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 November 24, 2019
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, $.01 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 December 11, 2019 was 441,757,627.

COSTCO WHOLESALE CORPORATION
INDEX TO FORM 10-Q

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	
	November 24, 2019	November 25, 2018
REVENUE		
Net sales	$ 36,236	$ 34,311
Membership fees	804	758
Total revenue	37,040	35,069
OPERATING EXPENSES		
Merchandise costs	32,233	30,623
Selling, general and administrative	3,732	3,475
Preopening expenses	14	22
Operating income	1,061	949
OTHER INCOME (EXPENSE)		
Interest expense	(38)	(36)
Interest income and other, net	35	22
INCOME BEFORE INCOME TAXES	1,058	935
Provision for income taxes	202	158
Net income including noncontrolling interests	856	777
Net income attributable to noncontrolling interests	(12)	(10)
NET INCOME ATTRIBUTABLE TO COSTCO	$ 844	$ 767
NET INCOME PER COMMON SHARE ATTRIBUTABLE TO COSTCO:		
Basic	$ 1.91	$ 1.75
Diluted	$ 1.90	$ 1.73
Shares used in calculation (000s):		
Basic	441,818	439,157
Diluted	443,680	442,749

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	
	November 24, 2019	**November 25, 2018**
NET INCOME INCLUDING NONCONTROLLING INTERESTS	$ 856	$ 777
Foreign-currency translation adjustment and other, net	125	(134)
Comprehensive income	981	643
Less: Comprehensive income attributable to noncontrolling interests	22	8
COMPREHENSIVE INCOME ATTRIBUTABLE TO COSTCO	$ 959	$ 635

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

COSTCO WHOLESALE CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

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

	November 24, 2019	September 1, 2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 9,027	$ 8,384
Short-term investments	993	1,060
Receivables, net	1,711	1,535
Merchandise inventories	13,818	11,395
Other current assets	1,094	1,111
Total current assets	26,643	23,485
PROPERTY AND EQUIPMENT		
Land	6,533	6,417
Buildings and improvements	17,732	17,136
Equipment and fixtures	8,243	7,801
Construction in progress	803	1,272
Accumulated depreciation and amortization	(12,074)	(11,736)
Net property and equipment	21,237	20,890
OTHER ASSETS		
Operating lease right-of-use assets	2,597	0
Other long-term assets	954	1,025
TOTAL ASSETS	$ 51,431	$ 45,400
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 14,440	$ 11,679
Accrued salaries and benefits	3,159	3,176
Accrued member rewards	1,193	1,180
Deferred membership fees	1,817	1,711
Current portion of long-term debt	1,700	1,699
Other current liabilities	3,956	3,792
Total current liabilities	26,265	23,237
OTHER LIABILITIES		
Long-term debt, excluding current portion	5,107	5,124
Long-term operating lease liabilities	2,442	0
Other long-term liabilities	1,393	1,455
TOTAL LIABILITIES	35,207	29,816
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Preferred stock $0.01 par value; 100,000,000 shares authorized; no shares issued and outstanding	0	0
Common stock $0.01 par value; 900,000,000 shares authorized; 441,778,000 and 439,625,000 shares issued and outstanding	4	4
Additional paid-in capital	6,391	6,417
Accumulated other comprehensive loss	(1,321)	(1,436)
Retained earnings	10,787	10,258
Total Costco stockholders' equity	15,861	15,243
Noncontrolling interests	363	341
TOTAL EQUITY	16,224	15,584
TOTAL LIABILITIES AND EQUITY	$ 51,431	$ 45,400

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 November 24, 2019

	Common Stock Shares (000s)	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Costco Stockholders' Equity	Noncontrolling Interests	Total Equity
BALANCE AT SEPTEMBER 1, 2019	439,625	$ 4	$ 6,417	$ (1,436)	$ 10,258	$ 15,243	$ 341	$ 15,584
Net income	—	—	—	—	844	844	12	856
Foreign-currency translation adjustment and other, net	—	—	—	115	—	115	10	125
Stock-based compensation	—	—	302	—	—	302	—	302
Release of vested restricted stock units (RSUs), including tax effects	2,253	—	(326)	—	—	(326)	—	(326)
Repurchases of common stock	(100)	—	(2)	—	(28)	(30)	—	(30)
Cash dividend declared	—	—	—	—	(287)	(287)	—	(287)
BALANCE AT NOVEMBER 24, 2019	441,778	$ 4	$ 6,391	$ (1,321)	$ 10,787	$ 15,861	$ 363	$ 16,224

12 Weeks Ended November 25, 2018

	Common Stock Shares (000s)	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Costco Stockholders' Equity	Noncontrolling Interests	Total Equity
BALANCE AT SEPTEMBER 2, 2018	438,189	$ 4	$ 6,107	$ (1,199)	$ 7,887	$ 12,799	$ 304	$ 13,103
Net income	—	—	—	—	767	767	10	777
Foreign-currency translation adjustment and other, net	—	—	—	(132)	—	(132)	(2)	(134)
Stock-based compensation	—	—	272	—	—	272	—	272
Release of vested RSUs, including tax effects	2,507	—	(270)	—	—	(270)	—	(270)
Repurchases of common stock	(150)	—	(2)	—	(32)	(34)	—	(34)
Cash dividend declared and other	—	—	—	—	(235)	(235)	—	(235)
BALANCE AT NOVEMBER 25, 2018	440,546	$ 4	$ 6,107	$ (1,331)	$ 8,387	$ 13,167	$ 312	$ 13,479

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)

	12 Weeks Ended	
	November 24, 2019	November 25, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income including noncontrolling interests	$ 856	$ 777
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:		
Depreciation and amortization	369	331
Non-cash lease expense	39	0
Stock-based compensation	301	270
Other non-cash operating activities, net	16	(4)
Deferred income taxes	5	(31)
Changes in operating assets and liabilities:		
Merchandise inventories	(2,384)	(1,324)
Accounts payable	2,664	1,822
Other operating assets and liabilities, net	236	336
Net cash provided by operating activities	2,102	2,177
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of short-term investments	(321)	(316)
Maturities and sales of short-term investments	397	340
Additions to property and equipment	(715)	(730)
Other investing activities, net	9	(31)
Net cash used in investing activities	(630)	(737)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in bank payments outstanding	122	193
Repayments of long-term debt	0	(89)
Tax withholdings on stock-based awards	(326)	(270)
Repurchases of common stock	(30)	(32)
Cash dividend payments	(573)	(501)
Other financing activities, net	(29)	(1)
Net cash used in financing activities	(836)	(700)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	7	(17)
Net change in cash and cash equivalents	643	723
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	8,384	6,055
CASH AND CASH EQUIVALENTS END OF PERIOD	$ 9,027	$ 6,778

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the first 12 weeks of the year for:		
Interest	$ 50	$ 49
Income taxes, net	$ 97	$ 133

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. For the period ended November 24, 2019, Costco operated 785 warehouses worldwide: 546 in the United States (U.S.) located in 44 states, Washington, D.C., and Puerto Rico, 100 in Canada, 39 in Mexico, 29 in the United Kingdom (U.K.), 26 in Japan, 16 in Korea, 13 in Taiwan, 11 in Australia, two in Spain, and one each in Iceland, France and China. The Company operates e-commerce websites in the U.S., Canada, Mexico, U.K., Korea, Taiwan, and Japan.

Basis of Presentation

The condensed consolidated financial statements include the accounts of Costco, its wholly owned subsidiaries, and subsidiaries in which it has a controlling interest. The Company reports noncontrolling interests in consolidated entities as a component of equity separate from the Company's equity. All material intercompany transactions between and among the Company and its consolidated subsidiaries have been eliminated in consolidation. The Company's net income excludes income attributable to the noncontrolling interest in Taiwan. 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 filed on Form 10-K for the fiscal year ended September 1, 2019.

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 2020 is a 52-week year ending on August 30, 2020. References to the first quarter of 2020 and 2019 relate to the 12-week fiscal quarters ended November 24, 2019, and November 25, 2018, respectively.

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. Actual results could differ from those estimates and assumptions.

Leases

The Company leases land and/or buildings at warehouses and certain other office and distribution facilities. Leases generally contain one or more of the following options, which the Company can exercise at the end of the initial term: (a) renew the lease for a defined number of years at the then-fair market rental rate or rate stipulated in the lease agreement; (b) purchase the property at the then-fair market value; or (c) a right of first refusal in the event of a third-party offer.

Some leases include free rent periods and step-rent provisions, which are recognized on a straight-line basis over the original term of the lease and any extension options that the Company more likely than not expects to exercise from the date the Company has control of the property. Certain leases provide for periodic rent increases based on price indices or the greater of minimum guaranteed amounts or sales volume. Our leases do not contain any material residual value guarantees or material restrictive covenants.

The Company determines at inception of a contract whether the contract is or contains a lease. The Company initially records right-of-use (ROU) assets and lease obligations for its finance and operating leases based on the discounted future minimum lease payments over the term. As the rate implicit in the Company's leases is not easily determinable, the present value of the sum of the lease payments is calculated by using the Company's incremental borrowing rate. The rate is determined using a portfolio approach based on the rate of interest the Company would pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term. The Company uses quoted interest rates from financial institutions to derive the incremental borrowing rate. The lease term is defined as the noncancelable period of the lease plus any options to extend when it is reasonably certain that the Company will exercise the option.

Recent Accounting Pronouncements Adopted

In February 2016, the FASB issued ASU 2016-02 - Leases (ASC 842), which required recognition on the balance sheet for the rights and obligations created by leases with terms greater than 12 months. The Company adopted ASC 842 using the modified retrospective transition method and elected to use the effective date of September 2, 2019 as the date of initial application. Consequently, the comparative periods presented continue to be in accordance with ASC 840, Leases.

The Company elected the package of practical expedients permitted under the transition guidance, allowing the Company to carry forward conclusions related to: (a) whether expired or existing contracts contain leases; (b) lease classification; and (c) initial direct costs for existing leases. The Company has elected not to record operating lease right-of-use assets or lease liabilities associated with leases with durations of 12 months or less. Lastly, the Company elected the practical expedient allowing aggregation of non-lease components with related lease components when evaluating accounting treatment for all classes of underlying assets.

Adoption of the new standard resulted in an initial increase to assets and liabilities of $2,632 related to recognition of operating lease right-of-use assets and operating lease obligations as of September 2, 2019. Other line item impacts in the Company's condensed consolidated balance sheet were not material. The standard did not materially impact the condensed consolidated statements of income and cash flows. For more information on the Company's lease arrangements refer to Note 5.

Note 2—Investments

The Company's investments were as follows:

November 24, 2019:	Cost Basis	Unrealized Gains, Net	Recorded Basis
Available-for-sale:			
Government and agency securities	$ 596	$ 4	$ 600
Held-to-maturity:			
Certificates of deposit	393		393
Total short-term investments	$ 989	$ 4	$ 993

September 1, 2019:	Cost Basis	Unrealized Gains, Net	Recorded Basis
Available-for-sale:			
Government and agency securities	$ 716	$ 6	$ 722
Held-to-maturity:			
Certificates of deposit	338		338
Total short-term investments	$ 1,054	$ 6	$ 1,060

Gross unrecognized holding gains and losses on available-for-sale securities were not material for the periods ended November 24, 2019, and September 1, 2019. At November 24, 2019, and September 1, 2019, available-for-sale securities that were in a continuous unrealized-loss position were not material. There were no sales of available-for-sale securities during the first quarter of 2020 or 2019.

The maturities of available-for-sale and held-to-maturity securities at November 24, 2019, are as follows:

	Available-For-Sale		
	Cost Basis	Fair Value	Held-To-Maturity
Due in one year or less	$ 213	$ 212	$ 393
Due after one year through five years	375	379	0
Due after five years	8	9	0
Total	$ 596	$ 600	$ 393

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 indicate the level within the fair value hierarchy reflecting the valuation techniques utilized to determine fair value.

	Level 2	
	November 24, 2019	September 1, 2019
Investment in government and agency securities [1]	$ 699	$ 766
Forward foreign-exchange contracts, in asset position [2]	6	15
Forward foreign-exchange contracts, in (liability) position [2]	(7)	(4)
Total	$ 698	$ 777

(1) At November 24, 2019, $99 cash and cash equivalents and $600 short-term investments are included in the accompanying condensed consolidated balance sheets. At September 1, 2019, $44 cash and cash equivalents and $722 short-term investments are included in the accompanying condensed consolidated balance sheets.
(2) The asset and liability values are included in other current assets and other current liabilities, respectively, in the accompanying condensed consolidated balance sheets.

