	12 Weeks Ended	24 Weeks Ended	12 Weeks Ended	36 Weeks Ended				
	February 18, 2024	February 12, 2023	February 18, 2024	February 12, 2023	May 12, 2024	May 7, 2023	May 12, 2024	May 7, 2023
<b>NET INCOME</b>								
Foreign-currency translation adjustment and other, net								
<b>COMPREHENSIVE INCOME</b>								
<b>COMPREHENSIVE INCOME</b>								
<b>COMPREHENSIVE INCOME</b>								

The accompanying notes are an integral part of these condensed consolidated financial statements.

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**COSTCO WHOLESALE CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(amounts in millions, except par value and share data) (unaudited)

February 18, 2024	September 3, 2023	May 12, 2024	September 3, 2023
----------------------	----------------------	-----------------	----------------------

ASSETS			
<b>CURRENT ASSETS</b>			
<b>CURRENT ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents			
Cash and cash equivalents			
Cash and cash equivalents			
Short-term investments			
Receivables, net			
Merchandise inventories			
Other current assets			
Total current assets			
<b>OTHER ASSETS</b>			
Property and equipment, net			
Property and equipment, net			
Property and equipment, net			
Operating lease right-of-use assets			
Other long-term assets			
<b>TOTAL ASSETS</b>			
LIABILITIES AND EQUITY			
<b>CURRENT LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable			
Accounts payable			
Accounts payable			
Accrued salaries and benefits			
Accrued member rewards			
Deferred membership fees			
Current portion of long-term debt			
Other current liabilities			
Total current liabilities			
<b>OTHER LIABILITIES</b>			
Long-term debt, excluding current portion			
Long-term debt, excluding current portion			
Long-term debt, excluding current portion			
Long-term operating lease liabilities			
Other long-term liabilities			
<b>TOTAL LIABILITIES</b>			
<b>COMMITMENTS AND CONTINGENCIES</b>			
<b>EQUITY</b>			
<b>EQUITY</b>			
<b>EQUITY</b>			
Preferred stock \$0.005 par value; 100,000,000 shares authorized; no shares issued and outstanding			
Preferred stock \$0.005 par value; 100,000,000 shares authorized; no shares issued and outstanding			
Preferred stock \$0.005 par value; 100,000,000 shares authorized; no shares issued and outstanding			
Common stock \$0.005 par value; 900,000,000 shares authorized; 443,549,000 and 442,793,000 shares issued and outstanding			
Common stock \$0.005 par value; 900,000,000 shares authorized; 443,374,000 and 442,793,000 shares issued and outstanding			
Additional paid-in capital			
Accumulated other comprehensive loss			

Retained earnings

**TOTAL EQUITY**

**TOTAL EQUITY**

**TOTAL EQUITY**

**TOTAL LIABILITIES AND EQUITY**

The accompanying notes are an integral part of these condensed consolidated financial statements.

**COSTCO WHOLESALE CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**  
(amounts in millions) (unaudited)

12 Weeks Ended February 18, 2024						12 Weeks Ended May 12, 2024						
Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Costco Stockholders' Equity	Noncontrolling Interests	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Costco Stockholders' Equity	Noncontrolling Interests	Tc Eq
BALANCE AT NOVEMBER 26, 2023												
BALANCE AT NOVEMBER 26, 2023												
BALANCE AT NOVEMBER 26, 2023												
BALANCE AT FEBRUARY 18, 2024												
BALANCE AT FEBRUARY 18, 2024												
BALANCE AT FEBRUARY 18, 2024												
Net income												
Foreign-currency translation adjustment and other, net												
Stock-based compensation												

Release of  
vested  
restricted  
stock units  
(RSUs),  
including tax  
effects

Repurchases  
of common  
stock

Cash  
dividend  
declared and  
other

**BALANCE AT**  
**FEBRUARY 18,**  
**2024**

**BALANCE AT**  
**MAY 12, 2024**

12 Weeks Ended February 12, 2023							12 Weeks Ended May 7, 2023						
Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
<b>BALANCE AT</b> <b>NOVEMBER 20,</b> <b>2022</b>													
<b>BALANCE AT</b> <b>NOVEMBER 20,</b> <b>2022</b>													
<b>BALANCE AT</b> <b>NOVEMBER 20,</b> <b>2022</b>													
<b>BALANCE AT</b> <b>FEBRUARY 12,</b> <b>2023</b>													
<b>BALANCE AT</b> <b>FEBRUARY 12,</b> <b>2023</b>													
<b>BALANCE AT</b> <b>FEBRUARY 12,</b> <b>2023</b>													
Net income													
Foreign- currency translation adjustment and other, net													
Stock-based compensation													
Release of vested RSUs, including tax effects													

Repurchases of common stock
Cash dividend declared
<b>BALANCE AT FEBRUARY 12, 2023</b>
<b>BALANCE AT MAY 7, 2023</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.

COSTCO WHOLESALE CORPORATION CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (amounts in millions) (unaudited)												
24 Weeks Ended February 18, 2024							36 Weeks Ended May 12, 2024					
Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interests
<b>BALANCE AT SEPTEMBER 3, 2023</b>												
<b>BALANCE AT SEPTEMBER 3, 2023</b>												
<b>BALANCE AT SEPTEMBER 3, 2023</b>												
Net income												
Foreign- currency translation adjustment and other, net												
Stock-based compensation												
Release of vested restricted stock units (RSUs), including tax effects												

Release of  
vested RSUs,  
including tax  
effects

Repurchases  
of common  
stock

Cash  
dividends  
declared and  
other

**BALANCE AT**  
**FEBRUARY 18,**  
**2024**

**BALANCE AT**  
**MAY 12, 2024**

24 Weeks Ended February 12, 2023					36 Weeks Ended May 7, 2023									
Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Costco Stockholders' Equity	Noncontrolling Interests	Total Equity	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Costco Stockholders' Equity	Noncontrolling Interests	Total Eq	
BALANCE AT AUGUST 28, 2022														
BALANCE AT AUGUST 28, 2022														
BALANCE AT AUGUST 28, 2022														
Net income														
Foreign- currency translation adjustment and other, net														
Stock-based compensation														
Release of vested RSUs, including tax effects														
Repurchases of common stock														
Cash dividends declared														
<b>BALANCE AT</b> <b>FEBRUARY 12,</b> <b>2023</b>														
<b>BALANCE AT</b> <b>MAY 7, 2023</b>														

**COSTCO WHOLESALE CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(amounts in millions) (unaudited)

	24 Weeks Ended	
	February 18, 2024	February 12, 2023
	36 Weeks Ended	
	May 12, 2024	May 7, 2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income		
Net income		
Net income		
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		
Depreciation and amortization		
Depreciation and amortization		
Non-cash lease expense		
Stock-based compensation		
Impairment of assets and other non-cash operating activities, net		
Changes in operating assets and liabilities:		
Merchandise inventories		
Merchandise inventories		
Merchandise inventories		
Accounts payable		
Other operating assets and liabilities, net		
Net cash provided by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of short-term investments		
Purchases of short-term investments		
Purchases of short-term investments		
Maturities of short-term investments		
Additions to property and equipment		
Other investing activities, net		
Net cash used in investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of short-term borrowings		
Repayments of short-term borrowings		
Repayments of short-term borrowings		
Proceeds from short-term borrowings		
Repayments of long-term debt		
Proceeds from issuance of long-term debt		
Tax withholdings on stock-based awards		

Repurchases of common stock
Cash dividend payments
Financing lease payments
Other financing activities, net
Net cash used in financing activities
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>
Net increase in cash and cash equivalents
Net change in cash and cash equivalents
<b>CASH AND CASH EQUIVALENTS BEGINNING OF YEAR</b>
<b>CASH AND CASH EQUIVALENTS END OF PERIOD</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>
Cash paid during the first half of the year for:
Cash paid during the first half of the year for:
Cash paid during the first half of the year for:
Cash paid during the first thirty-six weeks of the year for:
Cash paid during the first thirty-six weeks of the year for:
Cash paid during the first thirty-six weeks of the year for:
Interest
Interest
Interest
Income taxes, net
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:</b>
Cash dividend declared, but not yet paid
Cash dividend declared, but not yet paid
Cash dividend declared, but not yet paid
Financing lease assets obtained in exchange for new or modified leases
Operating lease assets obtained in exchange for new or modified leases
Capital expenditures included in liabilities

The accompanying notes are an integral part of these condensed consolidated financial statements.

**COSTCO WHOLESALE CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(amounts in millions, except share, per share, and warehouse count data)  
(unaudited)

**Note 1—Summary of Significant Accounting Policies**

*Description of Business*

Costco Wholesale Corporation (Costco or the Company), a Washington corporation, and its subsidiaries operate membership warehouses based on the concept that offering members low prices on a limited selection of nationally-branded and private-label products in a wide range of merchandise categories will produce high sales volumes and rapid inventory turnover. At **February 18, 2024** **May 12, 2024**, Costco operated **874** **876** warehouses worldwide: **602** **604** in the United States (U.S.) located in 47 states, Washington, D.C., and Puerto Rico, 108 in Canada, 40 in Mexico, 33 in Japan, 29 in the United Kingdom (U.K.), 18 in Korea, 15 in Australia, 14 in Taiwan, six in China, four in Spain, two in France, and one each in Iceland, New Zealand, and Sweden. The Company operates e-commerce **websites** **sites** in the U.S., Canada, the U.K., Mexico, Korea, Taiwan, Japan, and Australia.

*Basis of Presentation*

The condensed consolidated financial statements include the accounts of Costco and its wholly-owned subsidiaries. All material inter-company transactions among the Company and its consolidated subsidiaries have been eliminated in consolidation.

These unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q for interim financial reporting pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). While these statements reflect all normal recurring adjustments that are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles (U.S. GAAP) for complete financial statements. Therefore, the interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended September 3, 2023.

#### Fiscal Year End

The Company operates on a 52/53 week fiscal year basis, with the fiscal year ending on the Sunday closest to August 31. Fiscal 2024 is a 52-week year ending on September 1, 2024. References to the **second** **third** quarter of 2024 and 2023 relate to the 12-week fiscal quarters ended **February 18, 2024** **May 12, 2024**, and **February 12, 2023** **May 7, 2023**. References to the first **half** **thirty-six weeks** of 2024 and 2023 relate to the **24** **36 weeks** ended **February 18, 2024** **May 12, 2024**, and **February 12, 2023** **May 7, 2023**.

#### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions take into account historical and forward-looking factors that the Company believes are reasonable. Actual results could differ from those estimates and assumptions.

#### Reclassification

Reclassifications were made to the condensed consolidated statement of cash flows for the first **half** **thirty-six weeks** of fiscal 2023 to conform with current year presentation.

#### Recent Accounting Pronouncements Not Yet Adopted

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-07, which is intended to improve reportable segment disclosure requirements, primarily through additional disclosures about significant segment expenses. The standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements. **The Company is evaluating the new standard.**

In December 2023, the FASB issued ASU 2023-09, which focuses on income tax disclosures by requiring public business entities, on an annual basis, to disclose specific categories in the rate reconciliation, provide information for reconciling items that meet a quantitative threshold, and certain information about income taxes paid. The standard is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The amendments should be applied on a prospective basis. Retrospective application is permitted.

The Company is evaluating **the new standard**, **both standards**.

#### Note 2—Investments

The Company's investments were as follows:

	Cost	Unrealized	Recorded
	Basis	Losses, Net	Basis
<b>February 18, 2024:</b>			
	Cost	Unrealized	Recorded
<b>May 12, 2024:</b>			
	Basis	Losses, Net	Basis
Available-for-sale:			
Government and agency securities			
Government and agency securities			
Government and agency securities			
Held-to-maturity:			
Held-to-maturity:			
Held-to-maturity:			
Certificates of deposit			
Certificates of deposit			
Certificates of deposit			
Total short-term investments			
Total short-term investments			
Total short-term investments			

	Cost Basis	Unrealized Losses, Net	Recorded Basis
<b>September 3, 2023:</b>			
Available-for-sale:			
Government and agency securities	\$ 650	\$ (17)	\$ 633
Held-to-maturity:			
Certificates of deposit	901	—	901
Total short-term investments	\$ 1,551	\$ (17)	\$ 1,534

Gross **unrecognized unrealized** holding gains and losses on available-for-sale securities were not material for the periods ended **February 18, 2024** **May 12, 2024**, or September 3, 2023. At those dates, there were no available-for-sale securities in a material continuous unrealized-loss position. There were no sales of available-for-sale securities during the first **half thirty-six weeks** of 2024 or 2023.

The maturities of available-for-sale and held-to-maturity securities at **February 18, 2024** **May 12, 2024**, are as follows:

	Available-For-Sale	Held-To-Maturity	Available-For-Sale	Held-To-Maturity
Due in one year or less				
Due in one year or less				
Due in one year or less				
Due after one year through five years				
Due after five years				
Total				

### Note 3—Fair Value Measurement

#### Assets and Liabilities Measured at Fair Value on a Recurring Basis

The table below presents information regarding the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis and indicates the level within the hierarchy reflecting the valuation techniques utilized.

	Level 2	
	February 18, 2024	September 3, 2023
Investment in government and agency securities <sup>(1)</sup>		
Forward foreign-exchange contracts, in asset position <sup>(2) (1)</sup>		
Forward foreign-exchange contracts, in (liability) position <sup>(2) (1)</sup>		
Total		

(1) At **February 18, 2024**, \$4 cash and cash equivalents and \$665 short-term investments are included in the accompanying condensed consolidated balance sheets.

(2) The asset and liability values are included in other current assets and other current liabilities, respectively, in the accompanying condensed consolidated balance sheets.

At **February 18, 2024** **May 12, 2024**, and September 3, 2023, the Company did not hold any Level 1 or 3 financial assets or liabilities that were measured at fair value on a recurring basis. There were no transfers between levels during the first **half thirty-six weeks** of 2024 or 2023.

#### Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Assets and liabilities recognized and disclosed at fair value on a nonrecurring basis include items such as financial assets measured at amortized cost and long-lived nonfinancial assets. These assets are measured at fair value if determined to be impaired. There were no material fair value adjustments to these items during the first **half thirty-six weeks** of 2024. During the first and third quarter of 2023, the Company recognized in merchandise costs **a charge** **charges** of \$93 and \$298, primarily related to the impairment of certain leased assets associated with charter shipping activities, now discontinued.

### Note 4—Debt

The carrying value of the Company's long-term debt consisted of the following:

	February 18, 2024	September 3, 2023

	May 12, 2024	September 3, 2023
2.750% Senior Notes due May 2024		
3.000% Senior Notes due May 2027		
1.375% Senior Notes due June 2027		
1.600% Senior Notes due April 2030		
1.750% Senior Notes due April 2032		
Other long-term debt		
Total long-term debt		
Less unamortized debt discounts and issuance costs		
Less current portion <sup>(1)</sup>		
Long-term debt, excluding current portion		

(1) Net of unamortized debt discounts and issuance costs.

The fair value of the Senior Notes is estimated using Level 2 inputs. Other long-term debt consists of Guaranteed Senior Notes issued by the Company's Japan subsidiary, valued using Level 3 inputs. In November 2023, the Company's Japan subsidiary issued four Guaranteed Senior Notes, totaling approximately \$500, at fixed interest rates ranging from 1.400% to 2.120%. Interest is payable semi-annually, and maturity dates range from November 7, 2033, to November 7, 2043. The fair value of the Company's long-term debt, including the current portion, was approximately **\$6,306** **\$6,252** and \$5,738 at **February 18, 2024** **May 12, 2024**, and September 3, 2023.

Subsequent to the end of the quarter on May 18, 2024, the Company paid the outstanding principal balance and interest on the 2.750% Senior Notes using cash and cash equivalents and short-term investments.

#### Note 5—Equity

##### Dividends

A quarterly cash dividend of **\$1.02** **\$1.16** per share was declared on **January 18, 2024** **April 10, 2024**, and paid on **February 16, 2024** **May 10, 2024**. The dividend was **\$0.90** **\$1.02** per share in the **second** **third** quarter of 2023. On January 12, 2024, an aggregate payment of approximately \$6,655 was made in connection with a special **cash** dividend of \$15.00 per share, declared on December 13, 2023.

##### Stock Repurchase Programs

The Company's stock repurchase program is conducted under a \$4,000 authorization by the Board of Directors, which expires in January 2027. At **February 18, 2024** **May 12, 2024**, the remaining amount available under the program was **\$3,241** **\$3,079**. The following table summarizes the repurchase activity:

	Shares Repurchased (000s)	Average Price per Share	Total Cost
Second quarter of 2024	240	\$ 664.02	\$ 160
First half of 2024	528	\$ 609.51	\$ 322
Second quarter of 2023	294	\$ 488.30	\$ 144
First half of 2023	579	\$ 492.06	\$ 285

	Shares Repurchased (000s)	Average Price per Share	Total Cost
Third quarter of 2024	221	\$ 733.23	\$ 162
First thirty-six weeks of 2024	749	\$ 646.07	\$ 484
Third quarter of 2023	329	\$ 492.71	\$ 162
First thirty-six weeks of 2023	908	\$ 492.30	\$ 447

These amounts may differ from the accompanying condensed consolidated statements of cash flows due to changes in unsettled stock repurchases at the end of each quarter. Purchases are made from time to time, as conditions warrant, in the open market or in block purchases and pursuant to plans under SEC Rule 10b5-1.

#### Note 6—Stock-Based Compensation

The 2019 Incentive Plan authorized the issuance of up to a maximum of 15,885,000 RSUs. To preserve the value of outstanding awards, the number of RSUs that may be granted under this Plan is subject to adjustments from changes in capital structure. The Company issues new shares of common stock upon vesting of RSUs. Shares for vested RSUs are

generally delivered to participants annually, net of shares withheld for taxes.

As required by the 2019 Incentive Plan, in conjunction with the 2024 special cash dividend, the number of shares subject to outstanding RSUs was increased on the dividend record date to preserve their value. They were adjusted by multiplying the number of outstanding shares by a factor of 1.018, representing the ratio of the Nasdaq closing price of \$674.62 on December 26, 2023, which was the last trading day immediately prior to the ex-dividend date, to the Nasdaq opening price of \$662.70 on the ex-dividend date, December 27, 2023. The outstanding RSUs increased by approximately 52,000. The adjustment did not result in additional stock-based compensation expense, as the fair value of the awards did not change. As further required by the 2019 Incentive Plan, the maximum number of shares issuable under the plan was proportionally adjusted, which resulted in an additional 128,000 RSU shares available to be granted.

