



Costco Companies, Inc. Announces Fiscal 1998 Third Quarter And Year-To-Date Operating Results; And The Signing Of A Lease In Fukuoka, Japan

May 28, 1998

ISSAQUAH, Wash., May 28 -- Costco Companies, Inc. ("Costco" or the "Company") (Nasdaq: COST) today reported sales and operating results for the third quarter (12 weeks) and first thirty-six weeks of fiscal 1998, both ended May 10, 1998, and the signing of a lease by its wholly-owned Japan subsidiary, Costco Wholesale Japan, Ltd., with Torius, Inc., ("Torius") for the lease of land and construction of a Costco Warehouse in Fukuoka, Japan.

Net sales for the third quarter of fiscal 1998 increased 10% to \$5.24 billion from \$4.75 billion during last year's third quarter. On a comparable warehouse basis, that is warehouses open at least a year, net sales increased 8 percent.

Net income for the third quarter of fiscal 1998 increased 29% to \$85.2 million, or \$.38 per share (diluted), from \$66.3 million, or \$.31 per share, during the third quarter of fiscal 1997. Earnings per share increased 23%.

Net sales for the first thirty-six weeks of fiscal 1998 increased 11% to \$16.26 billion from \$14.69 billion during the first thirty-six weeks of fiscal 1997. Comparable warehouse sales during the first thirty-six weeks of fiscal 1998 increased 8 percent over the prior year's levels.

Net income for the first thirty-six weeks of fiscal 1998 increased 58% to \$309.1 million, or \$1.37 per share (diluted), from \$195.5 million, or \$.93 per share, for the first thirty-six weeks of fiscal 1997. Net income for the first thirty-six weeks of fiscal 1997 was impacted by a first quarter \$65 million pretax, non-cash charge, reflecting the Company's adoption of the accounting standard for the impairment of long term assets. Before the impact of this non-cash charge, net earnings for the first thirty-six weeks of fiscal 1997 were \$234.2 million, or \$1.10 per share, and the year-over-year increase in the first thirty-six weeks of fiscal 1998 net earnings and earnings per share would be 32% and 25%, respectively.

The lease for the Fukuoka site requires Torius to construct the Costco building according to Costco's specifications, in a "U.S.-style" shopping center currently being developed and constructed by Torius. The term of the lease is twenty (20) years. The warehouse is scheduled to open in late April, 1999, and will be approximately 135,000 square feet on a single-level sales floor.

Jim Sinegal, Costco President and CEO commented, "We are excited to have begun work on our first warehouse in Japan. We believe that Japan has the potential to be a strong market for Costco. The project in Fukuoka allows Costco to operate its standard U.S. format in Japan. We are also continuing our search for additional sites in greater Tokyo and other areas of Japan, that, of course, being contingent on the success of the first unit."

The Company currently operates 275 warehouses: 211 in the United States, 56 in Canada, seven in the United Kingdom, and one warehouse in Taiwan. The Company also operates 14 warehouses in Mexico with a joint venture partner. Expansion plans for the remainder of the fiscal year, which ends on August 30, 1998, are to open one additional new warehouse $\frac{3}{4}$ in Wilmington, Delaware.

On May 4, 1998, the Company announced the formation of a joint venture in the Republic of Korea with Shinsegae Department Store Co., Ltd. ("Shinsegae"), to acquire the membership warehouse club operations from Shinsegae. The operations being purchased by the joint venture currently operates two membership warehouse clubs under the name Price Club Korea, one each in Seoul and Taegu. A third membership warehouse club will open tomorrow, May 29, 1998, in Taejon. Since 1993, Shinsegae has operated the Price Club Korea operation under a license agreement with Costco. The joint venture transaction is expected to be completed in the coming weeks, after which Costco will be the majority (93.75%) and controlling joint venture partner.



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