At November 24, 2019 and September 1, 2019, 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 quarter of 2020 or 2019.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Assets and liabilities recognized and disclosed at fair value on a nonrecurring basis include items such as financial assets measured at amortized cost and long-lived nonfinancial assets. These assets are measured at fair value if determined to be impaired. There were no fair value adjustments to these items during the first quarter of 2020 and 2019.

Note 4—Debt

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

	November 24, 2019	September 1, 2019
1.70% Senior Notes due December 2019	$ 1,200	$ 1,200
1.75% Senior Notes due February 2020	500	500
2.15% Senior Notes due May 2021	1,000	1,000
2.25% Senior Notes due February 2022	500	500
2.30% Senior Notes due May 2022	800	800
2.75% Senior Notes due May 2024	1,000	1,000
3.00% Senior Notes due May 2027	1,000	1,000
Other long-term debt	833	852
Total long-term debt	6,833	6,852
Less unamortized debt discounts and issuance costs	26	29
Less current portion[1]	1,700	1,699
Long-term debt, excluding current portion	$ 5,107	$ 5,124

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

The estimated fair value of Senior Notes is valued 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 $6,945 and $6,997 at November 24, 2019, and September 1, 2019, respectively.

Subsequent to the end of the quarter, on December 16, 2019, the Company paid the outstanding principal balance and associated interest on the 1.70% Senior Notes from cash and cash equivalents and short-term investments.

Note 5—Leases

The tables below present information regarding the Company's lease assets and liabilities:

	November 24, 2019
Assets	
Operating lease right-of-use assets	$ 2,597
Finance lease assets[(1)]	355
Total lease assets	$ 2,952
Liabilities	
Current	
Operating[(2)]	$ 169
Finance[(2)]	12
Long-term	
Operating	2,442
Finance[(3)]	388
Total lease liabilities	$ 3,011

(1) Included in net property and equipment in the accompanying condensed consolidated balance sheets.
(2) Included in other current liabilities in the accompanying condensed consolidated balance sheets.
(3) Included in other long-term liabilities in the accompanying condensed consolidated balance sheets.

	November 24, 2019
Weighted-average remaining lease term (years)	
Operating leases	21
Finance leases	15
Weighted-average discount rate	
Operating leases	2.25%
Finance leases	8.54%

The components of lease expense, excluding short-term and variable lease costs and sublease income which were not material, were as follows:

	12 Weeks Ended November 24, 2019
Operating lease cost(1)	$ 51
Finance lease cost	
Amortization of lease assets (1)	4
Interest on lease liabilities(2)	7
Total lease cost	$ 62

(1) Generally included in selling, general and administrative expenses in the accompanying condensed consolidated statements of income.
(2) Included in interest expense in the accompanying condensed consolidated statements of income.

Supplemental cash flow information related to leases was as follows:

	12 Weeks Ended November 24, 2019
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows — operating leases	$ 40
Operating cash flows — finance leases	7
Financing cash flows — finance leases	31
Leased assets obtained in exchange for finance lease liabilities	4
Leased assets obtained in exchange for operating lease liabilities	10

As of November 24, 2019, future minimum payments during the next five fiscal years and thereafter are as follows:

	Operating Leases(1)	Finance Leases
2020	$ 173	$ 29
2021	216	40
2022	206	39
2023	212	42
2024	188	40
Thereafter	2,400	557
Total(2)	3,395	747
Less amount representing interest	784	347
Present value of lease liabilities	$ 2,611	$ 400

(1) Operating lease payments have not been reduced by future sublease income of $103.
(2) Excludes $250 of lease payments for leases that have been signed but not yet commenced.

As of September 1, 2019, future minimum payments, net of sub-lease income of $105, under noncancelable operating leases with terms of at least one year and capital leases reported under ASC 840 were as follows:

	Operating Leases	Capital Leases
2020	$ 239	$ 51
2021	229	53
2022	202	38
2023	193	39
2024	181	39
Thereafter	2,206	544
Total	$ 3,250	764
Less amount representing interest		343
Net present value of minimum lease payments		$ 421

Note 6—Equity

Dividends

The Company's current quarterly dividend is $0.65 per share, compared to $0.57 in the first quarter of 2019. On October 18, 2019, the Board of Directors declared a quarterly dividend in the amount of $0.65 per share, which was paid on November 15, 2019.

Stock Repurchase Programs

Stock repurchase activity during the first quarter of 2020 and 2019 is summarized below:

	Shares Repurchased (000s)	Average Price per Share	Total Cost
First quarter of 2020	100	$ 295.97	$ 30
First quarter of 2019	150	$ 229.35	$ 34

These amounts may differ from the stock repurchase balances in the accompanying condensed consolidated statements of cash flows due to changes in unsettled stock repurchases at the end of a quarter. The remaining amount available for stock repurchases under the approved plan was $3,913 at November 24, 2019. 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 7—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 aggregate 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 November 24, 2019, 13,451,000 shares were available to be granted as RSUs, and the following awards were outstanding:

- 5,227,000 time-based RSUs that vest upon continued employment over specified periods of time;
- 30,000 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
- 123,000 performance-based RSUs, granted to executive officers of the Company, subject to achievement of performance targets for fiscal 2020, as determined by the Compensation Committee of the Board of Directors after the end of the fiscal year. These awards are not included in the table below.

The following table summarizes RSU transactions during the first quarter of 2020:

	Number of Units (in 000s)	Weighted-Average Grant Date Fair Value
Outstanding at September 1, 2019	6,496	$ 167.55
Granted	2,128	293.62
Vested and delivered	(3,341)	188.91
Forfeited	(26)	182.38
Outstanding at November 24, 2019	5,257	$ 204.94

The remaining unrecognized compensation cost related to nonvested RSUs at November 24, 2019, was $1,012, and the weighted-average period over which this cost will be recognized is 1.8 years.

Summary of Stock-Based Compensation

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

	12 Weeks Ended	
	November 24, 2019	November 25, 2018
Stock-based compensation expense before income taxes	$ 301	$ 270
Less recognized income tax benefit	(66)	(61)
Stock-based compensation expense, net of income taxes	$ 235	$ 209

Note 8—Taxes

Other Taxes

The Company is undergoing multiple examinations for value-added, sales-based, payroll, product, import or other non-income taxes in various jurisdictions. In certain cases, the Company has received assessments from the authorities. In September 2019, the Company received an assessment related to a product tax audit covering multiple years. The Company recorded the charge in fiscal 2019 and is protesting the assessment. Other possible losses or range of possible losses associated with these matters are either immaterial or an estimate of the possible loss or range of loss cannot be made at this time. If certain matters or a group of matters were to be decided adversely to the Company, it could result in a charge that might be material to the results of an individual fiscal quarter or year.

Note 9—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 potentially dilutive common shares outstanding (shares in 000s):

	12 Weeks Ended	
	November 24, 2019	November 25, 2018
Net income attributable to Costco	$ 844	$ 767
Weighted average basic shares	441,818	439,157
RSUs	1,862	3,592
Weighted average diluted shares	443,680	442,749

Note 10-Commitments and Contingencies

Legal Proceedings

The Company is involved in a number of claims, proceedings and litigation 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 reach a stage where they present loss contingencies that are both probable and reasonably estimable. There may be exposure to loss in excess of any 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. As of the date of this Report, 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 continue to monitor the matter for developments that will make the loss 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 a class action alleging violation of California Wage Order 7-2001 for failing to provide seating to member service assistants who act as greeters in the Company's California warehouses. *Canela v. Costco Wholesale Corp., et al.* (Case No. 5:13-CV-03598, N.D. Cal. filed July 1, 2013). 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. The action has been stayed pending review by the Ninth Circuit of the order certifying a class. In January 2019, an employee brought similar claims for relief concerning Costco employees engaged at member services counters in California. *Rodriguez v. Costco Wholesale Corp.* (Case No. RG19001310, Alameda Superior Court filed Jan. 4, 2019). The Company filed an answer denying the material allegations of the complaint. In December 2018, a depot employee raised similar claims, alleging that depot employees in California did not receive suitable seating or appropriate workplace temperature conditions. *Lane v. Costco Wholesale Corp.* (Dec. 6, 2018 Notice to California Labor and Workforce Development Agency). The Company filed an answer denying the material allegations of the complaint. In October the parties reached an agreement to settle the seating claims on a class basis, which is subject to court approval.

In January 2019, a former seasonal employee filed a class action, alleging failure to provide California seasonal employees meal and rest breaks, proper wage statements, and appropriate wages. *Jadan v. Costco Wholesale Corp.* (Case No. 19-CV-340438 Santa Clara Superior Court filed Jan. 3, 2019). The complaint seeks relief under the California Labor Code, including civil penalties and attorneys' fees. In October the parties reached an agreement on a class settlement, which is subject to court approval.

In March 2019, employees filed a class action against the Company alleging claims under California law for failure to pay overtime, to provide meal 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, et ano., v. Costco Wholesale Corp., et al.* (Case No. 2:19-cv-03454 C.D. Cal. filed Mar. 25, 2019). The Company filed an answer denying the material allegations of the complaint. In May 2019, employees 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. filed May 28, 2019). Relief is sought under the California Labor Code, including civil penalties and attorneys' fees. In June 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, itemized wage statements, to timely pay wages due to terminating employees, to pay minimum wages, and for unfair business practices. *Martinez v. Costco Wholesale Corp*., (Case No. 3:19-cv-05624 N.D. Cal. filed June 11, 2019). The Company filed an answer denying the material allegations of the complaint. In August 2019, Rough filed a companion case in state court seeking penalties under the California Labor Code Private Attorneys General Act. *Rough v. Costco* (Case No. FCS053454, Sonoma County Superior Court, filed August 23, 2019). Relief is sought under the California Labor Code, including civil penalties and attorneys' fees. In September 2019, an employee re-filed a class action against the Company alleging claims under California law for failure to pay wages, 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. *Mosley v. Costco Wholesale Corp.* (Case No. 2:19-cv-07935, C.D. Cal. filed Sept. 12, 2019). Relief is sought under the California Labor Code, including civil penalties and attorneys' fees.

In December 2017, the United States Judicial Panel on Multidistrict Litigation consolidated numerous cases filed against various defendants by counties, cities, hospitals, Native American tribes, third-party payors, and others concerning the impacts of opioid abuse. *In re National Prescription Opiate Litigation* (MDL No. 2804) (N.D. Ohio). Included are federal cases that name the Company, including actions filed by counties and cities in Michigan, New Jersey, Oregon, Virginia and South Carolina, a third-party payor in Ohio, and class actions filed in thirty-eight states on behalf of infants born with opioid-related medical conditions. In 2019 similar actions were commenced against the Company in state courts in Utah and Arizona. Claims against the Company in state courts in New Jersey and Oklahoma have been dismissed. The Company is defending all of these matters.

The Company and its CEO and CFO are defendants in putative class actions brought on behalf of shareholders who acquired Company stock between June 6 and October 25, 2018. *Johnson v. Costco Wholesale Corp., et al.* (W.D. Wash. filed Nov. 5, 2018); *Chen v. Costco Wholesale Corp., et al.* (W.D. Wash. filed Dec. 11, 2018). The complaints allege violations of the federal securities laws stemming from the Company's disclosures concerning internal control over financial reporting. They seek unspecified damages, equitable relief, interest, and costs and attorneys' fees. On January 30, 2019, an order was entered consolidating the actions, and a consolidated amended complaint was filed on April 16. On November 26, the court entered an order dismissing the consolidated amended complaint and granting the plaintiffs leave to file a further amended complaint within 90 days.

Members of the Board of Directors, one other individual, and the Company are defendants in a shareholder derivative action related to the internal controls and related disclosures identified in the putative class actions, alleging that the individual defendants breached their fiduciary duties. *Wedekind v. Hamilton James, Susan Decker, Kenneth Denman, Richard Galanti, Craig Jelinek, Richard Libenson, John Meisenbach, Charles Munger, Jeffrey Raikes, John Stanton, Mary Agnes Wilderotter, and Costco Wholesale Corp.* (W.D. Wash. filed Dec. 11, 2018). The complaint seeks unspecified damages, disgorgement of compensation, corporate governance changes, and costs and attorneys' fees. Because the complaint is derivative in nature, it does not seek monetary damages from the Company, which is a nominal defendant. By agreement among the parties the action has been stayed pending further proceedings in the class actions. Similar actions were filed in King County Superior Court on February 20, 2019, *Elliott v. Hamilton James, Susan Decker, Kenneth Denman, Richard Galanti, Craig Jelinek, Richard Libenson, John Meisenbach, Charles Munger, Jeffrey Raikes, John Stanton, Mary Agnes Wilderotter, and Costco Wholesale Corp.* (Case No. 19-2-04824-7), April 16, 2019, *Brad Shuman, et ano. v. Hamilton James, Susan Decker, Kenneth Denman, Richard Galanti, Craig Jelinek, John Meisenbach, Charles Munger, Jeffrey Raikes, John Stanton, Mary Agnes Wilderotter, and Costco Wholesale Corp.* (Case No. 19-2-10460-1), and June 12, 2019, *Rahul Modi v. Hamilton James, Susan Decker, Kenneth Denman, Richard Galanti, Craig Jelinek, John Meisenbach, Charles Munger, Jeffrey Raikes, John Stanton, Mary Agnes Wilderotter, and Costco Wholesale Corp.* (Case No. 19-2-15514-1). These actions have also been stayed.