#### Summary of Restricted Stock Unit Activity

At **February 18, 2024** **May 12, 2024**, **7,249,000** **7,255,000** shares were available to be granted as RSUs, and the following awards, adjusted for the effects of the special dividend, were outstanding:

- **2,749,000** **2,665,000** time-based RSUs, which vest upon continued employment over specified periods and accelerate upon achievement of a long-service term;
- 70,000 performance-based RSUs granted to executive officers of the Company, for which the performance targets have been met. The awards vest upon continued employment over specified periods of time and upon achievement of a long-service term; and
- **91,000** **95,000** performance-based RSUs granted to executive officers of the Company, subject to achievement of performance targets for 2024, as determined by the Compensation Committee of the Board of Directors after the end of the fiscal year. These awards are included in the table below. The Company recognized compensation expense for these awards in the **second** **third** quarter of 2024, as it is currently deemed probable that the targets will be achieved.

The following table summarizes RSU transactions during the first **half** **thirty-six** weeks of 2024:

	Number of Units (in 000s)	Number of Units (in 000s)	Weighted-Average Grant Date Fair Value	Number of Units (in 000s)	Weighted-Average Grant Date Fair Value
Outstanding at September 3, 2023					
Granted					
Vested and delivered					
Forfeited					
Special cash dividend		52	N/A		
Outstanding at February 18, 2024		52	N/A		
Special dividend					
Outstanding at May 12, 2024					

The remaining unrecognized compensation cost related to RSUs unvested at **February 18, 2024** **May 12, 2024**, was **\$1,098**, **\$990**, and the weighted-average period over which this cost will be recognized is **1.8** **1.7** years.

#### Summary of Stock-Based Compensation

The following table summarizes stock-based compensation expense and the related tax benefits:

	12 Weeks Ended February 18, 2024	12 Weeks Ended February 12, 2023	24 Weeks Ended February 18, 2024	24 Weeks Ended February 12, 2023	12 Weeks Ended	36 Weeks Ended
Stock-based compensation expense						
Less recognized income tax benefits						
Stock-based compensation expense, net						

#### Note 7—Net Income per Common and Common Equivalent Share

The following table shows the amounts used in computing net income per share and the weighted average number of shares of basic and of potentially dilutive common shares outstanding (shares in 000s):


	12 Weeks Ended		24 Weeks Ended	
	February 18, 2024	February 12, 2023	February 18, 2024	February 12, 2023
	\$ 1,743	\$ 1,466	\$ 3,332	\$ 2,830
Net income	443,892	443,877	443,859	443,857
Weighted average basic shares	862	598	720	646
RSUs	444,754	444,475	444,579	444,503
Weighted average diluted shares	—	6	—	—
Anti-dilutive RSUs	—	—	—	—

Anti-dilutive shares are excluded from the calculation of diluted shares and earnings per diluted share because their impact would increase earnings per diluted shares.

	12 Weeks Ended		36 Weeks Ended	
	May 12, 2024	May 7, 2023	May 12, 2024	May 7, 2023
	\$ 1,681	\$ 1,302	\$ 5,013	\$ 4,132
Net income	443,892	443,814	443,870	443,843
Weighted average basic shares	936	546	792	612
RSUs	444,828	444,360	444,662	444,455
Weighted average diluted shares	—	—	—	—

Basic earnings per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is calculated based on the dilutive effect of RSUs using the treasury stock method.

#### Note 8—Commitments and Contingencies

##### Legal Proceedings

The Company is involved in many claims, proceedings and litigations arising from its business and property ownership. In accordance with applicable accounting guidance, the Company establishes an accrual for legal proceedings if and when those matters present loss contingencies that are both probable and reasonably estimable. There may be losses in excess of amounts accrued. The Company monitors those matters for developments that would affect the likelihood of a loss (taking into account where applicable indemnification arrangements concerning suppliers and insurers) and the accrued amount, if any, thereof, and adjusts the amount as appropriate. The Company has recorded immaterial accruals with respect to certain matters described below, in addition to other immaterial accruals for matters not described below. If the loss contingency at issue is not both probable and reasonably estimable, the Company does not establish an accrual, but monitors for developments that make the contingency both probable and reasonably estimable. In each case, there is a reasonable possibility that a loss may be incurred, including a loss in excess of the applicable accrual. For matters where no accrual has been recorded, the possible loss or range of loss (including any loss in excess of the accrual) cannot, in the Company's view, be reasonably estimated because, among other things: the remedies or penalties sought are indeterminate or unspecified; the legal and/or factual theories are not well developed; and/or the matters involve complex or novel legal theories or a large number of parties.

In November 2023, a former employee filed a class action against the Company alleging claims under California law for failure to pay minimum wage, failure to pay overtime, failure to provide meal and rest breaks, failure to provide accurate wage statements, failure to reimburse expenses, failure to pay wages when due, and failure to pay sick pay. *Martin Reyes v. Costco Wholesale Corporation*,<sup>1</sup> Sacramento County Superior Court (Case No. 23cv011351), removed to federal court, Case No. 2:24-cv-00300 (E.D. Cal.). An amended complaint was filed, which the Company has been moved to dismiss. In January 2024, the same plaintiff filed a related Private Attorneys General Act (PAGA) representative action, seeking civil penalties and asserting the same alleged underlying Labor Code violations and an additional suitable seating claim. In May 2024, the plaintiff filed an amended PAGA complaint, as to which the Company has yet to respond.<sup>2</sup> not responded.

In October 2023, current and former employees filed suit against the Company asserting collective and class claims on behalf of all "Junior Managers" under the Fair Labor Standards Act and New York Labor Law, for failure to pay overtime compensation and for inaccurate wage statements under New York law.

*Lock et al. v. Costco Wholesale Corp.* (Case No. 2:23-cv-07904; E.D.N.Y.). On February 1, 2024, the

Company served a motion to dismiss the inaccurate wage-statement claim. On April 5, 2024, plaintiffs filed a motion for conditional certification under the Act, which the Company has opposed.<sup>3</sup>

In October 2023, a current employee filed suit against the Company asserting collective and class claims on behalf of all "supervisors" employed in New Jersey, under the Fair Labor Standards Act and New Jersey Wage and Hour Law for failure to pay all hours worked. *Shah v. Costco Wholesale Corp.* (Case No. 2:23-cv-21286; D.N.J.). On December 26,

2023, the Company filed its answer, denying all claims.

In July 2021, a former temporary staffing employee filed a class action against the Company and a staffing company, alleging violations of the California Labor Code regarding payment of wages, meal and rest periods, wage statements, the timeliness of wages and final wages, and for unfair business practices. *Dimas v. Costco Wholesale Corp.* (Case No. STK-CV-UOE-2021-0006024; San Joaquin Superior Court). The Company has moved to compel arbitration of the plaintiff's individual claims and to dismiss the class action complaint. On September 7, 2021, the same plaintiff filed a separate representative action under the California Private Attorneys General Act, asserting the same Labor Code violations and seeking civil penalties and attorneys' fees. The case has been stayed pending arbitration of the plaintiff's individual claims.

In May 2022, an employee filed an action under the California Private Attorneys General Act against the Company, alleging claims under the California Labor Code regarding the payment of wages, meal and rest periods, the timeliness of wages and final wages, wage statements, accurate records and business expenses. *Gonzalez v. Costco Wholesale Corp.* (Case No. 22AHCV00255; Los Angeles Superior Court). The Company filed an answer denying the allegations. On October 31, 2023, a settlement was reached for an immaterial amount. A hearing on preliminary approval of the settlement is scheduled for April 23, 2024. June 2024.

Beginning in December 2017, the United States Judicial Panel on Multidistrict Litigation consolidated numerous cases concerning the impacts of opioid abuses filed against various defendants by counties, cities, hospitals, Native American tribes, third-party payors, and others. *In re National Prescription Opiate Litigation* (MDL No. 2804) (N.D. Ohio). Included are cases filed against the Company by counties and cities in Michigan, New Jersey, Oregon, Virginia and South Carolina, a third-party payor in Ohio, and a hospital in Texas, class actions filed on behalf of infants born with opioid-related medical conditions in 40 states, and class actions and individual actions filed on behalf of individuals seeking to recover alleged increased insurance costs associated with opioid abuse in 43 states and American Samoa. Claims against the Company filed in federal court outside the MDL have been asserted by certain counties and cities in Florida and Georgia; claims filed by certain cities and counties in New York are pending in state court. Claims against the Company in state courts in New Jersey, Oklahoma, Utah, and Arizona have been dismissed. The Company is defending all of the pending matters.

Members of the Board of Directors, six corporate officers and the Company were defendants in a shareholder derivative action filed in June 2022 related to chicken welfare and alleged breaches of fiduciary duties. *Smith, et al. v. Vachris, et al.*, Superior Court of the State of Washington, County of King, No. 22-2-08937-7SEA. The complaint sought from the individual defendants' damages, injunctive relief, costs, and attorneys' fees. On March 28, 2023, the court granted the defendants' motion to dismiss the action. The plaintiffs subsequently made a demand that the Board of Directors take various actions, including among other things, pursuing claims against directors and officers of the type asserted in the litigation. A demand review committee of the Board has been appointed to make a recommendation to the Board as to the demand.

In February 2023, Go Green Norcal, LLC filed an arbitration demand against On April 10, 2024, the Company. The demand alleged a breach of a supply agreement and sought unspecified damages and cancellation of a loan from the Company. In March 2023, the Company filed its answer, denying any breach by the Company, along with counterclaims against Go Green and an affiliate for breach of contract, negligent misrepresentation, and an accounting. In August 2023 the plaintiff asserted that its damages exceed \$70 million. An award committee recommended to the plaintiffs of an immaterial amount was paid in February 2024.

