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 May 7, 2023

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:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
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 May 24, 2023 was 443,148,481.

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		36 Weeks Ended	
	May 7, 2023	May 8, 2022	May 7, 2023	May 8, 2022
REVENUE				
Net sales	$ 52,604	$ 51,612	$ 160,280	$ 151,966
Membership fees	1,044	984	3,071	2,897
Total revenue	53,648	52,596	163,351	154,863
OPERATING EXPENSES				
Merchandise costs	47,175	46,355	143,367	135,824
Selling, general and administrative	4,794	4,450	14,651	13,743
Operating income	1,679	1,791	5,333	5,296
OTHER INCOME (EXPENSE)				
Interest expense	(36)	(35)	(104)	(110)
Interest income and other, net	128	71	295	138
INCOME BEFORE INCOME TAXES	1,771	1,827	5,524	5,324
Provision for income taxes	469	455	1,392	1,287
Net income including noncontrolling interests	1,302	1,372	4,132	4,037
Net income attributable to noncontrolling interests	—	(19)	—	(61)
NET INCOME ATTRIBUTABLE TO COSTCO	$ 1,302	$ 1,353	$ 4,132	$ 3,976
NET INCOME PER COMMON SHARE ATTRIBUTABLE TO COSTCO:				
Basic	$ 2.94	$ 3.05	$ 9.31	$ 8.96
Diluted	$ 2.93	$ 3.04	$ 9.30	$ 8.94
Shares used in calculation (000s):				
Basic	443,814	443,700	443,843	443,567
Diluted	444,360	444,886	444,455	444,802

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

COSTCO WHOLESALE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(amounts in millions) (unaudited)

	12 Weeks Ended		36 Weeks Ended	
	May 7, 2023	May 8, 2022	May 7, 2023	May 8, 2022
NET INCOME INCLUDING NONCONTROLLING INTERESTS	$ 1,302	$ 1,372	$ 4,132	$ 4,037
Foreign-currency translation adjustment and other, net	(8)	(388)	149	(495)
Comprehensive income	1,294	984	4,281	3,542
Less: Comprehensive (loss) income attributable to noncontrolling interests	—	(13)	—	31
COMPREHENSIVE INCOME ATTRIBUTABLE TO COSTCO	$ 1,294	$ 997	$ 4,281	$ 3,511

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)

	May 7, 2023	August 28, 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 12,493	$ 10,203
Short-term investments	1,215	846
Receivables, net	2,502	2,241
Merchandise inventories	16,324	17,907
Other current assets	1,755	1,499
Total current assets	34,289	32,696
OTHER ASSETS		
Property and equipment, net	25,931	24,646
Operating lease right-of-use assets	2,806	2,774
Other long-term assets	3,726	4,050
TOTAL ASSETS	$ 66,752	$ 64,166
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 16,853	$ 17,848
Accrued salaries and benefits	4,117	4,381
Accrued member rewards	2,076	1,911
Deferred membership fees	2,436	2,174
Current portion of long-term debt	—	73
Other current liabilities	6,226	5,611
Total current liabilities	31,708	31,998
OTHER LIABILITIES		
Long-term debt, excluding current portion	6,497	6,484
Long-term operating lease liabilities	2,507	2,482
Other long-term liabilities	2,467	2,555
TOTAL LIABILITIES	43,179	43,519
COMMITMENTS AND CONTINGENCIES		
EQUITY		
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; 443,222,000 and 442,664,000 shares issued and outstanding	2	2
Additional paid-in capital	7,211	6,884
Accumulated other comprehensive loss	(1,680)	(1,829)
Retained earnings	18,035	15,585
Total Costco stockholders’ equity	23,568	20,642
Noncontrolling interests	5	5
TOTAL EQUITY	23,573	20,647
TOTAL LIABILITIES AND EQUITY	$ 66,752	$ 64,166

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 May 7, 2023							
	Common Stock							
	Shares (000s)	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Costco Stockholders' Equity	Noncontrolling Interests	Total Equity
BALANCE AT FEBRUARY 12, 2023	443,550	$ 2	$ 7,123	$ (1,672)	$ 17,341	$ 22,794	$ 5	$ 22,799
Net income	—	—	—	—	1,302	1,302	—	1,302
Foreign-currency translation adjustment and other, net	—	—	—	(8)	—	(8)	—	(8)
Stock-based compensation	—	—	94	—	—	94	—	94
Release of vested restricted stock units (RSUs), including tax effects	1	—	—	—	—	—	—	—
Repurchases of common stock	(329)	—	(6)	—	(156)	(162)	—	(162)
Cash dividend declared	—	—	—	—	(452)	(452)	—	(452)
BALANCE AT MAY 7, 2023	443,222	$ 2	$ 7,211	$ (1,680)	$ 18,035	$ 23,568	$ 5	$ 23,573

	12 Weeks Ended May 8, 2022							
	Common Stock							
	Shares (000s)	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Costco Stockholders' Equity	Noncontrolling Interests	Total Equity
BALANCE AT FEBRUARY 13, 2022	443,279	$ 4	$ 7,186	$ (1,246)	$ 13,474	$ 19,418	$ 558	$ 19,976
Net income	—	—	—	—	1,353	1,353	19	1,372
Foreign-currency translation adjustment and other, net	—	—	—	(356)	—	(356)	(32)	(388)
Stock-based compensation	—	—	91	—	—	91	—	91
Release of vested RSUs, including tax effects	4	—	(1)	—	—	(1)	—	(1)
Repurchases of common stock	(254)	—	(4)	—	(135)	(139)	—	(139)
Cash dividend declared	—	—	—	—	(398)	(398)	—	(398)
BALANCE AT MAY 8, 2022	443,029	$ 4	$ 7,272	$ (1,602)	$ 14,294	$ 19,968	$ 545	$ 20,513