In November 2016 and September 2017, the Company received notices of violation from the Connecticut Department of Energy and Environmental Protection regarding hazardous waste practices at its Connecticut warehouses, primarily concerning unsalable pharmaceuticals. The relief to be sought is not known at this time. The Company is seeking to cooperate concerning the resolution of these notices.

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; however, 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 11—Segment Reporting

The Company and its subsidiaries are principally engaged in the operation of membership warehouses in the U.S., Canada, Mexico, U.K., Japan, Korea, Australia, Spain, Iceland, France and China and through a majority-owned subsidiary in Taiwan. Reportable segments are largely based on management's organization of the operating segments for operational decisions and assessments of financial performance, which consider geographic locations. The material accounting policies of the segments are as described in the notes to the consolidated financial statements included in the Company's Annual Report filed on Form 10-K for the fiscal year ended September 1, 2019 , and Note 1 above. Intersegment net sales and expenses have been eliminated in computing total revenue and operating income. Certain operating expenses, predominantly stock-based compensation, are incurred on behalf of the Company's Canadian and Other International operations, but are included in the U.S. operations because those costs generally come under the responsibility of the Company's U.S. management team.

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

	United States Operations	Canadian Operations	Other International Operations	Total
12 Weeks Ended November 24, 2019				
Total revenue	$ 27,065	$ 5,127	$ 4,848	$ 37,040
Operating income	635	228	198	1,061
Total assets	35,784	4,857	10,790	51,431
12 Weeks Ended November 25, 2018				
Total revenue	$ 25,550	$ 4,977	$ 4,542	$ 35,069
Operating income	560	214	175	949
Total assets	30,499	4,673	8,642	43,814
52 Weeks Ended September 1, 2019				
Total revenue	$ 111,751	$ 21,366	$ 19,586	$ 152,703
Operating income	3,063	924	750	4,737
Total assets	32,162	4,369	8,869	45,400

Disaggregated Revenue

The following table summarizes net sales by merchandise category:

	12 Weeks Ended	
	November 24, 2019	November 25, 2018
Foods and Sundries	$ 14,532	$ 13,641
Hardlines	5,843	5,840
Fresh Foods	4,576	4,293
Softlines	4,297	4,123
Ancillary	6,988	6,414
Total Net Sales	$ 36,236	$ 34,311

Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations
(amounts in millions, except per share, share, and warehouse count data)

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. They include statements that address activities, events, conditions or developments that we expect or anticipate may occur in the future and may relate to such matters as 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. Forward-looking statements may also be identified by the words "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "likely," "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, 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 other risks identified from time to time in our public statements and reports filed with the SEC. Forward-looking statements speak only as of the date they are made, and we do not undertake to update these statements, except as required by law.

This management discussion should be read in conjunction with the management discussion included in our fiscal 2019 Annual Report on Form 10-K, previously filed with the SEC.

OVERVIEW

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 merchandise 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 believe that the most important driver of our profitability is sales growth, particularly comparable sales growth. We define comparable sales as 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 the consolidation of the results of our international operations); and changes in the cost of gasoline and associated competitive conditions (primarily impacting our U.S. and Canadian operations). The higher our comparable sales exclusive of these items, the more we can leverage certain of our selling, general and administrative (SG&A) expenses, reducing them as a percentage of sales and enhancing profitability. Generating comparable sales growth is foremost a question of making available 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 sales growth is the health of the economies in which we do business, including the effects of inflation or deflation, especially the United States. 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” on quality goods–consistently providing the most competitive values. Our investments in merchandise pricing may include reducing prices on merchandise to drive sales or meet competition and holding prices steady despite cost increases instead of passing the increases on to our members, all negatively impacting gross margin as a percentage of net sales (gross margin percentage). We believe our gasoline business draws members, but it generally has a lower gross margin percentage relative to our non-gasoline business. It also has lower SG&A expenses as a percent of net sales compared to our non-gasoline business. 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, actions in various countries, particularly China and the United States, have created uncertainty with respect to how tariffs will affect 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. The impact to our net sales and gross margin will be influenced in part by our merchandising and pricing strategies in response to cost increases. While these potential impacts are uncertain, they could have an adverse impact on our results.

We also achieve 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 growth, domestically and internationally, has also increased our sales but it generally has a lower gross margin percentage relative to our warehouse business.

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 requires maintaining compensation levels that are better than the industry average for much of our workforce. This may cause us, for example, to absorb costs that other employers might seek to pass through to their workforces. Because our business operates on very low margins, modest changes in various items in the consolidated statements of income, particularly merchandise costs and selling, general and administrative expenses, can have substantial impacts on net income.

Our operating model is generally the same across our U.S., Canada, and Other International operating segments (see Note 11 to the condensed consolidated financial statements included in Part I, Item 1, of this Report). Certain countries in the Other International segment have relatively higher rates of square footage growth, lower wages and benefits costs as a percentage of country sales, and/or less or no direct membership warehouse competition.

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 references to the differences between the foreign-exchange rates we use to convert the financial results of our international operations from local currencies into U.S. dollars for financial reporting purposes. This impact of foreign-exchange rate changes is calculated based on the difference between the current period's currency exchange rates and that of the comparable prior period. The impact of changes in gasoline prices on net sales is calculated based on the difference between the current period's average price per gallon sold and that of the comparable prior period.

Our fiscal year ends on the Sunday closest to August 31. References to the first quarters of 2020 and 2019 relate to the 12-week fiscal quarters ended November 24, 2019, and November 25, 2018, respectively. 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 first quarter of 2020 as compared to the first quarter of 2019 include:

- Net sales increased 6% to $36,236, driven by an increase in comparable sales of 4% and sales at 17 net new warehouses opened since the end of the first quarter of 2019;
- Membership fee revenue increased 6% to $804, primarily due to sign-ups at existing and new warehouses;
- Gross margin percentage increased 30 basis points, primarily due to our warehouse ancillary and other businesses and an adjustment in the first quarter of 2019 to our estimate of breakage on rewards earned under our co-branded credit card program;
- SG&A expenses as a percentage of net sales increased 17 basis points, primarily due to operating costs related to warehouse, ancillary and other businesses and stock compensation;
- The provision for income taxes in the first quarter of 2020 was positively impacted by a benefit related to stock compensation of $77, or $0.17 per diluted share compared to $59, or $0.13 in the first quarter of 2019. The first quarter of 2019 was also positively impacted by a benefit of $27, or $0.06 per diluted share, related to the Tax Cuts and Jobs Act (2017 Tax Act);
- Net income increased 10% to $844, or $1.90 per diluted share, compared to $767, or $1.73 per diluted share in 2019; and
- On October 18, 2019, our Board of Directors declared a quarterly cash dividend of $0.65 per share, which was paid on November 15, 2019.

RESULTS OF OPERATIONS

Net Sales

	12 Weeks Ended	
	November 24, 2019	November 25, 2018
Net Sales	$ 36,236	$ 34,311
Changes in net sales		
U.S	6%	12%
Canada	3%	4%
Other International	7%	8%
Total Company	6%	10%
Changes in comparable sales:		
U.S	5%	11%
Canada	3%	2%
Other International	3%	4%
Total Company	4%	9%
Changes in comparable sales excluding the impact of changes in foreign currency and gasoline prices (1):		
U.S	5%	8%
Canada	5%	5%
Other International	4%	6%
Total Company	5%	7%

(1) Excludes the impact of the revenue recognition standard for the period ended November 25, 2018.

Net Sales

Net sales increased $1,925 or 6%, during the first quarter of 2020 compared to the first quarter of 2019. This increase was attributable to an increase in comparable sales of 4% in the first quarter of 2020, and sales at the 17 net new warehouses opened since the end of the first quarter of 2019.

During the first quarter of 2020, changes in gasoline prices negatively impacted net sales by $122, or 35 basis points, due to a 3% decrease in the average sales price per gallon. Foreign currencies relative to the U.S. dollar also negatively impacted net sales by approximately $103, or 30 basis points, compared to the first quarter of 2019, attributable to our Canadian and Other International operations.

Comparable Sales

Comparable sales increased 4% in the first quarter of 2020 and were positively impacted by increases in shopping frequency and average ticket. Comparable sales for the first quarter of 2020 were negatively impacted by cannibalization (established warehouses losing sales to our newly opened locations) and the shift in timing of the Thanksgiving holiday to the second quarter of 2020.

Membership Fees

	12 Weeks Ended	
	November 24, 2019	November 25, 2018
Membership fees	$ 804	$ 758
Membership fees as a percentage of net sales	2.22%	2.21%
Total paid members as of quarter end (000s)	54,700	52,200
Total cardholders as of quarter end (000s)	99,900	95,400

The increase of 6% in membership fees was primarily due to signups at existing and new warehouses. Changes in foreign currencies relative to the U.S. dollar had a slight negative impact on membership fees. At the end of the first quarter of 2020, our member renewal rates were 91% in the U.S. and Canada and 88% worldwide.

Gross Margin

	12 Weeks Ended	
	November 24, 2019	November 25, 2018
Net sales	$ 36,236	$ 34,311
Less merchandise costs	32,233	30,623
Gross margin	$ 4,003	$ 3,688
Gross margin percentage	11.05%	10.75%

The gross margin of our core merchandise categories (food and sundries, hardlines, softlines, and fresh foods), when expressed as a percentage of core merchandise sales (rather than total net sales), increased four basis points, primarily due to increases in hardlines, softlines, and food and sundries partially offset by a decrease in fresh foods, which was driven primarily by initial operating losses from our new poultry processing plant. This measure eliminates the impact of changes in sales penetration and gross margins from our warehouse ancillary and other businesses.

Total gross margin percentage increased 30 basis points compared to the first quarter of 2019. Excluding the impact of gasoline price deflation on net sales, gross margin as a percentage of adjusted net sales was 11.01%, an increase of 26 basis points. This was primarily due to a 19 basis-point increase in our warehouse ancillary and other businesses and 13 basis points related to an adjustment in the first quarter of 2019 to our estimate of breakage on rewards earned under our co-branded credit card program. These increases were partially offset by a six basis-point decrease in our core merchandise categories.

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), increased in our U.S. operations, primarily due to our warehouse ancillary and other businesses and the adjustment mentioned above, partially offset by decreases in our core merchandise categories. The segment gross margin percentage in our Canadian operations increased, primarily due to our warehouse ancillary and other businesses. The segment gross margin percentage in our Other International operations increased, primarily due to our core merchandise categories and our warehouse ancillary and other businesses, partially offset by increased spending by members under the Executive Membership 2% reward program.

Selling, General and Administrative Expenses

	12 Weeks Ended	
	November 24, 2019	November 25, 2018
SG&A expenses	$ 3,732	$ 3,475
SG&A expenses as a percentage of net sales	10.30%	10.13%

SG&A expenses as a percentage of net sales increased 17 basis points compared to the first quarter of 2019. Excluding the impact of gasoline price deflation on net sales, SG&A expenses as a percentage of adjusted net sales was 10.26%, an increase of 13 basis points compared to the prior year. Operating costs related to warehouse ancillary and other businesses, which include e-commerce and travel, increased five basis points, primarily due to the wage increases and bonding leave benefits for U.S. and Canadian hourly employees effective in March 2019. Stock compensation was higher by four basis points, primarily due to accelerated vesting for long service. Central operating costs related to maintaining, upgrading and expanding our technology capabilities were higher by four basis points.

Preopening Expense

	12 Weeks Ended	
	November 24, 2019	November 25, 2018
Preopening expenses	$ 14	$ 22
Warehouse openings, including relocations		
United States	3	6
Canada	1	2
Other International	0	0
Total warehouse openings, including relocations	4	8

Preopening expenses include startup costs related to new warehouses and relocations, developments in new international markets, new manufacturing and distribution facilities, and expansions at existing warehouses. Preopening expenses vary due to the number of warehouse openings, the timing of the openings relative to our quarter-end, whether the warehouse is owned or leased, and whether the opening is in an existing, new or international market. For the remainder of fiscal 2020, we expect to open 17 warehouses, including two relocations.