Between September 25, 2023, Board that the demand be refused. The Board accepted the recommendation and October 31, 2023, five class action suits were filed against unanimously determined to refuse the Company alleging various privacy law violations stemming from pixel trackers on Costco.com. *Birdwell v. Costco Wholesale Corp.*, Case No. T23-1405, Contra Costa County Superior Court; and *Scott v. Costco Wholesale Corp.*, Case No. 2:23-cv-08808 (C.D. Cal.), now consolidated with *R.S. v. Costco Wholesale Corp.*, Case No. 2:23-cv-01628 (W.D. Wash.); *Groves, et al. v. Costco Wholesale Corp.*, Case No. 2:23-cv-01662 (W.D. Wash.) and *Castillo v. Costco Wholesale Corp.*, under Case No. 2:34-cv-01548 (W.D. Wash.). The Castillo plaintiffs filed a consolidated complaint on January 26, 2024, which seeks damages, equitable relief and attorneys' fees under various statutes, including the Washington Consumer Protection Act, Washington Privacy Act, Washington Uniform Health Care Information Act, Electronic Communications Privacy Act, California Invasion of Privacy Act, and California Confidentiality of Medical Information Act. The consolidated complaint also alleges breach of implied contract, invasion of privacy, conversion and unjust enrichment. The Company filed a motion to dismiss and demurrer in *Birdwell* and has not responded to the *Castillo* consolidated complaint. On January 2, 2024, the Company received a related civil investigative demand from the Washington Attorney General's office. On January 3, 2024, the Company received a related pre-litigation letter from the Los Angeles Office of the County Counsel. demand.

In October 2021 the Company received a notice that the Quebec Health Insurance Board had commenced an inquiry to determine whether the Company had given or received improper payments for drugs that are covered by the province's prescription drug program from drug wholesalers, generic drug manufacturers or the independent pharmacist who owns and operates the pharmacies located in the Company's Quebec locations. The inquiry covers a period beginning January 1, 2017.

The Company is a named defendant in four bodily injury actions relating to its sale of Real Water, an alkalized water previously sold at the Company and other retailers. *Kaveh et al. v. Costco Wholesale Corp. et al.*, Case No. A23-864391-B, District Court, Clark County, NV *Wei, et al. v. Costco Wholesale Corp. et al.* Case No. A-22-856147-B, District Court, Clark County, NV *Henry et al. v. Costco Wholesale Corp. et al.*, Case No. A21844176-B, District Court, Clark County, NV *Lampman et al. vs. Costco Wholesale Corp. et al.* Case No. A-23-868638-C, District Court, Clark County, NV. The plaintiffs allegedly sustained liver or other bodily damage as a result of consuming the product, and seek compensatory and punitive damages from all defendants, which include the manufacturer, distributors, testing equipment makers and retailers. The case is set for trial March 17, 2025. *Wei* and *Henry* have been consolidated with *Brown et al. vs. AffinityLifestyles.com, Inc., et al.*, Case No. A-21-831776-B, District Court, Clark County, NV. The Company is not a named defendant in *Brown*. *Wei/Henry/Brown* is set for trial starting October 7, 2024. *Lampman* does not have a trial date.

In February 2023, Go Green Norcal, LLC filed an arbitration demand against the Company. The demand alleged a breach of a supply agreement and sought unspecified damages and cancellation of a loan from the Company. In March 2023, the Company filed its answer, denying any breach by the Company, along with counterclaims against Go Green and

an affiliate for breach of contract, negligent misrepresentation, and an accounting. An award to the plaintiffs of an immaterial amount was paid in February 2024.

Between September 25, 2023, and October 31, 2023, five class action suits were filed against the Company alleging various privacy law violations stemming from pixel trackers on Costco.com: Birdwell v. Costco Wholesale Corp., Case No. T23-1405, Contra Costa County Superior Court; and Scott v. Costco Wholesale Corp., Case No. 2:23-cv-08808 (C.D. Cal.), now consolidated with R.S. v. Costco Wholesale Corp., Case No. 2:23-cv-01628 (W.D. Wash.); Groves, et al. v. Costco Wholesale Corp., Case No. 2:23-cv-01662 (W.D. Wash.), and Castillo v. Costco Wholesale Corp., under Case No. 2:34-cv-01548 (W.D. Wash.). The Castillo plaintiffs filed a consolidated complaint on January 26, 2024, which seeks damages, equitable relief and attorneys' fees under various statutes, including the Washington Consumer Protection Act, Washington Privacy Act, Washington Uniform Health Care Information Act, Electronic Communications Privacy Act, California Invasion of Privacy Act, and California Confidentiality of Medical Information Act. The consolidated complaint also alleges breach of implied contract, invasion of privacy, conversion, and unjust enrichment. The Company filed a motion to dismiss the Castillo complaint on March 11, 2024. In Birdwell, the Company filed a motion to dismiss and demurrer on January 22, 2024. On May 5, 2024, the Birdwell Court granted the demurrer with leave to amend and requested additional briefing on whether the case should be stayed in favor of Castillo. On May 16, 2024, the parties stipulated to stay Birdwell pending resolution of Castillo. On January 2, 2024, the Company received a related civil investigative demand from the Washington Attorney General's Office. On January 3, 2024, the Company received a related pre-litigation letter from the Los Angeles Office of the County Counsel. The Company is in the process of responding to both.

In January 2023 the Company received a Civil Investigative Demand from the U.S. Attorney's Office, Western District of Washington, requesting documents. The government is conducting a False Claims Act investigation concerning whether the Company presented or caused to be presented to the federal government for payment false claims relating to prescription medications.

In May 2024 the Company received a Notice of Intent to File Administrative Complaint for Violations of the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) from the U.S. Environmental Protection Agency. The EPA is seeking administrative fines for importation, sale and distribution of misbranded devices and unregistered products the government asserts are pesticides under FIFRA.

The Company does not believe that any pending claim, proceeding or litigation, either alone or in the aggregate, will have a material adverse effect on the Company's financial position, results of operations or cash flows; it is possible that an unfavorable outcome of some or all of the matters, however unlikely, could result in a charge that might be material to the results of an individual fiscal quarter or year.

#### Note 9—Segment Reporting

The Company is principally engaged in the operation of membership warehouses through wholly owned subsidiaries in the U.S., Canada, Mexico, Japan, the U.K., Korea, Australia, Taiwan, China, Spain, France, Iceland, New Zealand, and Sweden. Reportable segments are largely based on management's organization of the operating segments for operational decisions and assessments of financial performance, which consider geographic locations. The material accounting policies of the segments are as described in the notes to the consolidated financial statements included in the Company's Annual Report filed on Form 10-K for the fiscal year ended September 3, 2023, and [Note 1](#) above. Inter-segment net sales and expenses have been eliminated in calculating total revenue and operating income.

The following table provides information for the Company's reportable segments:

	United States	United States	Canada	Other International	Total	United States	Canada	Other International	Total
<b><u>12 Weeks Ended February 18, 2024</u></b>									
<b><u>12 Weeks Ended May 12, 2024</u></b>									
Total revenue									
Total revenue									
Total revenue									
Operating income									
<b><u>12 Weeks Ended February 12, 2023</u></b>									
<b><u>12 Weeks Ended May 7, 2023</u></b>									
Total revenue									
Total revenue									
Total revenue									
Operating income									
<b><u>24 Weeks Ended February 18, 2024</u></b>									
<b><u>36 Weeks Ended May 12, 2024</u></b>									
Total revenue									
Total revenue									
Total revenue									
Operating income									
<b><u>24 Weeks Ended February 12, 2023</u></b>									
<b><u>24 Weeks Ended February 12, 2023</u></b>									

<u>24 Weeks Ended February 12, 2023</u>
<u>36 Weeks Ended May 7, 2023</u>
<u>36 Weeks Ended May 7, 2023</u>
<u>36 Weeks Ended May 7, 2023</u>
Total revenue
Total revenue
Total revenue
Operating income

<u>53 Weeks Ended September 3, 2023</u>
<u>53 Weeks Ended September 3, 2023</u>
<u>53 Weeks Ended September 3, 2023</u>

Total revenue
Total revenue
Total revenue
Operating income

#### Disaggregated Revenue

The following table summarizes net sales by merchandise category; sales from e-commerce ~~websites~~ sites and business centers have been allocated to the applicable merchandise categories:

	12 Weeks Ended February 18, 2024	12 Weeks Ended February 12, 2023	24 Weeks Ended February 18, 2024	24 Weeks Ended February 12, 2023	12 Weeks Ended	36 Weeks Ended
Foods and Sundries	May 12, 2024	May 7, 2023	May 12, 2024	May 7, 2023		
Non-Foods						
Fresh Foods						
Warehouse Ancillary and Other Businesses						
Total net sales						

#### Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations

(amounts in millions, except per share, share, percentages and warehouse count data)

#### FORWARD-LOOKING STATEMENTS

Certain statements contained in this document constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For these purposes, forward-looking statements are statements that address activities, events, conditions or developments that the Company expects or anticipates may occur in the future and may relate to such matters as net sales growth, changes in comparable sales, cannibalization of existing locations by new openings, price or fee changes, earnings performance, earnings per share, stock-based compensation expense, warehouse openings and closures, capital spending, the effect of adopting certain accounting standards, future financial reporting, financing, margins, return on invested capital, strategic direction, expense controls, membership renewal rates, shopping frequency, litigation, and the demand for our products and services. In some cases, forward-looking statements can be identified because they contain words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "likely," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "target," "will," "would," or similar expressions and the negatives of those terms. Such forward-looking statements involve risks and uncertainties that may cause actual events, results or performance to differ materially from those indicated by such statements. These risks and uncertainties include, but are not limited to, domestic and international economic conditions, including exchange rates, inflation or deflation, the effects of competition and regulation, uncertainties in the financial markets, consumer and small business spending patterns and debt levels, breaches of security or privacy of member or business information, conditions affecting the acquisition, development, ownership or use of real estate, capital spending, actions of vendors, rising costs associated with employees (generally including health-care ~~costs~~ costs and wages), energy and certain commodities, geopolitical conditions (including ~~tariffs and the Ukraine conflict~~ tariffs), the ability to maintain effective internal control over financial reporting, regulatory and other impacts related to climate change, public-health related factors, and other risks identified from time to time in the Company's public statements and reports filed with the Securities and Exchange Commission. Forward-looking statements speak only as of the date they are made, and the Company does not undertake to update these statements, except as required by law.