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)

	36 Weeks Ended May 7, 2023							
	Common Stock							
	Shares (000s)	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Costco Stockholders' Equity	Noncontrolling Interests	Total Equity
BALANCE AT AUGUST 28, 2022	442,664	$ 2	$ 6,884	$ (1,829)	$ 15,585	$ 20,642	$ 5	$ 20,647
Net income	—	—	—	—	4,132	4,132	—	4,132
Foreign-currency translation adjustment and other, net	—	—	—	149	—	149	—	149
Stock-based compensation	—	—	645	—	—	645	—	645
Release of vested restricted stock units (RSUs), including tax effects	1,466	—	(302)	—	—	(302)	—	(302)
Repurchases of common stock	(908)	—	(16)	—	(431)	(447)	—	(447)
Cash dividends declared	—	—	—	—	(1,251)	(1,251)	—	(1,251)
BALANCE AT MAY 7, 2023	443,222	$ 2	$ 7,211	$ (1,680)	$ 18,035	$ 23,568	$ 5	$ 23,573

	36 Weeks Ended May 8, 2022							
	Common Stock							
	Shares (000s)	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Costco Stockholders' Equity	Noncontrolling Interests	Total Equity
BALANCE AT AUGUST 29, 2021	441,825	$ 4	$ 7,031	$ (1,137)	$ 11,666	$ 17,564	$ 514	$ 18,078
Net income	—	—	—	—	3,976	3,976	61	4,037
Foreign-currency translation adjustment and other, net	—	—	—	(465)	—	(465)	(30)	(495)
Stock-based compensation	—	—	609	—	—	609	—	609
Release of vested RSUs, including tax effects	1,694	—	(360)	—	—	(360)	—	(360)
Repurchases of common stock	(490)	—	(8)	—	(249)	(257)	—	(257)
Cash dividends declared	—	—	—	—	(1,099)	(1,099)	—	(1,099)
BALANCE AT MAY 8, 2022	443,029	$ 4	$ 7,272	$ (1,602)	$ 14,294	$ 19,968	$ 545	$ 20,513

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

COSTCO WHOLESALE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in millions) (unaudited)

	36 Weeks Ended	
	May 7, 2023	May 8, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income including noncontrolling interests	$ 4,132	$ 4,037
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:		
Depreciation and amortization	1,389	1,299
Non-cash lease expense	300	240
Stock-based compensation	643	606
Other non-cash operating activities, net	72	(62)
Impairment of assets	391	118
Deferred income taxes	(22)	(2)
Changes in operating assets and liabilities:		
Merchandise inventories	1,596	(3,633)
Accounts payable	(872)	1,766
Other operating assets and liabilities, net	(286)	517
Net cash provided by operating activities	7,343	4,886
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of short-term investments	(947)	(588)
Maturities of short-term investments	594	840
Additions to property and equipment	(2,767)	(2,632)
Other investing activities, net	(27)	(48)
Net cash used in investing activities	(3,147)	(2,428)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(698)	(195)
Proceeds from short-term borrowings	667	175
Repayments of long-term borrowings	(75)	(800)
Tax withholdings on stock-based awards	(302)	(360)
Repurchases of common stock	(446)	(254)
Cash dividend payments	(799)	(701)
Other financing activities, net	(297)	(208)
Net cash used in financing activities	(1,950)	(2,343)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	44	(180)
Net increase (decrease) in cash and cash equivalents	2,290	(65)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	10,203	11,258
CASH AND CASH EQUIVALENTS END OF PERIOD	$ 12,493	$ 11,193
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the first thirty-six weeks of the year for:		
Interest	$ 86	$ 102
Income taxes, net	$ 1,443	$ 1,121
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:		
Cash dividend declared, but not yet paid	$ 452	$ 398
Financing lease assets obtained in exchange for new or modified leases	$ 101	$ 631
Operating lease assets obtained in exchange for new or modified leases	$ 160	$ 67

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 May 7, 2023, Costco operated 852 warehouses worldwide: 586 in the United States (U.S.) located in 46 states, Washington, D.C., and Puerto Rico, 107 in Canada, 40 in Mexico, 32 in Japan, 29 in the United Kingdom (U.K.), 18 in Korea, 14 in Taiwan, 14 in Australia, four in Spain, three in China, two in France, and one each in Iceland, New Zealand, and Sweden. The Company operates e-commerce websites in the U.S., Canada, U.K., Mexico, Korea, Taiwan, Japan, and Australia.

Basis of Presentation

The condensed consolidated financial statements include the accounts of Costco, its wholly-owned subsidiaries, and a subsidiary in which it has a controlling interest. All material inter-company transactions among the Company and its consolidated subsidiaries have been eliminated in consolidation. Unless otherwise noted, references to net income relate to net income attributable to Costco.

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 August 28, 2022.

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 2023 is a 53-week year ending on September 3, 2023. References to the third quarter of 2023 and 2022 relate to the 12-week fiscal quarters ended May 7, 2023, and May 8, 2022. References to the first thirty-six weeks of 2023 and 2022 relate to the 36 weeks ended May 7, 2023, and May 8, 2022.

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 thirty-six weeks of 2022 to conform with current year presentation.

Leases

The Company leases land, buildings, equipment, and other assets at warehouses, offices, or within the operations that support supply chain and distribution channels. The Company reviews lease right-of-use assets for impairment when events or changes in circumstances indicate that the carrying amount of the asset group may not be fully recoverable. The Company also occasionally revisits and modifies the terms of its leasing arrangements. During the first quarter and third quarter of 2023, the Company recognized charges of $93 and $298, primarily related to the impairment of certain leased assets associated with charter shipping activities. This charge is included in merchandise costs.