Interest Expense

	12 Weeks Ended	
	November 24, 2019	November 25, 2018
Interest expense	$ 38	$ 36

Interest expense is primarily related to Senior Notes.

Interest Income and Other, Net

	12 Weeks Ended	
	November 24, 2019	November 25, 2018
Interest income	$ 32	$ 21
Foreign-currency transaction gains, net	(4)	(5)
Other, net	7	6
Interest income and other, net	$ 35	$ 22

Interest income increased for the first quarter of 2020, due to higher average cash and investment balances and higher interest rates. Foreign-currency transaction gains, net, include the revaluation or settlement of monetary assets and liabilities by our Canadian and Other International operations and mark-to-market adjustments for forward foreign-exchange contracts. See Derivatives and Foreign Currency sections in Item 8, Note 1 of our Annual Report on Form 10-K, for the fiscal year ended September 1, 2019.

Provision for Income Taxes

	12 Weeks Ended	
	November 24, 2019	November 25, 2018
Provision for income taxes	$ 202	$ 158
Effective tax rate	19.1%	16.9%

The effective tax rate for the first quarter of 2020 was favorably impacted by $77 due to excess tax benefits from stock compensation. The effective tax rate for the first quarter of 2019 was favorably impacted by discrete tax benefits of $59 related to excess tax benefits from stock-based compensation and $27 related to the 2017 Tax Act.

LIQUIDITY AND CAPITAL RESOURCES

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

	12 Weeks Ended	
	November 24, 2019	November 25, 2018
Net cash provided by operating activities	$ 2,102	$ 2,177
Net cash used in investing activities	(630)	(737)
Net cash used in financing activities	(836)	(700)

Our primary sources of liquidity are cash flows generated from warehouse operations, cash and cash equivalents, and short-term investments. Cash and cash equivalents and short-term investments were $10,020 and $9,444 at November 24, 2019, and September 1, 2019, respectively. Of these balances, unsettled credit and debit card receivables represented approximately $1,743 and $1,434 at November 24, 2019, and September 1, 2019, respectively. These receivables generally settle within four days. Cash and cash equivalents were positively impacted by a change in exchange rates of $7 and negatively impacted by a change of $ 17 in the first quarter of 2020 and 2019, respectively.

Management believes that our cash position and operating cash flows 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. We no longer consider earnings after 2017 of our non-U.S. consolidated subsidiaries to be indefinitely reinvested.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled $2,102 in the first quarter of 2020, compared to $2,177 in the first quarter of 2019. Cash provided by operations is primarily derived from net sales and membership fees. Cash 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 how fast inventory is sold, payment terms with our suppliers, the amount of early payments to obtain discounts from suppliers, and the shift in timing of the Thanksgiving holiday to the second quarter of 2020.

Cash Flows from Investing Activities

Net cash used in investing activities totaled $630 in the first quarter of 2020, compared to $737 in the first quarter of 2019, 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 quarter of 2020, we spent $715 on capital expenditures, and it is our current intention to spend approximately $3,000 during fiscal 2020. We opened four new warehouses, including one relocation, in the first quarter of 2020 and plan to open 17 additional new warehouses, including two relocations, in the remainder of fiscal 2020. There can be no assurance that current expectations will be realized; plans are subject to change upon further review of our capital expenditure needs.

Cash Flows from Financing Activities

Net cash used in financing activities totaled $836 in the first quarter of 2020, compared to $700 in the first quarter of 2019. Cash flow used in financing activities was primarily related to the payment of dividends, withholding taxes on stock-based awards, and repurchases of common stock. Dividends totaling $573 were paid during the first quarter of 2020, of which $286 related to the dividend declared in August 2019. Subsequent to the end of the quarter, on December 16, 2019, we paid the outstanding principal balance and associated interest on the 1.70% Senior Notes from cash and cash equivalents and short-term investments.

Stock Repurchase Programs

During the first quarter of 2020 and 2019, we repurchased 100,000 and 150,000 shares of common stock, at an average price per share of $295.97 and $229.35, respectively, totaling approximately $30 and $34, respectively. These amounts may differ from the stock repurchase balances in the accompanying condensed consolidated statements of cash flows due to changes in unsettled stock 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.

Dividends

On October 18, 2019, our Board of Directors declared a quarterly dividend of $0.65 per share payable to shareholders of record on November 1, 2019. The dividend was paid on November 15, 2019.

Bank Credit Facilities and Commercial Paper Programs

We maintain bank credit facilities for working capital and general corporate purposes. At November 24, 2019, we had borrowing capacity under these facilities of $873, including a $400 revolving line of credit, which expires in June 2020. Our international operations maintain $360 of the borrowing capacity under bank credit facilities, of which $147 is guaranteed by the Company. There were no outstanding short-term borrowings under the bank credit facilities at the end of the first quarter of 2020 or at the end of 2019.

The Company has letter of credit facilities, for commercial and standby letters of credit, totaling $224. The outstanding commitments under these facilities at the end of the first quarter of 2020 totaled $150, most of which were standby letters of credit with expiration dates within one year. The bank credit facilities have various expiration dates, most of which are 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.

Contractual Obligations

As of the date of this Report, there were no material changes to our contractual obligations outside the ordinary course of business since the end of our last fiscal year.

Critical Accounting Estimates

The preparation of our consolidated financial statements in accordance with U.S. GAAP requires that we make estimates and judgments. We base these on historical experience and on assumptions that we believe to be reasonable. Our critical accounting policies are discussed in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of our Annual Report on Form 10-K, for the fiscal year ended September 1, 2019. There have been no material changes to the critical accounting policies previously disclosed in that Report.

Recent Accounting Pronouncements

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

Item 3—Quantitative and Qualitative Disclosures about Market Risk

Our direct exposure to financial market risk results from fluctuations in foreign currency exchange rates and interest rates. There have been no material changes to our market risks as disclosed in our Annual Report on Form 10-K, for the fiscal year ended September 1, 2019.

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 (CEO) and the Chief Financial Officer (CFO), with assistance from other members of management, have reviewed the effectiveness of our disclosure controls and procedures as of November 24, 2019, and based on their evaluation have concluded the disclosure controls and procedures were effective as of that date.

Changes in Internal Control over Financial Reporting

In the first quarter of 2020, we adopted ASU 2016-02 Leases (ASC 842) which required changes to certain of our business processes and internal controls over financial reporting.

There have been no other 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 first quarter of fiscal 2020 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 10 to the condensed consolidated financial statements included in Part I, Item 1 of this Report.

Item 1A—Risk Factors

In addition to the other information set forth in the Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K, for the fiscal year ended September 1, 2019. 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 first quarter of 2020 (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)
September 2 — September 29, 2019	33,000	$ 291.99	33,000	$ 3,933
September 30 — October 27, 2019	34,000	295.38	34,000	3,923
October 28 — November 24, 2019	33,000	300.47	33,000	3,913
Total first quarter	100,000	$ 295.97	100,000	

(1) Our stock repurchase program is conducted under a $4,000 authorization approved by our Board of Directors in April 2019, which expires in April 2023.

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.

			Incorporated by Reference		
Exhibit Number	Exhibit Description	Filed Herewith	Form	Period Ending	Filing Date
3.1	Articles of Incorporation as amended of Costco Wholesale Corporation		10-Q	2/17/2019	3/13/2019
3.2	Bylaws as amended of Costco Wholesale Corporation		8-K		4/30/2019
4.1	Description of Common Stock	x			
10.1*	Fiscal 2020 Executive Bonus Plan		8-K		10/21/2019
10.2.1*	2019 Stock Incentive Plan Restricted Stock Unit Award Agreement-Employee	x			
10.2.2*	2019 Stock Incentive Plan Restricted Stock Unit Award Agreement - Non-U.S. Employee	x			
10.2.3*	2019 Stock Incentive Plan Restricted Stock Unit Award Agreement-Non-Executive Director	x			
10.2.4*	2019 Stock Incentive Plan Letter Agreement for 2020 Performance-Based Restricted Stock Units-Executive	x			
10.3*	Extension of the Term of the Executive Employment Agreement, effective January 1, 2020, between W. Craig Jelinek and Costco Wholesale Corporation	x			
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			

* Management contract, compensatory plan or arrangement

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)

December 18, 2019	By	/s/ W. CRAIG JELINEK
Date		W. Craig Jelinek *President, Chief Executive Officer and Director*
December 18, 2019	By	/s/ RICHARD A. GALANTI
Date		Richard A. Galanti *Executive Vice President, Chief Financial Officer and Director*

Exhibit 4.1

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

The following description of the Company's common stock is based upon the Company's Articles of Incorporation, as amended ("Articles"), the Company's Bylaws, as amended ("Bylaws"), and applicable provisions of law. We have summarized certain portions of our Articles and Bylaws below. This summary is not complete and is subject to, and is qualified in its entirety by express reference to, the provisions of our Articles and Bylaws, each of which is filed as an exhibit to the Quarterly Report on Form 10-Q of which this Exhibit 4.1 is a part.

Our authorized capital stock consists of 900,000,000 shares of common stock, $0.01 par value per share, and 100,000,000 shares of undesignated preferred stock, $0.01 par value per share.

Common Stock

Dividend Rights. Subject to the prior or preferential rights of holders of our preferred stock outstanding at the time, holders of our common stock are entitled to receive dividends, if any, as may be declared from time to time by our Board of Directors out of legally available funds.

Voting Rights. Each share of our common stock entitles its holder to one vote on all matters voted on by the shareholders, including the election of directors. We have not provided for cumulative voting for the election of directors in our Articles.

Right to Receive Liquidation Distributions. Subject to the prior or preferential rights of holders of our preferred stock outstanding at the time, in the event of our liquidation, dissolution, or winding up, holders of our common stock will be entitled to share ratably in the net assets legally available for distribution to shareholders.

Rights and Preferences. Holders of our common stock have no preemptive or conversion rights, and there are no redemption or sinking fund provisions applicable to our common stock.

Preferred Stock

Our Board of Directors has the authority, without further action by our shareholders, to issue up to 100,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges, and restrictions thereof. These rights, preferences, and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms, and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of common stock. The issuance of preferred stock by us could adversely affect the voting power of holders of common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock by us could have the effect of delaying, deferring, or preventing a change in control of our company or other corporate action. No shares of preferred stock are outstanding, and we have no present plan to issue any shares of preferred stock.

Anti-Takeover Provisions

Washington Anti-Takeover Law

Washington law imposes restrictions on some transactions between a corporation and significant shareholders. Chapter 23B.19 of the Washington Business Corporation Act generally prohibits a target corporation from engaging in specified "significant business transactions" with an "acquiring person." This statute could prohibit or delay the accomplishment of mergers or other takeover or change in control attempts with respect to us and, accordingly, may discourage unsolicited attempts to acquire us. An "acquiring person" is generally defined as a person or group of persons that beneficially owns the voting shares entitled to cast votes comprising 10% or more of the voting power of the target corporation. The target corporation may not engage in "significant business transactions," as defined in Chapter 23B.19, for a period of five years after the date of the transaction in which the person became an acquiring person, unless (1) the significant business transaction or the acquiring person's purchase of shares was approved by a majority of the members of the target corporation's board of directors prior to the share acquisition causing the person to become an “acquiring person,” or (2) the significant business transaction was both approved by the majority of the members of the target corporation’s board and authorized at a shareholder meeting by at least two-thirds of the votes entitled to be cast by the outstanding voting shares (excluding the acquiring person’s shares or shares over which the acquiring person has voting control) at or subsequent to the acquiring person’s share acquisition. “Significant business transactions” include, among other things:

- a merger or share exchange with, disposition of assets to, or issuance or redemption of stock to or from, the acquiring person;
- a termination of 5% or more of the employees of the target corporation employed in the State of Washington as a result of the acquiring person’s acquisition of 10% or more of the shares, whether at one time or over the five-year period following the share acquisition;
- a transaction in which the acquiring person is allowed to receive a disproportionate benefit as a shareholder; or
- liquidating or dissolving the target corporation.

After the five-year period, a “significant business transaction” may occur, as long as it complies with “fair price” provisions specified in the statute or is approved at a meeting of shareholders by a majority of the votes entitled to be counted within each voting group entitled to vote separately on the transaction, not counting the votes of shares as to which the acquiring person has beneficial ownership or voting control. A corporation may not “opt out” of this statute.

