



## Costco Wholesale Corporation Changes Accounting Treatment for Stock Options

August 15, 2002

ISSAQUAH, Wash., Aug 14, 2002 (BUSINESS WIRE) -- Costco Wholesale Corporation (Nasdaq: COST) announced today that it will expense the cost of all future stock option grants, beginning with fiscal year 2003, which begins September 2, 2002. The Board of Directors determined on August 13th that the Company will adopt the fair-value based method of recording stock options in SFAS No. 123, "Accounting for Stock-Based Compensation." All future employee stock option grants will be expensed over the stock option vesting period based on the fair value at the date the options are granted. Costco has historically applied APB Opinion No. 25, "Accounting for Stock Issued to Employees," for its stock option plans. Under APB Opinion No. 25, Costco has generally not been required to recognize compensation expense for stock option grants. Pro forma effects of previously granted options will continue to be disclosed in the Company's annual report.

Assuming Costco were to continue option grants consistent with prior years and to utilize the Black-Scholes valuation method, in fiscal 2003 the impact of the change in accounting would be to reduce pre-tax income by approximately 1%. By fiscal 2008 (after the full impact to earnings is reflected under SFAS No. 123), pre-tax earnings would be reduced by around 8%. Costco intends, however, to continue to examine option valuation methods that will yield a more appropriate measure of the value received by employees through option grants. It also will urge the FASB to adopt accounting standards that employ techniques better adapted than Black-Scholes to valuing employee stock options.

Costco's use of stock options, especially the wide distribution of options through the ranks of employees, has in the view of the Board of Directors and Management been a key factor in the success of the Company. During the last seven fiscal years, grants to the Company's top nine executive officers have constituted only 13% of all options granted.

A conference call to discuss the accounting change is scheduled for 8:30 a.m. (PDT), August 15, 2002. The call can be accessed by dialing 800/399-8203 or is available via a webcast on [www.costco.com](http://www.costco.com) (go to Customer Service, Investor Relations, Financial Releases and click on the "Live Webcast" icon).

These estimates are subject to a number of variables that can change in the future, many of which are outside the Company's control, including the trading prices of the Company's common stock and resultant volatility measure, and interest rates. These estimates thus may not be representative of the actual impact in future years. 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. 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, the effects of competition and regulation, conditions affecting the acquisition, development, ownership or use of real estate, actions of vendors, and other risks identified from time to time in the Company's public statements and reports filed with the SEC.

Costco currently operates 393 warehouses, including 289 in the United States, 60 in Canada, 14 in the United Kingdom, five in Korea, three in Taiwan, two in Japan and 20 in Mexico. The Company also operates Costco Online, an electronic commerce web site, at [www.costco.com](http://www.costco.com). The Company plans to open one new warehouse prior to the end of its 2002 fiscal year on September 1, 2002. The Company also plans to open an additional 17 to 19 new warehouses (including one relocation of an existing warehouse to a larger and better-located facility) prior to the end of calendar year 2002.

CONTACT: Costco Wholesale Corporation Richard Galanti, 425/313-8203 or Bob Nelson, 425/313-8255