Note 2—Investments

The Company's investments were as follows:

May 7, 2023:	Cost Basis	Unrealized Losses, Net	Recorded Basis
Available-for-sale:			
Government and agency securities	$ 602	$ (2)	$ 600
Held-to-maturity:			
Certificates of deposit	615	—	615
Total short-term investments	$ 1,217	$ (2)	$ 1,215

August 28, 2022:	Cost Basis	Unrealized Losses, Net	Recorded Basis
Available-for-sale:			
Government and agency securities	$ 534	$ (5)	$ 529
Held-to-maturity:			
Certificates of deposit	317	—	317
Total short-term investments	$ 851	$ (5)	$ 846

Gross unrecognized holding gains and losses on available-for-sale securities were not material for the periods ended May 7, 2023, and August 28, 2022. 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 thirty-six weeks of 2023 or 2022.

The maturities of available-for-sale and held-to-maturity securities at May 7, 2023 are as follows:

	Available-For-Sale		
	Cost Basis	Fair Value	Held-To-Maturity
Due in one year or less	$ 126	$ 125	$ 615
Due after one year through five years	324	324	—
Due after five years	152	151	—
Total	$ 602	$ 600	$ 615

Note 3—Fair Value Measurement

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

	Level 2	
	May 7, 2023	August 28, 2022
Investment in government and agency securities	$ 600	$ 529
Forward foreign-exchange contracts, in asset position[1]	6	34
Forward foreign-exchange contracts, in (liability) position[1]	(11)	(2)
Total	$ 595	$ 561

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

At May 7, 2023, and August 28, 2022, 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 thirty-six weeks of 2023 or 2022.

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. Please see Note 1 for additional information.

Note 4—Debt

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

	May 7, 2023	August 28, 2022
2.750% Senior Notes due May 2024	$ 1,000	$ 1,000
3.000% Senior Notes due May 2027	1,000	1,000
1.375% Senior Notes due June 2027	1,250	1,250
1.600% Senior Notes due April 2030	1,750	1,750
1.750% Senior Notes due April 2032	1,000	1,000
Other long-term debt	525	590
Total long-term debt	6,525	6,590
Less unamortized debt discounts and issuance costs	28	33
Less current portion[1]	—	73
Long-term debt, excluding current portion	$ 6,497	$ 6,484

(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. The fair value of the Company's long-term debt, including the current portion, was approximately $5,907 and $6,033 at May 7, 2023, and August 28, 2022.

Note 5—Equity

Dividends

A quarterly cash dividend of $1.02 per share was declared on April 19, 2023 and paid on May 19, 2023. The Company's quarterly dividend was $0.90 per share in the third quarter of 2022 and dividends totaled $2.82 and $2.48 per share in the first thirty-six weeks of 2023 and 2022.

Share Repurchase Program

The Company's share repurchase program is conducted under a $4,000 authorization by the Board of Directors, which expires in January 2027. At May 7, 2023, the remaining amount available under the program was $3,793. The following table summarizes the Company's stock repurchase activity:

	Shares Repurchased (000s)	Average Price per Share	Total Cost
Third quarter of 2023	329	$ 492.71	$ 162
First thirty-six weeks of 2023	908	$ 492.30	$ 447
Third quarter of 2022	254	$ 547.38	$ 139
First thirty-six weeks of 2022	490	$ 523.61	$ 257

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 17,500,000 shares (10,000,000 RSUs) of common stock for future grants, plus the remaining shares that were available for grant and the future forfeited shares from grants under the previous plan, up to a maximum of 27,800,000 shares (15,885,000 RSUs). 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.

Summary of Restricted Stock Unit Activity

At May 7, 2023, 8,724,000 shares were available to be granted as RSUs, and the following awards were outstanding:

- 2,898,000 time-based RSUs, which vest upon continued employment over specified periods and accelerate upon achievement of a long-service term;
- 41,000 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
- 135,000 performance-based RSUs granted to executive officers of the Company, subject to achievement of performance targets for fiscal 2023, 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 third quarter of 2023, as it is currently deemed probable that the targets will be achieved.

The following table summarizes RSU transactions during the first thirty-six weeks of 2023:

	Number of Units (in 000s)	Weighted-Average Grant Date Fair Value
Outstanding at August 28, 2022	3,449	$ 338.41
Granted	1,814	471.47
Vested and delivered	(2,096)	352.56
Forfeited	(93)	396.50
Outstanding at May 7, 2023	3,074	$ 405.51

The remaining unrecognized compensation cost related to RSUs unvested at May 7, 2023, was $930, and the weighted-average period over which this cost will be recognized is 1.7 years.

Summary of Stock-Based Compensation

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

	12 Weeks Ended		36 Weeks Ended	
	May 7, 2023	May 8, 2022	May 7, 2023	May 8, 2022
Stock-based compensation expense	$ 94	$ 90	$ 643	$ 606
Less recognized income tax benefits	21	20	134	128
Stock-based compensation expense, net	$ 73	$ 70	$ 509	$ 478

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		36 Weeks Ended	
	May 7, 2023	May 8, 2022	May 7, 2023	May 8, 2022
Net income attributable to Costco	$ 1,302	$ 1,353	$ 4,132	$ 3,976
Weighted average basic shares	443,814	443,700	443,843	443,567
RSUs	546	1,186	612	1,235
Weighted average diluted shares	444,360	444,886	444,455	444,802

Note 8—Commitments and Contingencies

Legal Proceedings

The Company is involved in a number of 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 exposure to loss 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 will monitor the matter for developments that will 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: (i) the remedies or penalties sought are indeterminate or unspecified; (ii) the legal and/or factual theories are not well developed; and/or (iii) the matters involve complex or novel legal theories or a large number of parties.