Articles of Incorporation, as Amended and Bylaws, as Amended

Our Articles and Bylaws include a number of provisions that may have the effect of deterring takeovers or delaying or preventing changes in control or changes in our management that a shareholder might deem to be in the shareholder’s best interest. These provisions include the following:

- our Board of Directors may issue up to 100,000,000 shares of preferred stock, with any rights or preferences as it may designate;
- our Articles and Bylaws provide that (1) until the declassification of our Board of Directors implemented by amendments to our Articles and Bylaws that became effective in January 2019 is fully phased in beginning with our 2022 annual meeting of shareholders, the current three-year terms of certain of our directors will remain in effect until their current terms expire, (2) a director may only be removed from the Board of Directors for cause, and (3) only our Board of Directors may change the size of our Board of Directors, which provisions together generally make it more difficult for shareholders to replace a majority of our Board of Directors;
- Washington law, our Articles and Bylaws limit the ability of shareholders from acting by written consent by requiring unanimous written consent for shareholder action to be effective;
- our Articles and Bylaws limit who may call a special meeting of shareholders to only our Board of Directors, Chairman, President, any Executive Vice President or the Secretary or shareholders owning an aggregate at least 10% of all votes entitled to be cast;
- our Bylaws provide that shareholders seeking to present proposals before a meeting of shareholders or to nominate candidates for election as directors at a meeting of shareholders must provide timely advance written notice to us in writing, and specify requirements as to the form and content of a shareholder’s notice, which may preclude shareholders from bringing matters before a meeting of shareholders or from making nominations for directors at a meeting of shareholders; and
- our Articles do not provide for cumulative voting for our directors, which may make it more difficult for shareholders owning less than a majority of our capital stock to elect any members to our Board of Directors.

Exhibit 10.2.1

COSTCO WHOLESALE CORPORATION
RESTRICTED STOCK UNIT AWARD AGREEMENT

1. **Grant of Stock Units.** You are hereby granted Employee Stock Units covering the number of shares of Costco Wholesale Corp. common stock (the “Shares”) specified in the Grant Detail made available electronically in connection with the grant (the “Detail”). By accepting this grant, the Employee acknowledges and agrees that it is subject to the terms and conditions of this Agreement and of the Costco Wholesale Corporation 2019 Stock Incentive Plan (the "Plan"), which is incorporated here by reference and a copy of which can be found on the Company's internal website or obtained through the Financial Planning Department.

2. **Vesting Schedule and Delivery of Shares.**

(a) The Stock Units are not Shares; they will be converted into shares when the Stock Units are settled after vesting. Any Stock Units that have not vested under the Detail or this Agreement shall be forfeited. Generally, Stock Units will settle and be issued as Shares on the anniversary of the grant date under the schedule set forth in the Detail. You will receive the Shares within 10 business days of the vesting date. Fractional shares will be rounded down to the nearest whole number. A portion of your Shares will be withheld to cover taxes.

(b) Active employees who attain 25 or more years of service shall qualify for accelerated vesting: one-third of the then unvested Stock Units for 25 or more years of service; two-thirds of the newly granted Stock Units for 30 or more years of service or one-half of the then unvested Stock Units for those grants which have already received the accelerated vesting related to the 25 years of service; and all of the newly granted or then unvested Stock Units for 35 or more years of service. Long-service periods required for accelerated vesting require continuous years of service for persons first receiving grants in or after October 2013. Following this accelerated vesting, any unvested Stock Units shall vest on a pro rata basis over the remaining term of the grant at the dates set forth in the Detail. For example:

If you receive on October 22 a grant of 6,000 Stock Units with a five-year vesting schedule and attain 25 years of service on the following April 15, at the next October 22 you will vest as to 1,200 Stock Units for the normal annual vesting (one-fifth times 6,000) and as to an additional 1,600 Stock Units due to years of service (6,000 minus 1,200 times one-third).

If you receive a grant of 6,000 Stock Units with a five-year vesting schedule and had attained 25 years of service prior to the October 22 grant date, you would receive 2,000 Stock Units (6,000 times one-third) on the date of grant. If on the following April 15, you attained 30 years of service, then on the following October 22, you would receive 800 Stock Units for the normal annual vesting (6,000 minus 2,000 times one-fifth), and an additional 1,600 Stock Units due to years of service (6,000 minus 2,800 times one-half).

(c) If your employment is terminated other than for cause, you will vest in additional Stock Units as set forth below. For purposes of this subparagraph (c), the quarterly dates are: January 22; April 22; and July 22.

i. Except in the case of years when a new accelerated vesting threshold (25, 30, or 35 years of service) is or would be reached, for each complete quarter that has passed since the anniversary of the grant date you will vest in 25% of the Stock Units that were scheduled to vest during that grant year. For example, if you receive a grant on October 22 of 6,000 Stock Units with a five-year vesting schedule and you terminate on the next April 23 (two quarters later) you will vest as to 600 Stock Units (one-fifth times 6,000 times two-fourths). You will receive shares within 90 days of termination but no later than 10 business days after the vesting date on the grant anniversary.

ii. If you terminate after the grant date and have by the end of the immediately preceding calendar quarterly vesting date attained the required years of service, you will receive the pro rata number of Shares that have vested under the normal annual vesting and the Shares that you have qualified for based on accelerated vesting within 90 days of your termination, but no later than 10 business days after the vesting date on the grant anniversary. If under the example above you had received a grant of 6,000 Stock Units and had already attained 25 years of service prior to the date of grant, attained 30 years of service on the following April 15, and terminated on August 30, you would receive 600 Stock Units as a result of your pro rata number of shares from normal annual vesting (6,000 minus 2,000 times one-fifth times three-fourths), and an additional 1,700 Stock Units due to years of service (6,000 minus 2,600 times one-half).

iii. If you terminate before the end of the first quarterly date (January 22), you will not vest in any otherwise unvested shares. For example, if you receive a grant on October 22 of 6,000 Stock Units with a five-year vesting schedule and you attain 25-years of service on December 1, and you terminate on December 2, you would not receive any Stock Units from that award.

For purposes of this section 2(c), you will be treated as continuing in employment for a number of days following Termination as defined in section 8(e) equal to the number of days of unused vacation available to you but no more than a maximum of six weeks (30 business days). If an anniversary of the grant date occurs during the vacation period, you will vest and be paid 10 business days after the anniversary date of the grant pursuant to section 2(a) and (b) above.

(d) Accelerated vesting also will occur at death. That vesting will be 100% if you were an officer at the Assistant Vice President level or above or if you have ten or more years of service. Otherwise, that vesting will be 50% (after giving credit for the quarterly vesting applied for terminations). Shares will be distributed within 90 days of death.

(e) No further vesting (including without limitation any accelerated vesting) shall occur if you are terminated for cause. Vesting shall continue during a leave of absence; provided, however, that the Administrator has the discretion to cancel Stock Units or forfeit vesting in connection with a leave of absence. No continued vesting, or Administrator action taken in connection with vesting, during a leave shall have the effect of creating a deferral of compensation for purposes of section 409A.

(f) If you voluntarily or involuntarily experience a change to employment status or to a position in the Company that is not eligible for a Stock Unit Grant or is eligible for a lesser number of Stock Units, except as otherwise determined by the Administrator, vesting shall cease at the time of such change or occur at the lesser number associated with the new position; in connection with the change in status or position, at the anniversary of the grant you will vest at your prior position award level based on the number of full quarters of service since the prior grant date anniversary achieved at that position prior to the change in status.

3. **Section 409A.** This Stock Unit Agreement is intended to be exempt from section 409A as a short-term deferral, and the payment dates provided for in section 2 shall in all events occur within the short-term deferral period provided for in section 409A. Should a deferral of compensation nonetheless occur, the Agreement will be interpreted in a manner that complies with section 409A, including the six-month delay applicable to specified employees.

4. **No Shareholder Rights.** Stock Units represent hypothetical shares of Stock. Until the Stock Units vest and Shares are issued, you shall not be entitled to any of the rights or benefits generally accorded to shareholders. Unless otherwise determined by the Administrator, delivery of Shares must be effected by book-entry credit to a custody account (the "Custody Account") maintained by you with a Custodian designated by the Company. You shall be the beneficial owner of any Shares properly credited to the Custody Account. You shall have no right to any dividend or distribution or vote or other shareholder rights with respect to such Shares if the record date is prior to the date the Custody Account is properly credited with the Shares.

5. **Taxes.**
(a) For tax and withholding purposes, the value of any Shares issued shall be determined based on the closing stock price on the date of vesting, regardless of when the Shares are actually credited to a Custody Account. You shall be liable for any and all taxes, including (without limitation) withholding taxes, interest or penalties arising out of this grant, the vesting of Stock Units, any violation of section 409A that impacts this Stock Unit, or the transfer of Shares or other property in settlement of the Stock Units. In the event that the Company or the Employer (as defined below) is required to withhold taxes as a result of the grant or vesting of Stock Units, the transfer of Shares or other property in settlement of the Stock Units, or any subsequent sale of Shares issued in settlement of such Stock Units, you shall surrender a sufficient number of whole Shares as necessary to cover all required withholding taxes and required social security contributions at the time the restrictions on the Stock Units lapse. To the extent that any surrender of Shares for payment is insufficient, you authorize the Company and its Affiliates, which are qualified to deduct tax at source, to deduct all applicable required withholding taxes and social security contributions from your compensation. You agree to pay the Company any amounts that cannot be satisfied from wages or other cash compensation, to the extent permitted by law.

(b) Regardless of any action the Company or the Employee's employer (the "Employer") takes with respect to any or all income tax, social security, payroll tax, payment on account, other tax-related withholding or information reporting ("Tax-Related Items"), the Employee acknowledges and agrees that the ultimate liability for all Tax-Related Items legally due by Employee is and remains the Employee's responsibility and that the Company and the

Employer: (i) make no representations nor undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of this grant of Stock Units, including the vesting of Stock Units, subsequent payment of Shares related to such Stock Units or the subsequent sale of any Shares acquired pursuant to such Stock Units; and (ii) do not commit to structure the terms or any aspect of this grant of Stock Units to reduce or eliminate the Employee's liability for Tax-Related Items. The Company may refuse to deliver Shares if the Employee fails to comply with the Employee's obligations in connection with the Tax-Related Items.

6. **Data Privacy Consent.** The Employee consents, to the extent applicable law requires consent, to the collection, use and transfer, in electronic or other form, of the Employee's personal data by and among, the Company and its Affiliates for the exclusive purpose of administering the Employee's participation in the Plan. The Employee understands that the Company, the Employer and their Affiliates hold certain personal information about the Employee, including name, home address and telephone number, date of birth, social security or insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company or by the Employer, details of any entitlement to shares of stock awarded, canceled, purchased, exercised, vested, unvested or outstanding in the Employee's favor for the purpose of administering the Plan ("Data"). The Employee understands that the Data may be transferred to third parties assisting in the administration of the Plan, that these recipients may be located in the Employee's country or elsewhere, and that the recipient country may have different data privacy laws and protections than the Employee's country. The Employee may request a list with the names and addresses of any potential recipients of the Data, request information as to the nature of the Data provided to other parties, and withdraw in writing the consent contained in this section, all by contacting the Financial Planning Department, and understands that refusing or withdrawing consent may affect his ability to participate in the Plan.

7. **Plan Information.** The Employee acknowledges receipt of copies of the Plan and the Plan prospectus from the Company and agrees to receive shareholder information, including copies of any annual report, proxy statement and periodic report, from the investor relations section of the Company's website at http://www.costco.com. The Employee acknowledges that copies of the Plan, Plan prospectus, Plan information and shareholder information are also available upon written or telephonic request to the Financial Planning Department, 999 Lake Drive, Issaquah, WA 98027. If the Employee has received this or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control.

8. **Acknowledgment and Waiver.** Employee agrees that:
(a) the Plan is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time unless otherwise provided in the Plan or this Agreement; and that the grant of Stock Units is discretionary and does not create any contractual or other right to receive future grants of Awards or other benefits in lieu of Awards, even if Awards have been granted repeatedly in the past;

(b) the Employee's participation in the Plan shall not create a right to further employment with the Company, does not create an employment contract with the Company, and shall not interfere with the ability of the Company to terminate or modify the Employee's employment relationship at any time, with or without cause, insofar as permitted by law;

(c) the Stock Units and resulting benefits are an extraordinary item that is outside the scope of the Employee's employment contract, if any, and are not part of normal or expected compensation or salary for any purposes, including for purposes of calculating any severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments insofar as permitted by law;

(d) the future value of the Shares is unknown, may increase or decrease from the date of grant or vesting of the Stock Unit and cannot be predicted. No claim or entitlement to compensation or damages shall arise from termination of this grant of Stock Units or diminution in value of this grant of Stock Units resulting from changes in the value of the Company’s stock or the Employee's Termination by the Company (for any reason whatsoever and whether or not in breach of local labor laws) and the Employee irrevocably releases the Company from, and agrees not to pursue against the Company, any such claim that may arise; and

(e) upon the Employee’s Termination (whether or not such Termination constitutes a breach of local labor laws), the Employee's right to receive benefits shall be only as set forth in this Agreement; his Termination shall be effective at the date reasonably anticipated by the Company and the Employee that the Employee will no longer be employed at a level equal to or greater than 21% of his average level of services over the immediately preceding thirty-six month period. Employee’s Termination will not be extended by any notice period mandated under local law (e.g., active employment would not include a period of "garden leave" or similar period pursuant to local law); and the Company shall have the exclusive discretion to determine when the Employee is no longer actively employed for purposes of this grant of Stock Units.

