UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended February 14, 2021

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 March 3, 2021 was 442,533,785.

COSTCO WHOLESALE CORPORATION
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PART I—FINANCIAL INFORMATION

Item 1—Financial Statements

COSTCO WHOLESALE CORPORATION

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

	12 Weeks Ended		24 Weeks Ended	
	February 14, 2021	February 16, 2020	February 14, 2021	February 16, 2020
REVENUE				
Net sales	$ 43,888	$ 38,256	$ 86,235	$ 74,492
Membership fees	881	816	1,742	1,620
Total revenue	44,769	39,072	87,977	76,112
OPERATING EXPENSES				
Merchandise costs	39,078	34,056	76,536	66,289
Selling, general and administrative	4,342	3,743	8,640	7,475
Preopening expenses	9	7	31	21
Operating income	1,340	1,266	2,770	2,327
OTHER INCOME (EXPENSE)				
Interest expense	(40)	(34)	(79)	(72)
Interest income and other, net	19	45	48	80
INCOME BEFORE INCOME TAXES	1,319	1,277	2,739	2,335
Provision for income taxes	348	330	587	532
Net income including noncontrolling interests	971	947	2,152	1,803
Net income attributable to noncontrolling interests	(20)	(16)	(35)	(28)
NET INCOME ATTRIBUTABLE TO COSTCO	$ 951	$ 931	$ 2,117	$ 1,775
NET INCOME PER COMMON SHARE ATTRIBUTABLE TO COSTCO:				
Basic	$ 2.15	$ 2.10	$ 4.78	$ 4.02
Diluted	$ 2.14	$ 2.10	$ 4.76	$ 4.00
Shares used in calculation (000s):				
Basic	443,134	442,021	443,043	441,920
Diluted	444,494	443,727	444,440	443,704

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		24 Weeks Ended	
	February 14, 2021	February 16, 2020	February 14, 2021	February 16, 2020
NET INCOME INCLUDING NONCONTROLLING INTERESTS	$ 971	$ 947	$ 2,152	$ 1,803
Foreign-currency translation adjustment and other, net	148	47	357	172
Comprehensive income	1,119	994	2,509	1,975
Less: Comprehensive income attributable to noncontrolling interests	28	22	56	44
COMPREHENSIVE INCOME ATTRIBUTABLE TO COSTCO	$ 1,091	$ 972	$ 2,453	$ 1,931

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)

	February 14, 2021	August 30, 2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 8,637	$ 12,277
Short-term investments	617	1,028
Receivables, net	1,934	1,550
Merchandise inventories	13,865	12,242
Other current assets	1,255	1,023
Total current assets	26,308	28,120
OTHER ASSETS		
Property and equipment, net	22,531	21,807
Operating lease right-of-use assets	2,887	2,788
Other long-term assets	3,192	2,841
TOTAL ASSETS	$ 54,918	$ 55,556
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 14,383	$ 14,172
Accrued salaries and benefits	4,132	3,605
Accrued member rewards	1,541	1,393
Deferred membership fees	2,048	1,851
Current portion of long-term debt	95	95
Other current liabilities	4,365	3,728
Total current liabilities	26,564	24,844
OTHER LIABILITIES		
Long-term debt, excluding current portion	7,522	7,514
Long-term operating lease liabilities	2,651	2,558
Other long-term liabilities	2,052	1,935
TOTAL LIABILITIES	38,789	36,851
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Preferred stock $0.01 par value; 100,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock $0.01 par value; 900,000,000 shares authorized; 442,654,000 and 441,255,000 shares issued and outstanding	4	4
Additional paid-in capital	6,843	6,698
Accumulated other comprehensive loss	(961)	(1,297)
Retained earnings	9,766	12,879
Total Costco stockholders’ equity	15,652	18,284
Noncontrolling interests	477	421
TOTAL EQUITY	16,129	18,705
TOTAL LIABILITIES AND EQUITY	$ 54,918	$ 55,556

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

COSTCO WHOLESALE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(amounts in millions) (unaudited)