The Company is a defendant in an action commenced in July 2013 under the California Labor Code Private Attorneys General Act (PAGA) alleging violation of California Wage Order 7-2001 for failing to provide seating to employees who work at entrance and exit doors in California warehouses. *Canela v. Costco Wholesale Corp.* (Case No. 2013-1-CV-248813; Santa Clara Superior Court). The complaint seeks relief under the California Labor Code, including civil penalties and attorneys' fees. The Company filed an answer denying the material allegations of the complaint. On April 26, 2023, the court entered a final judgment in favor of the Company.

In December 2018, a depot employee raised similar claims, alleging that depot employees in California did not receive suitable seating or reasonably comfortable workplace temperature conditions. *Lane v. Costco Wholesale Corp.* (Case No. CIVDS 1908816; San Bernardino Superior Court). In October 2019, the parties settled for an immaterial amount the seating claims on a representative basis, which received court approval in February 2020. The parties settled the temperature claims for an immaterial amount in April 2022, and court approval was received in May 2022.

In June 2022, a business center employee raised similar claims, alleging failure to provide seating to employees who work at membership refund desks in California warehouses and business centers. *Rodriguez v. Costco Wholesale Corp.* (Case No. 22CV012847; Alameda Superior Court). The complaint seeks relief under the California Labor Code, including civil penalties and attorneys' fees. The Company filed an answer denying the material allegations of the complaint.

In March 2019, employees filed a class action against the Company alleging claims under California law for failure to pay overtime, to provide meal and rest periods and itemized wage statements, to timely pay wages due to terminating employees, to pay minimum wages, and for unfair business practices. Relief is sought under the California Labor Code, including civil penalties and attorneys' fees. *Nevarez v. Costco Wholesale Corp.* (Case No. 2:19-cv-03454; C.D. Cal.). The Company filed an answer denying the material allegations of the complaint. In December 2019, the court issued an order denying class certification. In January 2020, the plaintiffs dismissed their Labor Code claims without prejudice, and the court remanded the action to state court. Settlement for an immaterial amount was agreed upon in February 2021. Final court approval of the settlement was granted on May 3, 2022. A proposed intervenor appealed the denial of her motion to intervene. Her appeal was dismissed on February 15, 2023.

In May 2019, an employee filed a class action against the Company alleging claims under California law for failure to pay overtime, to provide itemized wage statements, to timely pay wages due to terminating employees, to pay minimum wages, and for unfair business practices. *Rough v. Costco Wholesale Corp*. (Case No. 2:19-cv-01340; E.D. Cal.). Relief is sought under the California Labor Code, including civil penalties and attorneys' fees. In September 2021, the court granted Costco's motion for partial summary judgment and denied class certification. In August 2019, the plaintiff filed a companion case in state court seeking penalties under PAGA. *Rough v. Costco Wholesale Corp.* (Case No. FCS053454; Sonoma County Superior Court). Relief is sought under the California Labor Code, including civil penalties and attorneys' fees. The state court action has been stayed pending resolution of the federal action.

In December 2020, a former employee filed suit against the Company asserting collective and class claims on behalf of non-exempt employees under the Fair Labor Standards Act and New York Labor Law for failure to pay for all hours worked, failure to pay certain non-exempt employees on a weekly basis, and failure to provide proper wage statements and notices. The plaintiff also asserted individual retaliation claims. *Cappadora v. Costco Wholesale Corp.* (Case No. 1:20-cv-06067; E.D.N.Y.). An amended complaint was filed, and the Company denied the material allegations of the amended complaint. Based on an agreement in principle concerning settlement of the matter, involving a proposed payment by the Company of an immaterial amount, the federal action has been dismissed. In April 2022, Cappadora and a second plaintiff filed an action against the Company in New York state court, asserting the same class claims asserted in the federal action under the New York Labor Law and seeking preliminary approval of the class settlement. *Cappadora and Sancho v. Costco Wholesale Corp.* (Index No. 604757/2022; Nassau County Supreme Court). Following final approval of the settlement, the case was dismissed on April 14, 2023.

In August 2021, a former employee filed a similar suit, asserting class claims on behalf of certain non-exempt employees under New York Labor Law for failure to pay on a weekly basis. *Umadat v. Costco Wholesale Corp.* (Case No. 2:21-cv-4814; E.D.N.Y.). The Company filed an answer, denying the material allegations of the complaint. In April 2022, a former employee filed a similar suit, asserting class claims on behalf of certain non-exempt employees under New York Labor Law, as well as under the Fair Labor Standards Act, for failure to pay on a weekly basis and failure to pay overtime. *Burian v. Costco Wholesale Corp.* (Case No. 2:22-cv-02108; E.D.N.Y.). In September 2022, an amended complaint was filed, asserting class claims on behalf of certain non-exempt employees under New York Labor Law for failure to pay on a weekly basis. In April 2023 the case was settled on an individual basis for an immaterial amount.

In February 2021, a former employee filed a class action against the Company alleging violations of California Labor Code regarding payment of wages, meal and rest periods, wage statements, reimbursement of expenses, payment of final wages to terminated employees, and for unfair business practices. *Edwards v. Costco Wholesale Corp.* (Case No. 5:21-cv-00716: C.D. Cal.). In May 2021, the Company filed a motion to dismiss the complaint, which was granted with leave to amend. In June 2021, the plaintiff filed an amended complaint, which the Company moved to dismiss. The court granted the motion in part in July 2021 with leave to amend. In August 2021, the plaintiff filed a second amended complaint and filed a separate representative action under PAGA asserting the same Labor Code claims and seeking civil penalties and attorneys' fees. The Company filed an answer to the second amended class action complaint, denying the material allegations. The Company also filed an answer to the PAGA representative action, denying the material allegations. On September 27, 2022, the parties reached a settlement for an immaterial amount. A hearing for final court approval is set for September 11, 2023.