9. **Miscellaneous.**
(a) Stock Units shall not be sold, encumbered, pledged or otherwise disposed of, whether voluntarily or by operation of law. The Company shall not be required to treat as the owner of Stock Units, or associated benefits hereunder, any transferee to whom such Stock Units or benefits shall have been so transferred in violation of this Agreement.

(b) The parties agree to execute such further instruments and to take such action as may reasonably be necessary to carry out the intent of this Agreement.

(c) Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon delivery to the Employee at the Employee's address then on file with the Company.

(d) The Plan and this Agreement and the Detail constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Employee with respect to that subject matter and may not be modified adversely to the Employee's interest except by means of a writing signed by the Company and the Employee. This Agreement is governed by the laws of the State of Washington. In the event of any conflict between the terms and provisions of the Plan and this Agreement, the Plan terms and provisions shall govern (subject to section 9(e)). Capitalized terms used but not defined in this Agreement have the meanings assigned to them in the Plan. Certain other important terms governing this contract are contained in the Plan. If issues of interpretation arise under this Agreement, the judgment of the Administrator shall be final.

(e) To the extent the Company determines that this Agreement is subject to section 409A, but does not conform with the requirements thereof, the Company may at its sole discretion amend or replace the Agreement to cause the Agreement to comply with section 409A.

(f) The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

(g) Recoupment. Notwithstanding any other provision of your Agreement, any Shares acquired and any amount received with respect to any sale of such Shares are subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of the Recoupment Policy as may be amended from time to time to comply with changes in laws, rules or regulations that are applicable to such Stock Units and Shares. (The current recoupment policy is reflected in paragraph 24 of the Company's Corporate Governance Guidelines, which can be found on the Investor Relations site.) You agree to the Company's enforcement of the Recoupment Policy and any related provision of applicable law without further consent or action being required by you. Without limitation, you authorize the Company to issue instructions, on your behalf, to any brokerage firm and/or third party administrator engaged by the Company to hold your Shares and other amounts acquired under the Plan to re-convey, transfer or otherwise return such Shares and/or other amounts to the Company.

PLEASE RETAIN THIS AGREEMENT FOR YOUR RECORDS
OCT 2019 rev.

Exhibit 10.2.2

COSTCO WHOLESALE CORPORATION
RESTRICTED STOCK UNIT AWARD AGREEMENT
NON-U.S. PARTICIPANTS

1. **Grant of Stock Units.** You are hereby granted Stock Units covering the number of shares of Costco Wholesale Corp. (the "Company") common stock (the “Shares”) specified in the Grant Detail made available electronically in connection with the grant (the “Detail”). By accepting this grant, the Employee acknowledges and agrees that this grant is subject to the terms and conditions of this Agreement and of the Costco Wholesale Corporation 2019 Stock Incentive Plan (the "Plan"), which is incorporated here by reference and a copy of which can be found on the Company's internal website or obtained through the Financial Planning Department. For purposes of this Agreement and to the extent you are employed by an Affiliate of the Company, all references to "Company" include the Affiliate that employs you at the applicable time.

2. **Vesting Schedule and Delivery of Shares.**

(a) The Stock Units are not Shares; they will be converted into Shares when the Stock Units are settled after vesting. Any Stock Units that have not vested according to the terms of this Agreement and the Detail shall be forfeited. Generally, Stock Units will settle and be issued as Shares on the anniversary of the grant date under the schedule set forth in the Detail. You will receive the Shares within 10 business days of the vesting date. Fractional shares will be rounded down to the nearest whole number. A portion of your Shares may be withheld to cover applicable income taxes and social insurance contributions as provided in Section 5.

(b) Active employees who attain 25 or more years of service shall qualify for accelerated vesting: one-third of the then unvested Stock Units for 25 or more years of service; two-thirds of the newly granted Stock Units for 30 or more years of service or one-half of the then unvested Stock Units for those grants which have already received the accelerated vesting related to the 25 years of service; and all of the newly granted or then unvested Stock Units for 35 or more years of service. Long-service periods required for accelerated vesting require continuous years of service. Long-service periods required for accelerated vesting require continuous years of service for persons first receiving grants on or after October 2013. Following this accelerated vesting, any unvested Stock Units shall vest on a pro rata basis over the remaining term of the grant at the dates set forth in the Detail. For example:

If you receive on October 22 a grant of 6,000 Stock Units with a five-year vesting schedule and attain 25 years of service on the following April 15, at the next October 22 you will vest as to 1,200 Stock Units for the normal annual vesting (one-fifth times 6,000) and as to an additional 1,600 Stock Units due to years of service (6,000 minus 1,200 times one-third).

If you receive the same grant of 6,000 Stock Units with a five-year vesting schedule and had attained 25 years of service prior to the October 22 grant date, you would receive 2,000 Stock Units (6,000 times one-third) on the date of grant. If on the following April 15, you attained 30 years of service, then on the following October 22, you would receive 800 Stock Units for the normal annual vesting (6,000 minus 2,000 times one-fifth), and an additional 1,600 Stock Units due to years of service (6,000 minus 2,800 times one-half).

(c) If your employment is terminated other than for cause, you will vest in additional Stock Units as set forth below. For purposes of this subparagraph (c), the quarterly dates are: [January 22; April 22; July 22 and October 22].

i. Except in the case of years when a new accelerated vesting threshold (25, 30, or 35 years of service) is or would be reached, for each complete quarter that has passed since the anniversary of the grant date you will vest in 25% of the Stock Units that were scheduled to vest that grant year. For example, if you receive a grant on October 22 of 6,000 Stock Units with a five-year vesting schedule and you terminate on the next April 23 (two quarters later) you will vest as to 600 Stock Units (one-fifth times 6,000 times two-fourths). You will receive shares within 90 days of termination but no later than 10 business days after the vesting date on the grant anniversary

ii. If you terminate after the grant date and have by the end of the immediately preceding calendar quarterly vesting date attained the required years of service, you will receive the pro rata number of Shares that have vested under the normal annual vesting and the Shares that you have qualified for based on accelerated vesting within 90 days of your termination, but no later than 10 business days after the vesting date on the grant anniversary. If under the example above, you had received a grant of 6,000 Stock Units and had already attained 25 years of service prior to the date of grant, attained 30 years of service on the following April 15, and terminated on August 30, you would receive 600 Stock Units as a result of your pro rata number of shares from normal annual vesting (6,000 minus 2,000 times one-fifth times three-fourths), and an additional 1,700 Stock Units due to years of service (6,000 minus 2,600 times one-half).

iii. If you terminate before the end of the first quarterly date (January 22), you will not vest in any otherwise unvested shares. For example, if you receive a grant on October 22 of 6,000 Stock Units with a five-year vesting schedule and you obtain 25-years of service on December 1, and you terminate on December 2, you would not receive any Stock Units from that award.

For purposes of this section 2(c), you will be treated as continuing in employment for a number of days following Termination (as defined in section 8(e)) equal to the number of days of unused vacation available to you but no more than a maximum of six weeks (30 business days). If an anniversary of the grant date occurs during the vacation period, you will vest and be paid 10 business days after the anniversary date of grant pursuant to section 2(a) and (b) above.

(d) Accelerated vesting also will occur at death. That vesting will be 100% if you were an officer at the Assistant Vice President level or above or if you have ten or more years of service. Otherwise, that vesting will be 50% (after giving credit for quarterly vesting applied for terminations). Shares will be distributed within 90 days of death.

(e) No further vesting (including without limitation any accelerated vesting) shall occur if you are terminated for cause.

(f) Vesting shall continue during a leave of absence; provided, however, that the Administrator has the discretion to cancel Stock Units or forfeit vesting in connection with a leave of absence. No continued vesting, or Administrator action taken in connection with vesting, during a leave shall have the effect of creating a deferral of compensation for purposes of Internal Revenue Code Section 409A.

(g) If you voluntarily or involuntarily experience a change to employment status or to a position in the Company that is not eligible for a Stock Unit Grant or is eligible for a lesser number of Stock Units, except as otherwise determined by the Administrator, vesting shall cease at the time of such change or occur at the lesser number associated with the new position; in connection with the change in status or position, at the anniversary of the grant you will vest at your prior position award level based on the number of full quarters of service since the prior grant date anniversary achieved at that position prior to the change in status.

(h) The Company may, in its sole discretion, settle the Stock Units in the form of: (i) a cash payment, to the extent settlement in Shares (1) is prohibited under local laws, rules and regulations, (2) would require, the Company to obtain the approval of any governmental and/or regulatory body in your country of residence (and country of employment, if different), or (3) is administratively burdensome; or (ii) Shares, but require you to immediately sell such Shares (in which case, as a condition of the award of the Stock Units, you explicitly authorize the Company to issue sales instructions in relation to such Shares on your behalf).

3. **Section 409A.** This Stock Unit Agreement is intended to be exempt from section 409A as a short-term deferral, and the payment dates provided for in section 2 shall in all events occur within the short-term deferral period provided for in section 409A. Should a deferral of compensation nonetheless occur, the Agreement will be interpreted in a manner that complies with section 409A, including the six-month delay applicable to specified employees.

4. **No Shareholder Rights.** Stock Units represent hypothetical shares of Stock. Until the Stock Units vest and Shares are issued, you shall not be entitled to any of the rights or benefits generally accorded to shareholders. Unless otherwise determined by the Administrator, delivery of Shares shall be effected by book-entry credit to a custody account (the "Custody Account") maintained by you with a Custodian designated by the Company. You shall be the beneficial owner of any Shares properly credited to the Custody Account. You shall have no right to any dividend or distribution or vote or other shareholder rights with respect to such Shares if the record date for such event is prior to the date the Custody Account is properly credited with such Shares.

5. **Taxes and Social Insurance.**

(a) Regardless of any action the Company takes with respect to any or all income tax (including U.S. federal, state and local taxes and/or non-U.S. taxes), social insurance, payroll tax, payment on account or other tax-related withholding ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company (1) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Stock Units, including the grant of the Stock Units, the vesting of the Stock Units, the subsequent sale of any Shares acquired pursuant to the Stock Units and the receipt of any dividends or dividend equivalents; and (2) does not commit to structure the terms of the grant or any aspect of the Stock Units to reduce or eliminate your liability for Tax-Related Items. Further, if you become subject to taxation in more than one country between the grant date and the date of any relevant taxable or tax withholding event, as applicable, you acknowledge that the Company may be required to withhold or account for Tax-Related Items in more than one country. For tax and withholding purposes and unless otherwise required under applicable law, the value of any Shares issued shall be determined based on the closing stock price on the date of vesting regardless of when the Shares are actually credited to a Custody Account.

(b) If your country of residence (and/or the country of employment, if different) requires withholding of Tax-Related Items, the Company may withhold a portion of the Shares otherwise issuable upon vesting of the Stock Units (or a portion of any cash proceeds where the Stock Units are settled in cash or a forced sale is required) that have an aggregate Fair Market Value sufficient to pay the Tax-Related Items required to be withheld with respect to the Shares. For purposes of the foregoing, no fractional Shares will be withheld or issued pursuant to the grant of the Stock Units and the issuance of Shares hereunder. If the obligation for Tax-Related Items is satisfied by withholding Shares or a portion of any cash proceeds (where the Stock Units are settled in cash or a forced sale is required), for tax purposes, you shall be deemed to have been issued the full number of Shares subject to the vested Stock Units, notwithstanding that a number of the Shares (or a portion of any cash proceeds) are withheld solely for the purpose of satisfying any withholding obligations for the Tax-Related Items due as a result of any aspect of your participation in the Plan. Alternatively, the Company may, in its discretion, withhold any amount necessary to pay the Tax-Related Items from your regular salary or other amounts payable to you, with no withholding of Shares, or may require you to submit payment equivalent to the Tax-Related Items required to be withheld with respect to the Shares by means of certified check, cashier's check or wire transfer. In the event the withholding requirements are not satisfied, no Shares will be issued to you (or your estate) upon vesting of the Stock Units (or no cash payment will be made where the Stock Units are settled in cash or a forced sale is required) unless and until satisfactory arrangements (as determined by the Company in its sole discretion) have been made by you with respect to the payment of any such Tax-Related Items. By accepting the Stock Units, you expressly consent to the methods of withholding as provided hereunder and/or any other methods of withholding that the Company may have adopted and are permitted under the Plan to meet the withholding and/or other requirements as provided under applicable laws, rules and regulations. All other Tax-Related Items related to the Stock Units and any Shares delivered in payment thereof shall be your sole responsibility.