	12 Weeks Ended February 14, 2021							
	Common Stock							
	Shares (000s)	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Costco Stockholders' Equity	Noncontrolling Interests	Total Equity
BALANCE AT NOVEMBER 22, 2020	442,955	$ 4	$ 6,725	$ (1,101)	$ 9,232	$ 14,860	$ 449	$ 15,309
Net income	—	—	—	—	951	951	20	971
Foreign-currency translation adjustment and other, net	—	—	—	140	—	140	8	148
Stock-based compensation	—	—	123	—	—	123	—	123
Release of vested restricted stock units (RSUs), including tax effects	7	—	—	—	—	—	—	—
Repurchases of common stock	(308)	—	(5)	—	(107)	(112)	—	(112)
Cash dividend declared	—	—	—	—	(310)	(310)	—	(310)
BALANCE AT FEBRUARY 14, 2021	442,654	$ 4	$ 6,843	$ (961)	$ 9,766	$ 15,652	$ 477	$ 16,129

	12 Weeks Ended February 16, 2020							
	Common Stock							
	Shares (000s)	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Costco Stockholders' Equity	Noncontrolling Interests	Total Equity
BALANCE AT NOVEMBER 24, 2019	441,778	$ 4	$ 6,391	$ (1,321)	$ 10,787	$ 15,861	$ 363	$ 16,224
Net income	—	—	—	—	931	931	16	947
Foreign-currency translation adjustment and other, net	—	—	—	41	—	41	6	47
Stock-based compensation	—	—	118	—	—	118	—	118
Release of vested RSUs, including tax effects	6	—	(1)	—	—	(1)	—	(1)
Repurchases of common stock	(162)	—	(2)	—	(47)	(49)	—	(49)
Cash dividend declared	—	—	—	—	(287)	(287)	—	(287)
BALANCE AT FEBRUARY 16, 2020	441,622	$ 4	$ 6,506	$ (1,280)	$ 11,384	$ 16,614	$ 385	$ 16,999

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

COSTCO WHOLESALE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(amounts in millions) (unaudited)

	24 Weeks Ended February 14, 2021							
	Common Stock							
	Shares (000s)	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Costco Stockholders' Equity	Noncontrolling Interests	Total Equity
BALANCE AT AUGUST 30, 2020	441,255	$ 4	$ 6,698	$ (1,297)	$ 12,879	$ 18,284	$ 421	$ 18,705
Net income	—	—	—	—	2,117	2,117	35	2,152
Foreign-currency translation adjustment and other, net	—	—	—	336	—	336	21	357
Stock-based compensation	—	—	465	—	—	465	—	465
Release of vested restricted stock units (RSUs), including tax effects	1,920	—	(311)	—	—	(311)	—	(311)
Repurchases of common stock	(521)	—	(9)	—	(180)	(189)	—	(189)
Cash dividends declared	—	—	—	—	(5,050)	(5,050)	—	(5,050)
BALANCE AT FEBRUARY 14, 2021	442,654	$ 4	$ 6,843	$ (961)	$ 9,766	$ 15,652	$ 477	$ 16,129

	24 Weeks Ended February 16, 2020							
	Common Stock							
	Shares (000s)	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Costco Stockholders' Equity	Noncontrolling Interests	Total Equity
BALANCE AT SEPTEMBER 1, 2019	439,625	$ 4	$ 6,417	$ (1,436)	$ 10,258	$ 15,243	$ 341	$ 15,584
Net income	—	—	—	—	1,775	1,775	28	1,803
Foreign-currency translation adjustment and other, net	—	—	—	156	—	156	16	172
Stock-based compensation	—	—	420	—	—	420	—	420
Release of vested RSUs, including tax effects	2,259	—	(327)	—	—	(327)	—	(327)
Repurchases of common stock	(262)	—	(4)	—	(75)	(79)	—	(79)
Cash dividends declared	—	—	—	—	(574)	(574)	—	(574)
BALANCE AT FEBRUARY 16, 2020	441,622	$ 4	$ 6,506	$ (1,280)	$ 11,384	$ 16,614	$ 385	$ 16,999

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)