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

PAGA, 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 September 2021, an employee filed a class action against the Company alleging violations of the California Labor Code regarding failure to provide sick pay, failure to timely pay wages due at separation from employment, and for violations of California's unfair competition law. *De Benning v. Costco Wholesale Corp.* (Case No. 34-2021-00309030-CU-OE-GDS; Sacramento Superior Court). The Company answered the complaint in January 2022, denying its material allegations. In April 2022, a settlement for an immaterial amount was agreed upon, subject to court approval. Final approval of the settlement was granted on February 10, 2023.

In March 2022, an employee filed a class action against the Company alleging violations of the California Labor Code regarding the failure to: pay wages, provide meal and rest periods, provide accurate wage statements, timely pay final wages, and reimburse business expenses. *Diaz v. Costco Wholesale Corp.* (Case No. 22STCV09513; Los Angeles Superior Court). The Company filed an answer denying the material allegations. In December 2022, the case was settled for an immaterial amount.

In May 2022, an employee filed a PAGA-only representative action 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.

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 are defendants in a shareholder derivative action filed in June 2022 related to chicken welfare and alleged breaches of fiduciary duties. *Smith, et ano. v. Vachris*, et al., Superior Court of the State of Washington, County of King, No, 22-2-08937-7SEA. The complaint seeks 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 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, U.K., Korea, Taiwan, Australia, Spain, France, China, 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 considers 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 August 28, 2022, and Note 1 above. Inter-segment net sales and expenses have been eliminated in computing total revenue and operating income.

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

	United States Operations	Canadian Operations	Other International Operations	Total
12 Weeks Ended May 7, 2023				
Total revenue	$ 39,049	$ 7,268	$ 7,331	$ 53,648
Operating income	1,027	327	325	1,679
12 Weeks Ended May 8, 2022				
Total revenue	$ 38,534	$ 7,268	$ 6,794	$ 52,596
Operating income	1,205	324	262	1,791
36 Weeks Ended May 7, 2023				
Total revenue	$ 119,339	$ 21,923	$ 22,089	$ 163,351
Operating income	3,558	899	876	5,333
36 Weeks Ended May 8, 2022				
Total revenue	$ 112,418	$ 21,406	$ 21,039	$ 154,863
Operating income	3,502	918	876	5,296
52 Weeks Ended August 28, 2022				
Total revenue	$ 165,294	$ 31,675	$ 29,985	$ 226,954
Operating income	5,268	1,346	1,179	7,793

Disaggregated Revenue

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

	12 Weeks Ended		36 Weeks Ended	
	May 7, 2023	May 8, 2022	May 7, 2023	May 8, 2022
Foods and Sundries	$ 21,298	$ 19,594	$ 64,672	$ 58,646
Non-Foods	13,087	13,810	41,860	43,077
Fresh Foods	7,194	6,813	21,287	20,211
Warehouse Ancillary and Other Businesses	11,025	11,395	32,461	30,032
Total net sales	$ 52,604	$ 51,612	$ 160,280	$ 151,966

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), energy and certain commodities, geopolitical conditions (including tariffs and the Ukraine conflict), 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

The following 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 2022 Form 10-K, filed with the United States Securities and Exchange Commission on October 5, 2022.

We operate membership warehouses and e-commerce websites based on the concept that offering our members low prices on a limited selection of 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). We define comparable sales as net sales from warehouses open for more than one year, including remodels, relocations and expansions, and sales related to e-commerce websites operating for more than one year. 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); inflation 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 SG&A expenses, reducing them as a percentage of sales and enhancing profitability. Generating comparable sales growth is foremost a question of making available to our members 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. Merchandise costs in the third quarter of 2023 continued to be impacted by inflation. The impact to our net sales and gross margin is influenced in part by our merchandising and pricing strategies in response to cost increases. Those strategies can include, but are not limited to, working with our suppliers to share in absorbing cost increases, earlier-than-usual purchasing and in greater volumes, as well as passing cost increases on to our members. 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 as a percentage of net sales (gross margin percentage).

We believe our gasoline business enhances traffic in our warehouses, but it generally has a lower gross margin percentage relative to our non-gasoline businesses. It also has lower SG&A expenses as a percent of net sales compared to our non-gasoline businesses. A higher penetration of gasoline sales will generally lower our gross margin percentage. Rapidly changing gasoline prices may significantly impact our near-term net sales growth. 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. Additionally, 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. The negative aspects of such growth, however, including lower initial operating profitability relative to existing warehouses and cannibalization of sales at existing warehouses when openings occur in existing markets, are continuing to decline in significance as they relate to the results of our total operations. 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 our Executive members, 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 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 and enhancing employee satisfaction require 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 condensed 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 currency 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.

Our fiscal year ends on the Sunday closest to August 31. References to the third quarter of 2023 and 2022 relate to the 12-week fiscal quarters ended May 7, 2023, and May 8, 2022. References to the first thirty-six weeks of 2023 and 2022 relate to the 36 weeks ended May 7, 2023, and May 8, 2022. Certain percentages presented are calculated using actual results prior to rounding. Unless otherwise noted, references to net income relate to net income attributable to Costco.