(c) To the extent the Company pays any Tax-Related Items that are your responsibility ("Advanced Tax Payments"), the Company shall be entitled to recover such Advanced Tax Payments from you in any manner that the Company determines appropriate in its sole discretion. For purposes of the foregoing, the manner of recovery of the Advanced Tax Payments shall include (but is not limited to) offsetting the Advanced Tax Payments against any and all amounts that may be otherwise owed to you by the Company (including regular salary/wages, bonuses, incentive payments and Shares acquired by you pursuant to any equity compensation plan that are otherwise held by the Company for your benefit).

6 . **Consent to Collection, Processing and Transfer of Personal Data.** Pursuant to applicable personal data protection laws, the Company hereby notifies you of the following in relation to your personal data and the collection, processing and transfer of such data in relation to the Company's grant of the Stock Units and your participation in the Plan. The collection, processing and transfer of your personal data is necessary for the Company's administration of the Plan and your participation in the Plan. Your denial and/or objection to the collection, processing and transfer of personal data may affect your participation in the Plan. As such, you voluntarily acknowledge and consent (where required under applicable law) to the collection, use, processing and transfer of personal data as described herein.

The Company holds certain personal information about you, including your name, home address and telephone number, date of birth, social security number or other employee identification number, e-mail address, salary, nationality, job title, any Shares or directorships held in the Company, details of any entitlement to Shares awarded, canceled, purchased, vested, unvested or outstanding in your favor, for the purpose of managing and administering the Plan ("Data"). The Data may be provided by you or collected, where lawful, from third parties, and the Company will process the Data for the sole and exclusive purpose of implementing, administering and managing your participation in the Plan. The Data processing will take place through electronic and non-electronic means according to logics and procedures strictly correlated to the purposes for which Data are collected and with confidentiality and security provisions as set forth by applicable laws and regulations in your country of residence. Data processing operations will be performed minimizing the use of personal and identification data when such operations are unnecessary for the processing purposes sought. Data will be accessible within the Company's organization only by those persons requiring access for purposes of the implementation, administration and operation of the Plan and for your participation in the Plan.

The Company will transfer Data internally as necessary for the purpose of implementation, administration and management of your participation in the Plan, and the Company may further transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan, including (but not limited to) Bank of America Merrill Lynch. These recipients may be located in the European Economic Area, or elsewhere throughout the world, such as the United States. You hereby authorize (where required under applicable law) these third parties to receive, possess, use, retain and transfer the Data, in electronic or other form, for purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of Shares on your behalf to a broker or other third party with whom the you may elect to deposit any Shares acquired pursuant to the Plan.

You may, at any time, exercise their rights provided under applicable personal data protection laws, which may include the right to (a) obtain confirmation as to the existence of the Data, (b) verify the content, origin and accuracy of the Data, (c) request the integration, update, amendment, deletion, or blockage (for breach of applicable laws) of the Data, and (d) to oppose, for legal reasons, the collection, processing or transfer of the Data which is not necessary or required for the implementation, administration and/or operation of the Plan and your participation in the Plan. You may seek to exercise these rights by contacting the Company's Financial Planning Department.

7. **Plan Information.** You acknowledge receipt of copies of the Plan and the Plan prospectus from the Company and agree to receive shareholder information, including copies of any annual report, proxy statement and periodic report, from the investor relations section of the Company's website at www.costco.com. You acknowledge that copies of the Plan, Plan prospectus, Plan information and shareholder information are also available upon written or telephonic request to the Financial Planning Department, 999 Lake Drive, Issaquah, WA 98027. If you have received this or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control.

8. **Acknowledgment and Waiver.** In accepting the Company's grant of Stock Units, you expressly acknowledge and agree that:

(a) the Plan is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time unless otherwise provided in the Plan or this Agreement; and that the grant of Stock Units is discretionary and does not create any contractual or other right to receive future grants of Awards or other benefits in lieu of Awards, even if Awards have been granted repeatedly in the past;

(b) your participation in the Plan shall not create a right to further employment with the Company, does not create an employment contract with the Company, and shall not interfere with the ability of the Company to terminate or modify your employment relationship at any time, with or without cause, insofar as permitted by law;

(c) the Stock Units and resulting benefits are an extraordinary item that is outside the scope of your employment contract, if any, and are not part of normal or expected compensation or salary for any purposes, including for purposes of calculating any severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments insofar as permitted by law;

(d) the future value of the Shares is unknown, may increase or decrease from the date of grant or vesting of the Stock Unit and cannot be predicted. No claim or entitlement to compensation or damages shall arise from termination of this grant of Stock Units or diminution in value of this grant of Stock Units resulting from changes in the value of the Company's stock or your Termination by the Company (for any reason whatsoever and whether or not in breach of local labor laws) and you irrevocably release the Company and its Affiliates from, and agree not to pursue against the Company, any such claim that may arise. Further, if any such claim is found by a court or tribunal of competent jurisdiction to have arisen, then, by accepting this Agreement, you will be deemed to have irrevocably waived entitlement to pursue such claim; and

(e) upon your Termination (whether or not such Termination constitutes a breach of local labor laws), your right to receive benefits shall be only as set forth in this Agreement; your Termination shall be effective on the date reasonably anticipated by the Company and you, that you will no longer be employed at a level equal to or greater than 21% percent of his average level of services over the immediately preceding 36 month period. Your Termination will not be extended by any notice period mandated under local law (e.g., active employment would not include a period of "garden leave" or similar period pursuant to local law); and the Company shall have the exclusive discretion to determine when you have terminated active employment for purposes of this grant of Stock Units.

9. **Repatriation and Legal/Tax Compliance Requirements.** If you are a resident of or employed in a country other than the United States, you agree, as a condition of the Award, to repatriate all payments attributable to the Shares and/or cash acquired under the Plan (including, but not limited to, dividends, dividend equivalents and any proceeds derived from the sale of the Shares acquired pursuant to this Award) in accordance with local foreign exchange rules and regulations in your country of residence (and country of employment, if different). In addition, you agree to take any and all actions, and consent to any and all actions taken by the Company, as may be required to allow the Company to comply with local laws, rules and regulations in your country of residence (and country of employment, if different). Finally, you agree to take any and all actions that may be required to comply with your personal legal and tax obligations under local laws, rules and regulations in your country of residence (and country of employment, if different).

10. **EU Equal Treatment Framework Directive.** If you are a resident of or employed in a country that is a member of the European Union, the grant of the Award and this Agreement are intended to comply with the age discrimination provisions of the EU Equal Treatment Framework Directive, as implemented into local law (the “Age Discrimination Rules”). To the extent that a court or tribunal of competent jurisdiction determines that any provision of the Award is invalid or unenforceable, in whole or in part, under the Age Discrimination Rules, the Company, in its sole discretion, shall have the power and authority to revise or strike such provision to the minimum extent necessary to render it valid and enforceable to the full extent permitted under local law.

11. **No Public Offering of Securities**. Neither the grant of the Stock Units nor the issuance of the underlying Shares upon vesting of the Stock Units is intended to be a public offering of securities in your country of residence (and country of employment, if different). The Company has not submitted any registration statement, prospectus or other filings to the local securities authorities unless otherwise required to do so under local law.

12. **Electronic Delivery**. The Company may, in its sole discretion, decide to deliver any documents related to the Stock Units granted to you under the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

13. **English Language**. You acknowledge and agree that it is your express intent that the Detail, the Agreement, the Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Stock Units, be drawn up in English. If you have received the Detail, the Agreement, the Plan or any other documents related to the Stock Units translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

14. **Addendum**. Notwithstanding any provision of this Agreement to the contrary, the Stock Units shall be subject to any special terms and conditions for your country of residence (and country of employment, if different) as are forth in the applicable addendum to the Agreement (the“Addendum”). Further, if you transfer residency and/or employment to another country reflected in an Addendum to the Agreement, the special terms and conditions for such country will apply to you to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws, rules and regulations or to facilitate the operation and administration of the Stock Units and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate your transfer). Any applicable Addendum shall constitute part of this Agreement.

15. **Additional Requirements.** The Company reserves the right to impose other requirements on the Stock Units, any Shares acquired pursuant to the Stock Units, and your participation in the Plan, to the extent the Company determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local laws, rules and regulations or to facilitate the operation and administration of the Stock Units and the Plan. Such requirements may include (but are not limited to) requiring you to sign any agreements or undertakings that may be necessary to accomplish the foregoing.

16. **Miscellaneous.**

(a) Stock Units shall not be sold, encumbered, pledged or otherwise disposed of, whether voluntarily or by operation of law. The Company shall not be required to treat as the owner of Stock Units, or associated benefits hereunder, any transferee to whom such Stock Units or benefits shall have been so transferred in violation of this Agreement.

(b) Depending on your country of employment (and country of residence, if different), you may be subject to insider trading restrictions and/or market abuse laws, which may affect your ability to acquire or sell Shares or rights to Shares under the Plan during such times as you are is considered to have “inside information” regarding the Company (as defined under local law). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. It is your responsibility to ensure compliance with any applicable restrictions, and you should consult your personal legal advisor for additional information.

(c) You acknowledge that there may be certain foreign asset and/or account reporting requirements which may affect your ability to acquire or hold Shares acquired under the Plan or cash received from participating in the Plan (including from any dividends or dividend equivalent payments) in a brokerage or bank account outside your country of employment (and country of residence, if different). You may be required to report such accounts, assets or transactions to the tax or other authorities. You also may be required to repatriate sale proceeds or other funds received as a result of your participation in the Plan to your country of employment (and country of residence, if different) through a designated bank or broker within a certain time after receipt. It is your responsibility to be compliant with such regulations, and you should consult your personal legal advisor for additional information.

(d) The parties agree to execute such further instruments and to take such action as may reasonably be necessary to carry out the intent of this Agreement.

(e) Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon delivery to you at your address then on file with the Company.

(f) The Plan and this Agreement and the Detail constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements between the Company and you with respect to the subject matter and may not be modified adversely to your interest except by means of a writing signed by the Company and you. This Agreement is governed by the laws of the State of Washington. In the event of any conflict between the terms and provisions of the Plan and this Agreement, the Plan terms and provisions shall govern (subject to section 16(e)). Capitalized terms used but not defined in this Agreement have the meanings assigned to them in the Plan. Certain other important terms governing this contract are contained in the Plan. If issues of interpretation arise under this Agreement, the judgment of the Administrator shall be final.

(g) To the extent the Company determines that this Agreement is subject to section 409A, but does not conform with the requirements thereof, the Company may at its sole discretion amend or replace the Agreement to cause the Agreement to comply with - section 409A.

(h) The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

17. **Recoupment.** Notwithstanding any other provision of the Agreement, any Shares acquired and any amount received with respect to any sale of such Shares are subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of the Recoupment Policy as may be amended from time to time to comply with changes in laws, rules or regulations that are applicable to such Stock Units and Shares. (The current recoupment policy is reflected in paragraph 24 of the Company’s Corporate Governance Guidelines, which can be found on the Investor Relations site.) You agree to the Company’s enforcement of the Recoupment Policy and any related provision of applicable law without further consent or action being required by you. Without limitation, you authorize the Company to issue instructions, on your behalf, to any brokerage firm and/or third party administrator engaged by the Company to hold your Shares and other amounts acquired under the Plan to re-convey, transfer or otherwise return such Shares and/or other amounts to the Company.

PLEASE RETAIN THIS AGREEMENT FOR YOUR RECORDS

OCT. 2019 Rev.

Exhibit 10.2.3

COSTCO WHOLESALE CORPORATION
RESTRICTED STOCK UNIT AWARD AGREEMENT

1. **<u>Grant of Stock Units</u>.** You are hereby granted Non-Executive Director Stock Units covering the number of shares of Costco Wholesale Corp. common stock (the “Shares”) specified in the Grant Detail made available electronically in connection with the grant (the “Detail”). This grant is subject to the terms and conditions of this Agreement and of the Costco Wholesale Corporation 2019 Stock Incentive Plan (the "Plan"), a copy of which can be obtained through the Financial Planning Department.