#### OVERVIEW

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to promote understanding of the results of operations and financial condition. MD&A is provided as a supplement to, and should be read in conjunction with, our condensed consolidated financial statements and the accompanying Notes to Financial Statements (Part I, Item 1 of this Form 10-Q), as well as our consolidated financial statements, the accompanying Notes to Financial Statements, and the related Management's

Discussion and Analysis of Financial Condition and Results of Operations in our fiscal year 2023 Form 10-K, filed with the United States Securities and Exchange Commission on October 11, 2023.

We operate membership warehouses and e-commerce websites sites based on the concept that offering members low prices on a limited selection of quality nationally-branded and private-label products in a wide range of categories will produce high sales volumes and rapid inventory turnover. When combined with the operating efficiencies achieved by volume purchasing, efficient distribution and reduced handling of merchandise in no-frills, self-service warehouse facilities, these volumes and turnover enable us to operate profitably at significantly lower gross margins (net sales less merchandise costs) than most other retailers. We often sell inventory before we are required to pay for it, even while taking advantage of early payment discounts.

We believe that the most important driver of our profitability is increasing net sales, particularly comparable sales. Net sales includes our core merchandise categories (foods and sundries, non-foods, and fresh foods), warehouse ancillary (gasoline, pharmacy, optical, food court, hearing aids, and tire installation) and other businesses (e-commerce, business centers, travel, and other). Comparable sales is

defined as net sales from warehouses open for more than one year, including remodels, relocations and expansions, and sales related to e-commerce websites sites operating for more than one year. The measure is intended as supplemental information and is not a substitute for net sales presented in accordance with U.S. GAAP and should be reviewed in conjunction with results reported in accordance with U.S. GAAP. Comparable sales growth is achieved through increasing shopping frequency from new and existing members and the amount they spend on each visit (average ticket). Sales comparisons can also be particularly influenced by certain factors that are beyond our control: fluctuations in currency exchange rates (with respect to our international operations); and inflation or deflation and changes in the cost of gasoline and associated competitive conditions. The higher our comparable sales exclusive of these items, the more we can leverage our selling general and administrative (SG&A) expenses, reducing them as a percentage of sales and enhancing profitability. Generating comparable sales growth is foremost a question of making available the right merchandise at the right prices, a skill that we believe we have repeatedly demonstrated over the long-term. Another substantial factor in net sales growth is the health of the economies in which we do business, including the effects of inflation or deflation, especially the United States. Net sales growth and gross margins are also impacted by our competition, which is vigorous and widespread, across a wide range of global, national and regional wholesalers and retailers, including those with e-commerce operations. While we cannot control or reliably predict general economic health or changes in competition, we believe that we have been successful historically in adapting our business to these changes, such as through adjustments to our pricing and merchandise mix, including increasing the penetration of our private-label items, and through online offerings.

Our philosophy is to provide our members with quality goods and services at competitive prices. We do not focus in the short-term on maximizing prices charged, but instead seek to maintain what we believe is a perception among our members of our "pricing authority" – consistently providing the most competitive values. Our investments in merchandise pricing may include reducing prices on merchandise to drive sales or meet competition and holding prices steady despite cost increases instead of passing the increases on to our members, all negatively impacting gross margin and gross margin in the near term as a percentage of net sales (gross margin percentage).

We believe our gasoline business enhances traffic in our warehouses; it generally has a lower gross margin percentage and lower SG&A expense relative to our non-gasoline businesses. A higher penetration of gasoline sales will generally lower our gross margin percentage. Generally, rising gasoline prices benefit net sales growth which, given the higher sales base, negatively impacts our gross margin percentage but decreases our SG&A expenses as a percentage of net sales. A decline in gasoline prices has the inverse effect.

Government actions in various countries relating to tariffs, particularly China and the United States, have affected the costs of some of our merchandise. The degree of our exposure is dependent on (among other things) the type of goods, rates imposed, and timing of the tariffs. Higher tariffs could adversely impact our results.

We also achieve net sales growth by opening new warehouses. As our warehouse base grows, available and desirable sites become more difficult to secure, and square footage growth becomes a comparatively less substantial component of growth. Negative aspects of such growth include lower initial operating profitability relative to existing warehouses and cannibalization of sales at existing warehouses when openings occur in existing markets. Our rate of square footage growth is generally higher in foreign markets, due to the smaller base in those markets, and we expect that to continue. Our e-commerce business, domestically and internationally, generally has a lower gross-margin percentage than our warehouse operations.

The membership format is an integral part of our business and has a significant effect on our profitability. This format is designed to reinforce member loyalty and provide continuing fee revenue. The extent to which we achieve growth in our membership base, increase the penetration of Executive memberships, and sustain high renewal rates materially influences our profitability. Our paid-membership growth rate may be adversely impacted when warehouse openings occur in existing markets as compared to new markets. Our worldwide

renewal rate may be adversely impacted by lower renewal rates in newer markets, which historically have been less than rates in mature markets.

Our financial performance depends heavily on controlling costs. While we believe that we have achieved successes in this area, some significant costs are partially outside our control, particularly health care and utility expenses. With respect to the compensation of our employees, our philosophy is not to seek to minimize their wages and benefits. Rather, we believe that achieving our longer-term objectives of reducing employee turnover, increasing productivity and enhancing employee satisfaction requires maintaining compensation levels that are better than the industry average for much of our workforce. This may cause us, for example, to absorb costs that other employers might seek to pass through to their workforces. Because our business operates on very low margins, modest changes in various items in the consolidated statements of income, particularly merchandise costs and SG&A expenses, can have substantial impacts on net income.

Our operating model is generally the same across our U.S., Canadian, and Other International operating segments (see [Note 9](#) to the consolidated financial statements included in Part I, Item 1, of this Report). Certain operations in the Other International segment have relatively higher rates of square footage growth, lower wage and benefit costs as a percentage of sales, less or no direct membership warehouse competition, or lack e-commerce or business delivery.

In discussions of our consolidated operating results, we refer to the impact of changes in foreign currencies relative to the U.S. dollar, which are differences between the foreign-exchange rates we use to convert the financial results of our international operations from local currencies into U.S. dollars. This impact of foreign-exchange rate changes is calculated based on the difference between the current and prior period's exchange rates. The impact of changes in gasoline prices on net sales is calculated based on the difference between the current and prior period's average price per gallon sold. Results expressed excluding the impacts of foreign exchange and gasoline prices are intended as supplemental information and are not a substitute for net sales presented in accordance with U.S. GAAP and should be reviewed in conjunction with results reported in accordance with U.S. GAAP.

Our fiscal year ends on the Sunday closest to August 31. References to the **second** third quarter of 2024 and 2023 relate to the 12-week fiscal quarters ended **February 18, 2024** **May 12, 2024**, and **February 12, 2023** **May 7, 2023**. References to the first **half** **thirty-six** weeks of 2024 and 2023 relate to the **24** **36** weeks ended **February 18, 2024** **May 12, 2024**, and **February 12, 2023** **May 7, 2023**. Certain percentages presented are calculated using actual results prior to rounding.

Highlights for the **second** **third** quarter of 2024 versus 2023 include:

- Net sales increased **6%** **9%** to **\$57,331**, **\$57,392**, driven by an increase in comparable sales and sales at **26** **24** net new warehouses opened since the end of the **second** **third** quarter of 2023;
- Membership fee revenue increased 8% to **\$1,111**, **\$1,123**, driven by new member sign-ups and upgrades to Executive **Membership**, and a higher renewal rate; **Membership**;
- Gross margin percentage increased **eight** **52** basis points, driven primarily by the absence of a charge of \$298, \$0.50 per diluted share, recorded in the third quarter of 2023 predominantly related to the discontinuation of our **warehouse** **ancillary** and other businesses and core merchandise categories, partially offset by an increase in **2%** **rewards**; **charter** **shipping** activities;
- SG&A expenses as a percentage of net sales increased **three** decreased **15** basis points, primarily due to increased costs in warehouse operations and other businesses, including the impact of wage increases in March and September 2023, partially offset by central operating costs; largely attributable to improved productivity;
- A quarterly cash dividend of **\$1.02** **\$1.16** per share was declared on **January 18, 2024** **April 10, 2024**, and paid on **February 16, 2024**. On **January 12, 2024**, an aggregate payment of approximately **\$6,655** was made in connection with a special cash dividend of **\$15.00** per share, declared on **December 13, 2023** **May 10, 2024**;
- Our effective tax rate was 22.1% and was positively impacted by a \$94 benefit, or \$0.21 per diluted share, related to the special cash dividend; and
- Net income was **\$1,743**, **\$3.92** **\$1,681**, **\$3.78** per diluted share, compared to **\$1,466**, **\$3.30** **\$1,302**, **\$2.93** per diluted share in 2023.