Highlights for the third quarter of 2023 versus 2022 include:

- Net sales increased 2% to $52,604, driven by sales at 23 net new warehouses opened since the end of the third quarter of 2022;
- Membership fee revenue increased 6% to $1,044, driven by new member sign-ups, upgrades to Executive Membership, and a higher renewal rate;
- Gross margin percentage increased 13 basis points, driven primarily by our core merchandise categories and the absence of a LIFO charge as was recorded in the third quarter of 2022. This was partially offset by a charge of $298, $0.50 per diluted share, predominantly related to the discontinuation of our charter shipping activities;
- SG&A expenses as a percentage of net sales increased 49 basis points, due to increased costs in warehouse operations and other businesses, primarily wages and benefits, driven by various wage increases effective in March and July 2022, and March 2023, as well as slower sales growth;
- In the third quarter of 2022 we incurred a one-time $77 pretax charge, $0.13 per diluted share, related to granting our employees additional vacation;
- Net income was $1,302, $2.93 per diluted share, compared to $1,353, $3.04 per diluted share in 2022; and
- A quarterly cash dividend of $1.02 per share was declared on April 19, 2023 and paid on May 19, 2023.

RESULTS OF OPERATIONS

Net Sales

	12 Weeks Ended		36 Weeks Ended	
	May 7, 2023	May 8, 2022	May 7, 2023	May 8, 2022
Net Sales	$ 52,604	$ 51,612	$ 160,280	$ 151,966
Changes in net sales:				
U.S.	1 %	18 %	6 %	17 %
Canada	— %	16 %	2 %	17 %
Other International	8 %	9 %	5 %	12 %
Total Company	2 %	16 %	5 %	16 %
Changes in comparable sales:				
U.S.	— %	17 %	5 %	16 %
Canada	(1)%	15 %	2 %	16 %
Other International	4 %	6 %	2 %	8 %
Total Company	— %	15 %	4 %	15 %
E-commerce	(10)%	7 %	(8)%	11 %
Changes in comparable sales excluding the impact of changes in foreign-currency and gasoline prices:				
U.S.	2 %	11 %	5 %	11 %
Canada	7 %	13 %	8 %	11 %
Other International	8 %	9 %	9 %	10 %
Total Company	3 %	11 %	6 %	11 %
E-commerce	(9)%	8 %	(7)%	11 %

Net Sales

Net sales increased $992 or 2%, and $8,314 or 5% during the third quarter and first thirty-six weeks of 2023. The improvement in the third quarter of 2023 was attributable to sales at the 23 net new warehouses opened since the end of the third quarter of 2022. The increase in net sales for the first thirty-six weeks of 2023 was driven primarily by a 4% increase in comparable sales. Sales increased $1,362, or 3% and $5,885, or 5% in core merchandise categories during the third quarter and first thirty-six weeks of 2023, led by foods and sundries and fresh foods; while non-foods decreased. Sales in warehouse ancillary and other businesses decreased $370, or 3% during the third quarter of 2023, due to lower gasoline prices, partially offset by increases in pharmacy, travel, food court and optical. Sales increased $2,429, or 8% in warehouse ancillary and other businesses during the first thirty-six weeks of 2023, led by gasoline, pharmacy and travel.

During the third quarter of 2023, lower gasoline prices negatively impacted net sales by $862, 167 basis points, compared to 2022, with a 12% decrease in the average price per gallon. The volume of gasoline sold increased approximately 1%, positively impacting net sales by $86, 17 basis points. Changes in foreign currencies relative to the U.S. dollar negatively impacted net sales by approximately $782, 152 basis points, compared to the third quarter of 2022, attributable to our Canadian and Other International operations.

During the first thirty-six weeks of 2023, higher gasoline prices positively impacted net sales by $392, 26 basis points, compared to 2022, with a slight increase in the average price per gallon. The volume of gasoline sold increased approximately 7%, positively impacting net sales by $1,301, 86 basis points. Changes in foreign currencies relative to the U.S. dollar negatively impacted net sales by approximately $3,253, 214 basis points, compared to the first thirty-six weeks of 2022, attributable to our Canadian and Other International operations.

Comparable Sales

Comparable sales were positively impacted by an increase in shopping frequency, largely offset by a decrease in average ticket in the third quarter of 2023. Comparable sales increased 4% in the first thirty-six weeks of 2023, driven by an increase in shopping frequency.

Membership Fees

	12 Weeks Ended		36 Weeks Ended	
	May 7, 2023	May 8, 2022	May 7, 2023	May 8, 2022
Membership fees	$ 1,044	$ 984	$ 3,071	$ 2,897
Membership fees increase	6 %	9 %	6 %	10 %
Total paid members (000s)	69,100	64,400	—	—
Total cardholders (000s)	124,700	116,600	—	—

Membership fee revenue increased 6% in both the third quarter and first thirty-six weeks of 2023, driven by new member sign-ups, upgrades to Executive Membership, and a higher renewal rate. Changes in foreign currencies relative to the U.S. dollar negatively impacted membership fees by $17 and $70 in the third quarter and first thirty-six weeks of 2023. At the end of the third quarter of 2023, our renewal rates were 92.6% in the U.S. and Canada and 90.5% worldwide. Renewal rates continue to benefit from more members auto renewing and increased penetration of Executive members, who on average renew at a higher rate. 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. Our membership counts include active memberships and memberships that have not renewed within the 12 months prior to the reporting date.

Gross Margin

	12 Weeks Ended		36 Weeks Ended	
	May 7, 2023	May 8, 2022	May 7, 2023	May 8, 2022
Net sales	$ 52,604	$ 51,612	$ 160,280	$ 151,966
Less merchandise costs	47,175	46,355	143,367	135,824
Gross margin	$ 5,429	$ 5,257	$ 16,913	$ 16,142
Gross margin percentage	10.32 %	10.19 %	10.55 %	10.62 %

Quarterly Results

Total gross margin percentage increased 13 basis points compared to the third quarter of 2022. Excluding the impact of gasoline price deflation on net sales, gross margin percentage was 10.16%, a decrease of three basis points. This was driven by a net 52 basis-point decrease due to a charge, primarily for the discontinuation of our charter shipping activities and the benefit from the absence of a charge related to granting employees additional vacation as was recorded in the third quarter of 2022. Increased 2% rewards negatively impacted gross margin by nine basis points. Gross margin was positively impacted by 25 basis points due to the absence of a LIFO charge as was recorded in the third quarter of 2022. Core merchandise categories positively impacted gross margin by 24 basis points, due to foods and sundries, partially offset by non-foods. Warehouse ancillary and other businesses positively impacted gross margin by nine basis points. Changes in foreign currencies relative to the U.S. dollar negatively impacted gross margin by approximately $81, compared to the third quarter of 2022, attributable to our Canadian and Other International operations.