2. **<u>Vesting Schedule and Delivery of Shares</u>.**

(a) The Stock Units are not Shares; they will be converted into Shares when the Stock Units vest. Generally, your Stock Units will vest into Shares on the schedule set forth in the Notice and you will receive the Shares within ten business days of the vest date. Any Stock Units that have not vested under the Detail or this Agreement shall be forfeited. Fractional shares will be rounded down to the nearest whole number.

(b) Directors who terminate from service will receive daily vesting of Stock Units. For each day that has passed since the anniversary of your grant date you will vest in 1/365th of the Stock Units that were scheduled to vest that grant year. For example, if you receive a grant on October 22 of 2,400 Stock Units with a three-year vesting schedule and you terminate on the next April 23 (182 days later), you will vest as to 398 Stock Units (one-third times 2,400 times [182/365]). You will receive shares within 90 days of termination.

(c) Directors who terminate from service after five or more years of service on the Board of Directors shall qualify for accelerated vesting on termination. Should you terminate after five years of service on the Board of Directors, 50% of the Stock Units that would otherwise be unvested at your termination date shall vest on termination. Should you terminate after ten years of service on the Board of Directors, 100% of the Stock Units that would otherwise be unvested at your termination date shall vest on termination. You will receive shares within 90 days of termination.

(d) Accelerated vesting also will occur at death. In the event of your death, you will vest in 100% of the otherwise unvested Stock Units. Shares will be distributed within 90 days of death.

3. **<u>No Shareholder Rights</u>.** Stock Units represent hypothetical shares of Stock. Until the Stock Units vest, you shall not be entitled to any of the rights or benefits generally accorded to shareholders. Unless otherwise determined by the Administrator, delivery of Shares shall be effected by book-entry credit to a custody account (the "Custody Account") maintained by you with a Custodian designated by the Company. No delivery of Shares shall be made unless a Custody Account has been established for you. You shall be the beneficial owner of any Shares properly credited to the Custody Account. You shall have no right to any dividend or distribution or vote or other shareholder rights with respect to such Shares if the record date for such event is prior to the date the Custody Account is properly credited with such Shares.

4. **<u>Taxes</u>.**

(a) For tax reporting and withholding purposes, the value of any Shares issued shall be determined based on the closing stock price on the date of vesting regardless of when the Shares are actually credited to a Custody Account. The Director shall be liable for any and all taxes, including withholding taxes, interest or penalties arising out of this grant, the vesting of Stock Units hereunder, or the transfer of Shares or other property in settlement of the Stock Units. In the event that the Company is required to withhold taxes as a result of the grant or vesting of Stock Units, the transfer of Shares or other property in settlement of the Stock Units, or any subsequent sale of Shares issued in settlement of such Stock Units, the Director shall surrender a sufficient number of whole Shares as necessary to cover all required withholding taxes and required social security contributions at the time the restrictions on the Stock Units lapse, unless alternative procedures for payment are established prior to the applicable vesting date by the Company. The Company has no obligation to provide for alternative procedures. To the extent that any surrender of Shares or payment of cash or alternative procedure for such payment is insufficient, the Director authorizes the Company and its Affiliates, which are qualified to deduct tax at source, to deduct all applicable required withholding taxes and social security contributions from the Director’s compensation unless the Director has made other arrangements to pay cash for such excess withholding obligation. The Director agrees to pay the Company any amounts that cannot be satisfied from other cash compensation, to the extent permitted by law.

(b) Regardless of any action the Company takes with respect to any or all income tax, social security, payroll tax, payment on account, other tax-related withholding or information reporting ("Tax-Related Items"), the Director acknowledges and agrees that the ultimate liability for all Tax-Related Items legally due by him or her is and remains the Director's responsibility and that the Company: (i) make no representations nor undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of this grant of Stock Units, including the vesting of Stock Units, subsequent payment of Shares and/or cash related to such Stock Units or the subsequent sale of any Shares acquired pursuant to such Stock Units; and (ii) does not commit to structure the terms or any aspect of this grant of Stock Units to reduce or eliminate the Director's liability for Tax-Related Items. The Director shall pay the Company any amount of Tax-Related Items that the Company may be required to withhold as a result of the Director's participation in the Plan or the Director's receipt of Stock Units that cannot be satisfied by the means previously described. The Company may refuse to deliver Shares if the Director fails to comply with the Director's obligations in connection with the Tax-Related Items.

5. **<u>Data Privacy Consent</u>.** The Director consents, to the extent applicable law requires consent, to the collection, use and transfer, in electronic or other form, of the Director's personal data by and among, the Company and its Affiliates for the exclusive purpose of administering the Director's participation in the Plan. The Director understands that the Company and its Affiliates hold certain personal information about the Director, including name, home address and telephone number, date of birth, social security or insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of any entitlement to shares of stock awarded, canceled, purchased, exercised, vested, unvested or outstanding in the Director's favor for the purpose of administering the Plan ("Data"). The Director understands that the Data may be transferred to third parties assisting in the administration of the Plan, that these recipients may be located in the Director's country or elsewhere and that the recipient country may have different data privacy laws and protections than the Director's country. The Director may request a list with the names and addresses of any potential recipients of the Data, request information as to the nature of the Data provided to other parties, and withdraw in writing the consent contained in this section, all by contacting the Financial Planning Department, and understands that refusing or withdrawing consent may affect his ability to participate in the Plan.

6. **<u>Plan Information</u>.** The Director acknowledges that the Director has received copies of the Plan and the Plan prospectus from the Company and agrees to receive shareholder information, including copies of any annual report, proxy statement and periodic report, from the investor relations section of the Company's website at http://www.costco.com. The Director acknowledges that copies of the Plan, Plan prospectus, Plan information and shareholder information are also available upon written or telephonic request to the Financial Planning Department.

7. **<u>Miscellaneous</u>.**

(a) Stock Units shall not be sold, encumbered, pledged or otherwise disposed of, whether voluntarily or by operation of law. The Company shall not be required to treat as the owner of Stock Units, and associated benefits hereunder, any transferee to whom such Stock Units or benefits shall have been so transferred in violation of this Agreement.

(b) The parties agree to execute such further instruments and to take such action as may reasonably be necessary to carry out the intent of this Agreement.

(c) Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon delivery to the Director at the address then on file with the Company.

(d) The Plan is incorporated herein by reference. The Plan and this Agreement and the Detail constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Director with respect to the subject matter hereof, and may not be modified adversely to the Director's interest except by means of a writing signed by the Company and the Director. This Agreement is governed by the laws of the State of Washington. In the event of any conflict between the terms and provisions of the Plan and this Agreement, the Plan terms and provisions shall govern (subject to section 7(e)). Capitalized terms used but not defined in this Agreement have the meanings assigned to them in the Plan. Certain other important terms governing this contract are contained in the Plan. If issues of interpretation arise under this Agreement, the judgment of the Administrator shall be final.

(e) To the extent the Company determines that this Agreement is subject to section 409A, but does not conform with the requirements thereof, the Company may at its sole discretion amend or replace the Agreement to cause the Agreement to comply with section 409A.

(f) The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

Consent to Electronic Delivery: Costco Wholesale is offering electronic delivery of documents relating to its 2019 Stock Incentive Plan. Directors are not required to sign this consent to participate in the Company's plans, and those who choose not to receive documents electronically will continue to receive communications from the Company in paper format**.**

1. You agree that the Company may deliver all securities disclosure documents by fax, as an attachment to e-mail, or as a fax, e-mail or physical letter notifying of the location of the disclosure documents for Director's securities on an internet web site or an intranet web site to which Director has access. The Company may post or attach disclosure documents in any widely available electronic format, such as in the hyper-text markup language (HTML), Adobe's Portable Document Format (PDF), and Microsoft's Word format (DOC). You can download the Adobe Acrobat Reader Software for free from Adobe's website at www.adobe.com; it may be necessary to install this software before reading some disclosure documents.

2. You acknowledge that you have regular access to internet, e-mail, and a standard word-processing software program and are familiar with the costs of subscribing to internet service.

3. You may revoke or modify this consent at any time; this consent will continue to be effective for all purposes until you notify the Company that you have revoked or modified the information in the consent by fax, email, or regular mail notice to the Financial Planning Department, 999 Lake Drive, Issaquah, WA 98027.

RETAIN THIS AGREEMENT FOR YOUR RECORDS

OCT 2019 REV.

Exhibit 10.2.4

November 21, 2019

Dear Executive:

This letter specifies certain terms applicable to your fiscal year 2020 performance-based Restricted Stock Units (“FY 2020 RSUs”) in the event your employment is terminated due to your death, Disability, or for any other reason (other than for cause) prior to October 22, 2020 (an “Eligible Termination”). Capitalized terms not otherwise defined in this letter have the meanings assigned to such terms in the Costco Wholesale Corporation 2019 Stock Incentive Plan (the “Plan”).

The Compensation Committee of the Board of Directors has set performance conditions for the FY 2020 RSUs. They consist of achieving either: total sales growth of 4% versus fiscal year 2019, excluding the impact of changes in foreign currencies relative to the U.S. dollar, or pre-tax income growth of 3% versus fiscal year 2019, also excluding the impact of changes in foreign currencies relative to the U.S. dollar. The Committee’s evaluation of the attainment of the conditions is subject to other conditions and adjustments.

If the performance conditions are not achieved, your FY 2020 RSUs automatically will be canceled and terminate without the payment of any consideration to you. In the event you experience an Eligible Termination and the Compensation Committee determines that the performance goals established for your FY 2020 RSUs have been achieved, you will receive the Shares underlying your FY 2020 RSUs, subject to Section 12.1 of the Plan and the October 2020 RSU Award Agreement (the “Award Agreement”), including (without limitation) the long-service and quarterly-vesting provisions applied for terminations. Any FY 2020 RSUs that do not become issuable automatically shall be cancelled and terminate without the payment of any consideration to you. For example, if the Compensation Committee were to approve a grant of 21,000 FY 2020 RSUs, you have attained 30 years of service prior to October 22, 2019, and you experience an Eligible Termination (other than due to your death) on February 16, 2020, you would be eligible to receive 14,350 Shares (14,000 Shares (2/3 times 21,000), plus 350 Shares (20% of 7,000 (21,000 minus 14,000) multiplied by 1/4)), if the performance goals established for your FY 2020 RSUs are achieved. The remaining 6,650 Shares automatically would be canceled.

Shares that become issuable will be delivered after the Compensation Committee’s evaluation of the satisfaction of the performance results for FY 2020 RSUs and in accordance with the Company’s established practices for settling the first anniversary vesting installment associated with performance-based RSUs, but no later than December 31, 2020. For purposes of Internal Revenue Code section 409A, each vesting installment that may be delivered to you pursuant to your FY 2020 RSUs shall be treated as a separate payment and the right to a series of installment payments pursuant to your FY 2020 RSUs shall be treated as the right to a series of separate and distinct payments.

By accepting the FY 2020 RSUs, you acknowledge your agreement with the terms in this letter and that your FY 2020 RSUs will be subject to the terms and conditions of the Plan and the terms and conditions set forth in the Award Agreement attached to this letter, except as otherwise expressly provided herein.

Thank you for your hard work and continued contribution to the success of the Company.

Sincerely,

COSTCO WHOLESALE CORPORATION

/s/ ROBERT E. NELSON, III

Robert E. Nelson, III

Senior Vice President - Finance

Exhibit 10.3

December 16, 2019

Hamilton E. James
Chairman of the Board
Costco Wholesale Corporation

RE: Executive Employment Agreement

Dear Tony:

As provided for under section 7(b) of the Executive Employment Agreement, effective January 1, 2017, between Costco Wholesale Corporation and me, this letter will confirm an extension of the term through and including December 31, 2020, of the agreement as amended. Please countersign below to indicate acceptance on behalf of the Company.

Very truly yours,

/s/ W. CRAIG JELINEK

W. Craig Jelinek
President and CEO

Costco Wholesale Corporation
By: /s/ HAMILTON JAMES

Hamilton E. James
Chairman of the Board

cc: John Stanton

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.

December 18, 2019

/s/ W. CRAIG JELINEK

W. Craig Jelinek

President, 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.

December 18, 2019

/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 November 24, 2019, as filed with the Securities and Exchange Commission (the Report), I, W. Craig Jelinek, President, 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: December 18, 2019
W. Craig Jelinek	
President, 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 November 24, 2019, 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

Date: December 18, 2019

Richard A. Galanti

Executive Vice President, Chief Financial 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.