## RESULTS OF OPERATIONS

### Net Sales

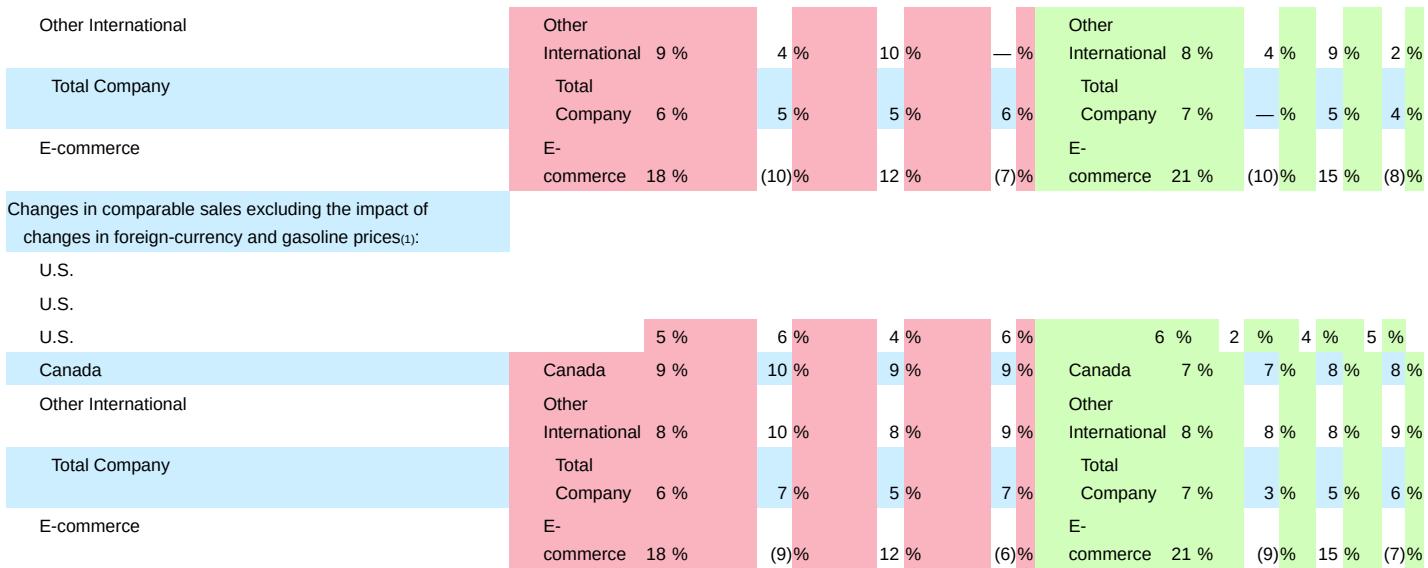
	12 Weeks Ended		12 Weeks Ended		24 Weeks Ended		12 Weeks Ended	36 Weeks Ended
	February	February	February	February	February	February 12, 2023		
	18, 2024	12, 2023	18, 2024	12, 2023	12, 2024	7, 2023		
Net Sales	May 12, 2024	May 7, 2023	May 12, 2024	May 7, 2023	May 12, 2024	May 7, 2023		
	2024	2023	2024	2023	2024	2023		

### Changes in net sales:

U.S.								
U.S.								
U.S.	4 %	7 %	4 %	9 %	9 %	1 %	6 %	6 %
Canada	8 %	4 %	8 %	4 %	Canada	10 %	— %	9 %
Other International	Other International	10 %	7 %	13 %	Other International	10 %	8 %	12 %
Total Company	Total Company	6 %	6 %	6 %	Total Company	9 %	2 %	7 %

### Changes in comparable sales<sup>(1)</sup>:

U.S.								
U.S.								
U.S.	4 %	6 %	3 %	8 %	6 %	— %	4 %	5 %
Canada	Canada	9 %	4 %	8 %	Canada	8 %	(1) %	8 %



(1) Comparable sales for the **second** third quarter and first **half** thirty-six weeks of 2024 were calculated using comparable retail weeks.

#### Net Sales

**Net** The improvement in net sales increased \$3,092 or 6%, and \$6,372 or 6% during for the **second** third quarter and first **half** thirty-six weeks of 2024. The improvement 2024 was attributable to an increase in comparable sales of 6% and 5% in the second quarter and first half of 2024, and sales at the **26** 24 net new warehouses opened since the end of the **second** third quarter of 2023. Sales increased \$2,645, \$3,892 or **6%** 9% and \$5,566, \$9,458 or **6%** 7% in core merchandise categories during the **second** third quarter and first **half** thirty-six weeks of 2024, due to increases in all categories. Sales in warehouse ancillary and other businesses increased \$447, \$896 or **4%**, and \$806, or **4%** 8% during the **second** third quarter and first half of 2024, led by gasoline, and \$1,702 or 5% during the first thirty-six weeks of 2024, led by pharmacy.

During the third quarter of 2024, higher gasoline prices positively impacted net sales by \$149, 28 basis points, compared to 2023, with a 2% increase in the average price per gallon. Changes in foreign currencies relative to the U.S. dollar negatively impacted net sales by approximately \$108, 21 basis points, compared to the third quarter of 2023, primarily attributable to our Other International operations.

During the **second** quarter **first** thirty-six weeks of 2024, lower gasoline prices negatively impacted net sales by \$231, 43 \$423, 26 basis points, compared to 2023, with a **3%** 2% decrease in the average price per gallon. Changes in foreign currencies relative to the U.S. dollar positively impacted net sales by approximately \$94, 17 \$180, 11 basis points, compared to the **second** quarter of 2023, attributable to our Canadian and Other International operations.

During the **first** thirty-six weeks **half** of 2024, lower gasoline prices negatively impacted net sales by \$572, 53 basis points, compared to 2023, with a 4% decrease in the average price per gallon. Changes in foreign currencies relative to the U.S. dollar positively impacted net sales by approximately \$289, 27 basis points, compared to the **second** quarter of 2023, attributable to our Other International operations, partially offset by our Canadian operations.

#### Comparable Sales

Comparable sales increased 6% and 5% 7% in the **second** third quarter and first half of 2024 and were positively impacted by increased shopping frequency and a slightly higher average ticket. Comparable sales increased 5% in the first thirty-six weeks of 2024 and were positively impacted by increased shopping frequency, partially offset by a slight decrease in average ticket.

#### Membership Fees

	12 Weeks Ended		12 Weeks Ended		24 Weeks Ended		12 Weeks Ended		36 Weeks Ended	
	February 18, 2024		February 12, 2023		February 18, 2024		February 12, 2023			
	May 12, 2024		May 7, 2023		May 12, 2024		May 7, 2023			
Membership fees										
Membership fees increase	Membership fees increase	8 %	6 %	8 %	6 %	Membership fees increase	8 %	6 %	8 %	6 %
Total paid members (000s)										

Total cardholders (000s)

Membership fee revenue increased 8% in both the second and third quarter and first half of 2024, driven by new member sign-ups and upgrades to Executive Membership, and a higher renewal rate. At the end of the second and third quarter of 2024, our renewal rates were 92.9% in the U.S. and Canada and 93.0% worldwide. Renewal rates benefited from higher penetration of Executive members. Our renewal rate, which excludes affiliates of Business members, is a trailing calculation that captures renewals during the period seven to eighteen months prior to the reporting date.

We account for membership fee revenue on a deferred basis, recognized ratably over the one-year membership period.

### ***Gross Margin***

	12 Weeks Ended	12 Weeks Ended	24 Weeks Ended	12 Weeks Ended	36 Weeks Ended
	February 18, 2024	February 12, 2023	February 18, 2024	February 12, 2023	
	May 12, 2024	May 7, 2023	May 12, 2024	May 7, 2023	
Net sales					
Less merchandise costs					
Gross margin					
Gross margin percentage	Gross margin percentage 10.80 %	Gross margin percentage 10.72 %	Gross margin percentage 10.92 %	Gross margin percentage 10.67 %	Gross margin percentage 10.84 %
	10.32 %	10.89 %		10.55 %	

## Quarterly Results

Gross margin percentage increased **eight** 52 basis points. Excluding the impact of gasoline price **deflation** **inflation** on net sales, gross margin percentage was **10.76%** **10.86%**, an increase of **four** 54 basis points. The **four** 54 basis-point increase was positively impacted by: **six** 56 basis points due to the absence of a charge related to the discontinuation of our charter shipping activities that was recorded in the third quarter of 2023; **two** basis points due to core merchandise categories, and **two** basis points due to a LIFO benefit. This increase was partially offset by **five** basis points due to warehouse ancillary and other businesses, primarily e-commerce; **three** basis points due to a LIFO benefit; and **two** basis points due to core merchandise categories. This increase was predominantly **gasoline**, partially offset by **seven** e-commerce, and **one** basis **points** point due to increased 2% rewards.

The gross margin in core merchandise categories, when expressed as a percentage of core merchandise sales (rather than total net sales), increased 25 basis points. The increase was primarily due to non-foods, and foods and sundries, partially offset by fresh foods. This measure eliminates the impact of changes in sales penetration and gross margin from our warehouse ancillary and other businesses.

Gross margin percentage on a segment basis, when expressed as a percentage of the segment's own sales and excluding the impact of changes in gasoline prices on net sales (segment gross margin percentage), decreased increased in our U.S. and Canadian segments. Our U.S. segment performed similarly to the consolidated results above. Our Canadian segment gross margin increased primarily due to increases in

core merchandise categories, and increased 2% rewards, partially offset by warehouse ancillary and other businesses and a LIFO benefit. Gross margin increased in our Canadian segment, largely due to core merchandise categories. 2% rewards. Gross margin decreased in our Other International segment, primarily due to increased 2% rewards and warehouse ancillary and other businesses, partially offset by increases decreases in core merchandise categories.

categories and increased 2% rewards.