The gross margin in core merchandise categories, when expressed as a percentage of core merchandise sales (rather than total net sales), increased 17 basis points. The increase was primarily due to foods and sundries and non-foods, partially offset by fresh foods. This measure eliminates the impact of changes in sales penetration and gross margins from our warehouse ancillary and other businesses.

Gross margin 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), performed similarly to the consolidated results above in our U.S. segment. Gross margin percentage increased in our Canadian and Other International segment due to increases in core merchandise categories and warehouse ancillary and other businesses. All segments were negatively impacted by increased 2% rewards.

Year-to-date Results

Total gross margin percentage decreased seven basis points compared to the first thirty-six weeks of 2022. Excluding the impact of gasoline price inflation on net sales, gross margin percentage was 10.58%, a decrease of four basis points. This was driven by charges in the first and third quarters of 2023 related to the downsizing and then discontinuation of our charter shipping activities, totaling 24 basis points. Gross margin was also negatively impacted by five basis points due to increased 2% rewards and three basis points due to decreases in core merchandise categories, predominantly in non-foods and fresh foods, partially offset by foods and sundries. Warehouse ancillary and other businesses, positively impacted gross margin by 14 basis points, predominantly gasoline, partially offset by e-commerce. A smaller LIFO charge in the first thirty-six weeks of 2023 compared to the first thirty-six weeks of 2022 also positively impacted gross margin by 14 basis points. Changes in foreign currencies relative to the U.S. dollar negatively impacted gross margin by approximately $325, compared to the first thirty-six weeks of 2022, attributable to our Canadian and Other International operations.

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

Gross margin percentage was flat in our U.S. segment due to the charge related to the discontinuation of our charter shipping activities discussed above, offset by a smaller LIFO charge and increases in warehouse ancillary and other businesses, primarily gasoline. Gross margin percentage decreased in our Canadian and Other International segment due to decreases in core merchandise categories, partially offset by warehouse ancillary and other businesses. All segments were negatively impacted by increased 2% rewards.

Selling, General and Administrative Expenses

	12 Weeks Ended		36 Weeks Ended	
	May 7, 2023	May 8, 2022	May 7, 2023	May 8, 2022
SG&A expenses	$ 4,794	$ 4,450	$ 14,651	$ 13,743
SG&A expenses as a percentage of net sales	9.11 %	8.62 %	9.14 %	9.04 %

Quarterly Results

SG&A expenses as a percentage of net sales increased 49 basis points. SG&A expenses as a percentage of net sales excluding the impact of gasoline price deflation was 8.96%, an increase of 34 basis points. The comparison to last year was negatively impacted by 35 basis points in warehouse operations and other businesses, largely attributable to the increased wages and benefits that were effective in March and July 2022, and March 2023 and slower sales growth. Central operating costs were also higher by nine basis points, and preopening costs were higher by one basis point. SG&A was positively impacted by 11 basis points due to the absence of a charge related to granting our employees additional vacation as was recorded in the prior year. Changes in foreign currencies relative to the U.S. dollar decreased SG&A expenses by approximately $65 compared to the third quarter of 2022.

Year-to-date Results

SG&A expenses as a percentage of net sales increased 10 basis points. SG&A expenses as a percentage of net sales excluding the impact of gasoline price inflation was 9.16%, an increase of 12 basis points. The comparison to last year was negatively impacted by 16 basis points in warehouse operations and other businesses, largely attributable to the increased wages and benefits that were effective in March and July 2022, and March 2023 and slower sales growth. Central operating costs were also higher by seven basis points. SG&A was positively impacted by 11 basis points due to the absence of a write-off of certain information technology assets and a charge related to granting our employees additional vacation as were recorded in the prior year. Changes in foreign currencies relative to the U.S. dollar decreased SG&A expenses by approximately $261 compared to the first thirty-six weeks of 2022.

Interest Expense

	12 Weeks Ended		36 Weeks Ended	
	May 7, 2023	May 8, 2022	May 7, 2023	May 8, 2022
Interest expense	$ 36	$ 35	$ 104	$ 110

Interest expense is primarily related to Senior Notes and financing leases. The decrease in interest expense for the first thirty-six weeks of 2023 was due to repayment of the 2.300% Senior Notes on December 1, 2021.

Interest Income and Other, Net

	12 Weeks Ended		36 Weeks Ended	
	May 7, 2023	May 8, 2022	May 7, 2023	May 8, 2022
Interest income	$ 110	$ 6	$ 269	$ 21
Foreign-currency transaction gains (losses), net	9	56	3	94
Other, net	9	9	23	23
Interest income and other, net	$ 128	$ 71	$ 295	$ 138

The increase in interest income in the third quarter and first thirty-six weeks of 2023 was due to higher global interest rates. Foreign-currency transaction gains (losses), net, include mark-to-market adjustments for forward foreign-exchange contracts and the revaluation or settlement of monetary assets and liabilities by our Canadian and Other International operations. See Derivatives and Foreign Currency sections in Item 8, Note 1 of our Annual Report on Form 10-K, for the fiscal year ended August 28, 2022.

Provision for Income Taxes

	12 Weeks Ended		36 Weeks Ended	
	May 7, 2023	May 8, 2022	May 7, 2023	May 8, 2022
Provision for income taxes	$ 469	$ 455	$ 1,392	$ 1,287
Effective tax rate	26.5 %	24.9 %	25.2 %	24.2 %

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

The effective tax rate for the first thirty-six weeks of 2022 was impacted by net discrete tax benefits of $114, primarily due to excess tax benefits related to stock compensation. Excluding discrete net tax benefits, the tax rate was 26.3%.

LIQUIDITY AND CAPITAL RESOURCES

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

	36 Weeks Ended	
	May 7, 2023	May 8, 2022
Net cash provided by operating activities	$ 7,343	$ 4,886
Net cash used in investing activities	(3,147)	(2,428)
Net cash used in financing activities	(1,950)	(2,343)

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 $13,708 and $11,049 at May 7, 2023, and August 28, 2022. Of these balances, unsettled credit and debit card receivables represented approximately $2,236 and $2,010 at May 7, 2023, and August 28, 2022. 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 $7,343 in the first thirty-six weeks of 2023, compared to $4,886 in the first thirty-six weeks of 2022. 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 and employee benefits, utilities, and credit and debit card processing fees. 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 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 $3,147 in the first thirty-six weeks of 2023, compared to $2,428 in the first thirty-six weeks of 2022, 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 thirty-six weeks of 2023, we spent $2,767 on capital expenditures, and it is our current intention to spend approximately $3,800 to $4,200 during fiscal 2023. These expenditures are expected to be financed with cash from operations, existing cash and cash equivalents, and short-term investments. We opened 17 new warehouses, including three relocations, in the first thirty-six weeks of 2023 and plan to open nine additional new warehouses in the remainder of fiscal 2023. 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 $1,950 in the first thirty-six weeks of 2023, compared to $2,343 in the first thirty-six weeks of 2022. Cash flow used in financing activities during the first thirty-six weeks of 2023 was primarily related to the payment of dividends, repurchases of common stock, and withholding taxes on stock-based awards. In the first thirty-six weeks of 2022, cash flow used in financing activities included the repayment of our 2.300% Senior Notes and the payment of dividends.

Dividends

A quarterly cash dividend of $1.02 per share was declared on April 19, 2023, payable to shareholders of record on May 5, 2023, which was paid on May 19, 2023.

Share Repurchase Program

On January 19, 2023, the Board of Directors authorized a new share repurchase program in the amount of $4,000, which expires in January 2027. During the first thirty-six weeks of 2023 and 2022, we repurchased 908,000 and 490,000 shares of common stock, at an average price per share of $492.30 and $523.61, totaling approximately $447 and $257. 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 $3,793 at the end of the third quarter.

Bank Credit Facilities and Commercial Paper Programs

We maintain bank credit facilities for working capital and general corporate purposes. At May 7, 2023, we had borrowing capacity under these facilities of $1,312. Our international operations maintain $824 of this capacity under bank credit facilities, of which $174 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 $54 and $88 at the end of the third quarter of 2023 and at the end of fiscal 2022.

The Company has letter of credit facilities, for commercial and standby letters of credit, totaling $226. The outstanding commitments under these facilities at the end of the third quarter of 2023 totaled $189, 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 August 28, 2022. There have been no material changes to the critical accounting estimates previously disclosed in that Report.

Recent Accounting Pronouncements

There have been no material changes in recently issued or adopted accounting standards from those disclosed in our Annual Report on Form 10-K, for the fiscal year ended August 28, 2022.

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 August 28, 2022.

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 May 7, 2023 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 third quarter of fiscal 2023 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 August 28, 2022. 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

The following table sets forth information on our common stock repurchase program activity for the third quarter of 2023 (amounts in millions, except share and per share data):

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs[1]	Maximum Dollar Value of Shares that May Yet be Purchased Under the Programs[1]
February 13, 2022 — March 12, 2023	108,000	$ 490.87	108,000	$ 3,902
March 13, 2023 — April 9, 2023	109,000	489.45	109,000	3,849
April 10, 2023 — May 7, 2023	112,000	497.64	112,000	3,793
Total third quarter	329,000	$ 492.71	329,000	

(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	Articles of Incorporation as amended of Costco Wholesale Corporation		10-K	8/28/2022	10/5/2022
3.2	Bylaws as amended of Costco Wholesale Corporation		10-Q	5/8/2022	6/2/2022
31.1	Rule 13(a) – 14(a) Certifications	x			
32.1	Section 1350 Certifications	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)

May 31, 2023	By	/s/ W. CRAIG JELINEK
Date		W. Craig Jelinek *Chief Executive Officer and Director*
May 31, 2023	By	/s/ RICHARD A. GALANTI
Date		Richard A. Galanti *Executive Vice President, Chief Financial Officer and Director*

Exhibit 31.1

CERTIFICATIONS

I, W. Craig Jelinek, 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.

May 31, 2023

/s/ W. CRAIG JELINEK

W. Craig Jelinek
Chief Executive Officer and Director

CERTIFICATIONS

I, Richard A. Galanti, 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.

May 31, 2023

/s/ RICHARD A. GALANTI

Richard A. Galanti
Executive Vice President, Chief Financial Officer and Director

Exhibit 32.1

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 May 7, 2023, as filed with the Securities and Exchange Commission (the Report), I, W. Craig Jelinek, Chief Executive 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/ W. CRAIG JELINEK	Date: May 31, 2023
W. Craig Jelinek	
Chief Executive Officer and Director	

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.

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 May 7, 2023, as filed with the Securities and Exchange Commission (the Report), I, Richard A. Galanti, Executive Vice President, 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. GALANTI
Richard A. Galanti
Executive Vice President, Chief Financial Officer and Director

Date: May 31, 2023

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.