### *Year-to-date Results*

Gross margin percentage increased 25 basis points. Excluding the impact of gasoline price deflation on net sales, gross margin percentage was 10.86%, an increase of 19 basis points. The 19 basis-point increase was positively impacted by: 15 basis points due to the absence of charges related to the discontinuation of our charter shipping activities that were recorded in the first and third quarters of 2023; nine basis points due to warehouse ancillary and other business, primarily e-commerce; nine basis points due to the absence of a charge related to the discontinuation of our charter shipping activities that was recorded in the first quarter of 2023; and two basis points due to a LIFO benefit. This increase was partially offset by five basis points due to increased 2% rewards and two basis points due to rewards. Our core merchandise categories were flat.

The gross margin in core merchandise categories, when expressed as a percentage of core merchandise sales (rather than total net sales), increased 14 basis points. The increase was primarily due to non-foods, partially offset by fresh foods.

Segment gross margin percentage increased in our U.S. and Canadian segments. Our U.S. segment performed similarly to the consolidated results above. Our Canadian segment gross margin increased, **at a greater rate compared to our consolidated results**, primarily due to increases in core merchandise categories and warehouse ancillary and other businesses, partially offset by increased 2% rewards. Gross margin percentage was flat decreased in our Other International segment, **positively impacted by primarily due to decreases in core merchandise categories offset by and increased 2% rewards**.

#### Selling, General and Administrative Expenses

	12 Weeks Ended	12 Weeks Ended	24 Weeks Ended	12 Weeks Ended	36 Weeks Ended
	February	February	February	February	February
	18, 2024	12, 2023	18, 2024	February 12, 2024	February 12, 2023
	May 12, 2024	May 7, 2023	May 12, 2024	May 7, 2024	May 7, 2023
SG&A expenses					
SG&A expenses as a percentage of net sales	9.14 %	9.11 %	9.29 %	9.15 %	8.96 %
SG&A expenses as a percentage of net sales					
	9.11 %	9.18 %	9.14 %	9.11 %	9.14 %

#### Quarterly Results

SG&A expenses as a percentage of net sales decreased 15 basis points. SG&A expenses as a percentage of net sales excluding the impact of gasoline price inflation was 8.99%, a decrease of 12 basis points. The comparison to last year was favorably impacted by 12 basis points due to warehouse operations and other businesses, largely attributable to improved productivity.

#### Year-to-date Results

SG&A expenses as a percentage of net sales increased **three** four basis points. SG&A expenses as a percentage of net sales excluding the impact of gasoline price deflation was 9.10%, a decrease of one basis point. The comparison to last year was favorably impacted by five basis points due to central operating costs and four basis points due to lower stock compensation expense. Warehouse operations and other businesses were higher by eight basis points, driven by our U.S. operations, which included the impact of wage increases in March and September 2023. SG&A expenses as a percentage of net sales were lower in our Canadian and Other International operations.

#### Year-to-date Results

SG&A expenses as a percentage of net sales increased 14 basis points. SG&A expenses as a percentage of net sales excluding the impact of gasoline price deflation was **9.25%** **9.16%**, an increase of **10** **two** basis points. The comparison to last year was negatively impacted by **11** **three** basis points in warehouse operations and other businesses, driven by our U.S. operations, which included the impact of wage increases in March and September 2023. Preopening costs were also higher 2023, partially offset by one basis point. SG&A was positively impacted by two basis points point due to central operating costs. SG&A expenses as a percentage of net sales were lower in our Canadian and Other International operations.

#### Interest Expense

	12 Weeks Ended	12 Weeks Ended	24 Weeks Ended	12 Weeks Ended	36 Weeks Ended
	February 18, 2024	February 12, 2023	February 18, 2024	February 12, 2023	
	May 12, 2024	May 7, 2023	May 12, 2024	May 7, 2023	
Interest expense					

Interest expense is primarily related to Senior Notes and financing leases.

#### Interest Income and Other, Net

	12 Weeks Ended	12 Weeks Ended	24 Weeks Ended	12 Weeks Ended	36 Weeks Ended
	February 18, 2024	February 12, 2023	February 18, 2024	February 12, 2023	
	May 12, 2024	May 7, 2023	May 12, 2024	May 7, 2023	
Interest income					
Foreign-currency transaction gains (losses), net					
Foreign-currency transaction gains, net					
Other, net					

## Interest income and other, net

The decrease in interest income in the third quarter was due to lower average cash and investment balances, caused by the payment of the special dividend. The increase in interest income in the second quarter and first half thirty-six weeks of 2024 was primarily due to higher global interest rates and higher average cash and investment balances, prior to the payment of the special cash dividend. Foreign-currency transaction gains, (losses), net, include revaluation or settlement of monetary assets and liabilities by our Canadian and Other International operations and mark-to-market adjustments for forward foreign-exchange contracts. See Derivatives and Foreign Currency sections in Item 8, Note 1 of our Annual Report on Form 10-K, for the fiscal year ended September 3, 2023.

## Provision for Income Taxes

	12 Weeks Ended		24 Weeks Ended		12 Weeks Ended		36 Weeks Ended		
	February 18, 2024	February 12, 2023	February 18, 2024	February 12, 2023	May 12, 2024	May 7, 2023	May 12, 2024	May 7, 2023	
Provision for income taxes									
Effective tax rate	Effective tax rate	22.1 %	26.1 %	23.3 %	24.6 %	Effective tax rate	26.4 %	26.5 %	24.4 %

The effective tax rate for the first half thirty-six weeks of 2024 was favorably impacted by net discrete tax benefits of \$139. \$146. This included \$94 related to the portion of the special cash dividend payable through our 401(k) plan in the second quarter and \$44 of excess tax benefits related to stock compensation in the first quarter. Excluding discrete net tax benefits, the tax rate was 26.5% 26.6%.

The effective tax rate for the first half thirty-six weeks of 2023 was impacted by net discrete tax benefits of \$57, primarily due to excess tax benefits related to stock compensation in the first quarter. Excluding discrete net tax benefits, the tax rate was 26.1% 26.2%.

## LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes our significant sources and uses of cash and cash equivalents:

	24 Weeks Ended		
	February 18, 2024	February 12, 2023	
	36 Weeks Ended		
Net cash provided by operating activities			
Net cash used in investing activities			
Net cash used in financing activities			

Our primary sources of liquidity are cash flows from operations, cash and cash equivalents, and short-term investments. Cash and cash equivalents and short-term investments were \$10,321 \$11,499 and \$15,234 at February 18, 2024 May 12, 2024, and September 3, 2023. Of these balances, unsettled credit and debit card receivables represented approximately \$2,069 \$2,391 and \$2,282 at February 18, 2024 May 12, 2024, and September 3, 2023. These receivables generally settle within four days.

Material contractual obligations arising in the normal course of business primarily consist of purchase obligations, long-term debt and related interest payments, leases, and construction and land purchase obligations.

Purchase obligations consist of contracts primarily related to merchandise, equipment, and third-party services, the majority of which are due in the next 12 months. Construction and land purchase obligations consist of contracts primarily related to the development and opening of new and relocated warehouses, the majority of which (other than leases) are due in the next 12 months.

Management believes that our cash and investment position and operating cash flows, with capacity under existing and available credit agreements, will be sufficient to meet our liquidity and capital requirements for the foreseeable future. We believe that our U.S. current and projected asset position is sufficient to meet our U.S. liquidity requirements.

## Cash Flows from Operating Activities

Net cash provided by operating activities totaled \$5,382 \$8,381 in the first half thirty-six weeks of 2024, compared to \$5,802 \$7,343 in the first half thirty-six weeks of 2023. Our cash flow provided by operations is primarily from net sales and membership fees. Cash flow used in operations generally consists of payments to merchandise suppliers, warehouse operating costs, including payroll wages and employee benefits, utilities, and credit and debit card processing fees, fees, and operating leases. Cash used in operations also

includes payments for income taxes. Changes in our net investment in merchandise inventories (the difference between merchandise inventories and accounts payable) is impacted by several factors, including inventory levels and turnover, the forward deployment of inventory to accelerate delivery times, payment terms with suppliers, and early payments to obtain discounts.

#### **Cash Flows from Investing Activities**

Net cash used in investing activities totaled \$1,752 \$2,706 in the first half thirty-six weeks of 2024, compared to \$1,865 \$3,147 in the first half thirty-six weeks of 2023, and is primarily related to capital expenditures. Net cash from investing activities also includes purchases and maturities of short-term investments.

#### **Capital Expenditure Plans**

Our primary requirements for capital are acquiring land, buildings, and equipment for new and remodeled warehouses. Capital is also required for information systems, manufacturing and distribution facilities, initial warehouse operations, and working capital. In the first half thirty-six weeks of 2024, we spent \$2,071 \$3,133 on capital expenditures, and it is our current intention to spend a total of approximately \$4,400 \$4,300 to \$4,600 \$4,500 during fiscal 2024. These expenditures are expected to be financed with cash from operations, existing cash and cash equivalents, and short-term investments. We opened 14 16 new warehouses, including one relocation, in the first half thirty-six weeks of 2024 and plan to open 16 14 additional new warehouses including one relocation, in the remainder of fiscal 2024. There can be no assurance that current expectations will be realized, and plans are subject to change upon further review of our capital expenditure needs and the economic environment.

#### **Cash Flows from Financing Activities**

Net cash used in financing activities totaled \$8,250 \$8,948 in the first half thirty-six weeks of 2024, compared to \$1,215 \$1,950 in the first half thirty-six weeks of 2023. Cash flow used in financing activities during the first half thirty-six weeks of 2024 was primarily related to the payment of dividends, repayments of short-term borrowings, and repurchases of common stock. I stock, and withholding taxes on stock-based awards. Cash flow provided by financing activities included proceeds from short-term borrowings and in November 2023, the Company's Japan subsidiary issued four Guaranteed Senior Notes totaling approximately \$500, at fixed interest rates ranging from 1.400% to 2.120%, issued by our Japan subsidiary. Subsequent to the end of the quarter on May 18, 2024, we paid the outstanding principal balance and interest on the 2.750% Senior Notes using cash and cash equivalents and short-term investments.

#### **Dividends**

A quarterly cash dividend of \$1.02 \$1.16 per share was declared on January 18, 2024 April 10, 2024, payable to shareholders of record on February 2, 2024 April 26, 2024, which was paid on February 16, 2024 May 10, 2024. On January 12, 2024, an aggregate payment of approximately \$6,655 was made in connection with a special cash dividend of \$15.00 per share, declared on December 13, 2023.

#### **Share Repurchase Program**

On January 19, 2023, the Board of Directors authorized a share repurchase program in the amount of \$4,000, which expires in January 2027. During the first half thirty-six weeks of 2024 and 2023, we repurchased 528,000 749,000 and 579,000 908,000 shares of common stock, at an average price per share of \$609.51 \$646.07 and \$492.06, \$492.30, totaling approximately \$322 \$484 and \$285, \$447. These amounts may differ from the accompanying condensed consolidated statements of cash flows due to changes in unsettled repurchases at the end of a quarter. Purchases are made from time to time, as conditions warrant, in the open market or in block purchases, pursuant to plans under SEC Rule 10b5-1. Repurchased shares are retired, in accordance with the Washington Business Corporation Act. The remaining amount available to be purchased under our approved plan was \$3,241 \$3,079 at the end of the second third quarter.

#### **Bank Credit Facilities and Commercial Paper Programs**

We maintain bank credit facilities for working capital and general corporate purposes. At February 18, 2024 May 12, 2024, we had borrowing capacity under these facilities of \$1,237, \$1,145. Our international operations maintain \$748 \$656 of this capacity under bank credit facilities, of which \$164 \$160 is guaranteed by the Company. Short-term borrowings outstanding under the bank credit facilities, which are included in other current liabilities on the consolidated balance sheets, were immaterial at the end of the second third quarter of 2024 and at the end of fiscal 2023.

The Company has letter of credit facilities, for commercial and standby letters of credit, totaling \$210 \$204. The outstanding commitments under these facilities at the end of the second third quarter of 2024 totaled \$184, \$187, most of which were standby letters of credit that do not expire or have expiration dates within one year. The bank credit facilities have various expiration dates, most within one year, and we generally intend to renew these facilities. The amount of borrowings available at any time under our bank credit facilities is reduced by the amount of standby and commercial letters of credit outstanding.

#### **Critical Accounting Estimates**

The preparation of our consolidated financial statements in accordance with U.S. GAAP requires that we make estimates and judgments. We base these on historical experience and on assumptions that we believe to be reasonable. Our critical accounting policies are discussed in Part II, Item 7, "Management's Discussion and Analysis of Financial

Condition and Results of Operations" section of our Annual Report on Form 10-K, for the fiscal year ended September 3, 2023. There have been no material changes to the critical accounting estimates previously disclosed in that Report.

#### **Recent Accounting Pronouncements**

See discussion of Recent Accounting Pronouncements in [Note 1](#) to the condensed consolidated financial statements included in Part I, Item 1 of this Report.

#### **Item 3—Quantitative and Qualitative Disclosures about Market Risk**

Our direct exposure to financial market risk results from fluctuations in foreign-currency exchange rates and interest rates. There have been no material changes to our market risks as disclosed in our Annual Report on Form 10-K, for the fiscal year ended September 3, 2023.

#### **Item 4—Controls and Procedures**

##### **Evaluation of Disclosure Controls and Procedures**

Our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to ensure that information required to be disclosed is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure. The Chief Executive Officer and the Chief Financial Officer, with assistance from other members of management, have reviewed the effectiveness of our disclosure controls and procedures as of [February 18, 2024](#) [May 12, 2024](#), and, based on their evaluation, have concluded the disclosure controls and procedures were effective as of such date.

##### **Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) that occurred during the [second](#) [third](#) quarter of fiscal 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II—OTHER INFORMATION**

#### **Item 1—Legal Proceedings**

See discussion of Legal Proceedings in [Note 8](#) to the condensed consolidated financial statements included in Part I, Item 1 of this Report.

#### **Item 1A—Risk Factors**

In addition to the other information set forth in the Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K, for the fiscal year ended September 3, 2023. There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K.

#### **Item 2—Unregistered Sales of Equity Securities and Use of Proceeds and Issuer Purchases of Equity Securities**

The following table sets forth information on our common stock repurchase program activity for the [second](#) [third](#) quarter of 2024 (amounts in millions, except share and per share data):

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Programs<sup>(1)</sup></b>	<b>Maximum Dollar Value of Shares that May Yet be Purchased Under the Programs<sup>(1)</sup></b>
November 27, 2023 — December 24, 2023	89,000	\$ 624.76	89,000	\$ 3,345
December 25, 2023 — January 21, 2024	71,000	667.23	71,000	3,297
January 22, 2024 — February 18, 2024	80,000	705.31	80,000	3,241
<b>Total second quarter</b>	<b>240,000</b>	<b>\$ 664.02</b>	<b>240,000</b>	

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Programs<sup>(1)</sup></b>	<b>Maximum Dollar Value of Shares that May Yet be Purchased Under the Programs<sup>(1)</sup></b>
February 19, 2024 — March 17, 2024	72,000	\$ 742.12	72,000	\$ 3,188

March 18, 2024 — April 14, 2024	73,000	724.97	73,000	3,135
April 15, 2024 — May 12, 2024	76,000	732.82	76,000	3,079
<b>Total third quarter</b>	<b>221,000</b>	<b>\$ 733.23</b>	<b>221,000</b>	

(1) Our share repurchase program is conducted under a \$4,000 authorization approved by our Board of Directors in January 2023, which expires in January 2027.

#### Item 3—Defaults Upon Senior Securities

None.

#### Item 4—Mine Safety Disclosures

Not applicable.

#### Item 5—Other Information

None.

#### Item 6—Exhibits

The following exhibits are filed as part of this Quarterly Report on Form 10-Q or are incorporated herein by reference.

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference		
			Form	Period Ending	Filing Date
3.1	<a href="#">Articles of Incorporation as amended of Costco Wholesale Corporation</a>		10-K	8/28/2022	10/5/2022
3.2	<a href="#">Bylaws as amended of Costco Wholesale Corporation</a>		8-K		8/10/2023
10.1	<a href="#">Executive Employment Agreement effective January 1, 2024, between Ron Vachris and Costco Wholesale Corporation</a>		10-Q	11/26/2023	12/20/2023
31.1	<a href="#">Rule 13(a) – 14(a) Certifications</a>	x			
32.1	<a href="#">Section 1350 Certifications</a>	x			
101.INS	Inline XBRL Instance Document	x			
101.SCH	Inline XBRL Taxonomy Extension Schema Document	x			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	x			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	x			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	x			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	x			
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)	x			

#### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

COSTCO WHOLESALE CORPORATION  
(Registrant)

<u>March 13, June 5, 2024</u>	By	<u>/s/ RON M. VACHRIS</u>
Date		Ron M. Vachris
		<i>Chief Executive Officer, President and Director</i>
<u>March 13, June 5, 2024</u>	By	<u>/s/ RICHARD A. G. MALANTI</u>
Date		Richard A. Galanti
		<i>Gary Millerchip</i>
		<i>Executive Vice President and Chief Financial Officer and Director</i>

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Exhibit 31.1

#### CERTIFICATIONS

I, Ron M. Vachris, certify that:

- 1) I have reviewed this Quarterly Report on Form 10-Q of Costco Wholesale Corporation ("the registrant");
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 13, June 5, 2024

/s/ RON M. VACHRIS

Ron M. Vachris

*Chief Executive Officer, President and Director*

#### CERTIFICATIONS

I, Richard A. Galanti, Gary Millerchip, certify that:

- 1) I have reviewed this Quarterly Report on Form 10-Q of Costco Wholesale Corporation ("the registrant");
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 13, June 5, 2024

/s/ RICHARD A. G. GALANTI MILLERCHIP

Richard A. Galanti Gary Millerchip

*Executive Vice President and Chief Financial Officer and Director*

Exhibit 32.1

#### CERTIFICATION PURSUANT TO

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**18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Costco Wholesale Corporation (the Company) on Form 10-Q for the quarter ended **February 18, 2024** **May 12, 2024**, as filed with the Securities and Exchange Commission (the Report), I, Ron M. Vachris, Chief Executive Officer, President and Director of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ RON M. VACHRIS*

Ron M. Vachris

*Chief Executive Officer, President and Director*

Date: **March 13, 2024** **June 5, 2024**

A signed original of this written statement has been provided to and will be retained by Costco Wholesale Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Costco Wholesale Corporation (the Company) on Form 10-Q for the quarter ended **February 18, 2024** **May 12, 2024**, as filed with the Securities and Exchange Commission (the Report), I, **Richard A. Galanti**, **Gary Millerchip**, Executive Vice President and Chief Financial Officer and Director of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ RICHARD A. G. MALANTI MILLERCHIP*

**Richard A. Galanti** **Gary Millerchip**

*Executive Vice President and Chief Financial Officer and Director*

Date: **March 13, 2024** **June 5, 2024**

A signed original of this written statement has been provided to and will be retained by Costco Wholesale Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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