	24 Weeks Ended	
	February 14, 2021	February 16, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income including noncontrolling interests	$ 2,152	$ 1,803
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:		
Depreciation and amortization	820	758
Non-cash lease expense	124	77
Stock-based compensation	463	419
Other non-cash operating activities, net	(6)	14
Deferred income taxes	(21)	1
Changes in operating assets and liabilities:		
Merchandise inventories	(1,480)	(394)
Accounts payable	191	(537)
Other operating assets and liabilities, net	442	580
Net cash provided by operating activities	2,685	2,721
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of short-term investments	(384)	(636)
Maturities of short-term investments	823	777
Additions to property and equipment	(1,466)	(1,260)
Other investing activities, net	(10)	19
Net cash used in investing activities	(1,037)	(1,100)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in bank payments outstanding	(67)	(17)
Repayments of long-term debt	—	(1,200)
Tax withholdings on stock-based awards	(311)	(327)
Repurchases of common stock	(186)	(77)
Cash dividend payments	(4,740)	(573)
Other financing activities, net	(46)	(34)
Net cash used in financing activities	(5,350)	(2,228)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	62	9
Net change in cash and cash equivalents	(3,640)	(598)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	12,277	8,384
CASH AND CASH EQUIVALENTS END OF PERIOD	$ 8,637	$ 7,786
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the first half of the year for:		
Interest	$ 78	$ 60
Income taxes, net	$ 755	$ 380
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:		
Cash dividend declared, but not yet paid	$ 310	$ 287

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 February 14, 2021, Costco operated 803 warehouses worldwide: 558 in the United States (U.S.) located in 45 states, Washington, D.C., and Puerto Rico, 102 in Canada, 39 in Mexico, 29 in the United Kingdom (U.K.), 27 in Japan, 16 in Korea, 14 in Taiwan, 12 in Australia, three 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, Japan, and Australia.

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 inter-company 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 August 30, 2020.

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 2021 is a 52-week year ending on August 29, 2021. References to the second quarter of 2021 and 2020 relate to the 12-week fiscal quarters ended February 14, 2021, and February 16, 2020, respectively. References to the first half of 2021 and 2020 relate to the 24 weeks ended February 14, 2021, and February 16, 2020, respectively.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions take into account historical and forward looking factors that the Company believes are reasonable, including but not limited to the potential impacts arising from the novel coronavirus (COVID-19) and related public and private sector policies and initiatives. Actual results could differ from those estimates and assumptions.

Note 2—Acquisition of Innovel

On March 17, 2020, the Company acquired Innovel Solutions for $998, using existing cash and cash equivalents. Innovel (now known as Costco Wholesale Logistics or CWL) provides final-mile delivery, installation and white-glove capabilities for big and bulky products across the United States and Puerto Rico. Its financial results have been included in the Company's consolidated financial statements from the date of acquisition.

At February 14, 2021, the initial accounting for the acquisition was incomplete, pending determination of the final purchase price, working capital adjustments, the fair value of operating lease right-of-use assets, operating lease liabilities, and other assumed obligations. The net purchase price of $998 was allocated to the tangible and intangible assets of $286 and liabilities assumed of $237, based on their preliminary fair values on the acquisition date. The remaining unallocated net purchase price of $949 was recorded as goodwill. Goodwill represents the acquisition's benefits to the Company, which include the ability to serve more members and improve delivery times, enabling growth in certain segments of our U.S. e-commerce operations. The Company assigned this goodwill, which is deductible for tax purposes, to reporting units within the U.S. segment. The changes to the purchase price allocation originally recorded in the third quarter of 2020 were not material. The provisional period ends and the final accounting will be complete in the third quarter of 2021.

Note 3—Investments

The Company's investments were as follows:

February 14, 2021:	Cost Basis	Unrealized Gains, Net	Recorded Basis
Available-for-sale:			
Government and agency securities	$ 452	$ 9	$ 461
Held-to-maturity:			
Certificates of deposit	156	—	156
Total short-term investments	$ 608	$ 9	$ 617

August 30, 2020:	Cost Basis	Unrealized Gains, Net	Recorded Basis
Available-for-sale:			
Government and agency securities	$ 436	$ 12	$ 448
Held-to-maturity:			
Certificates of deposit	580	—	580
Total short-term investments	$ 1,016	$ 12	$ 1,028

Gross unrecognized holding gains and losses on available-for-sale securities were not material for the periods ended February 14, 2021, and August 30, 2020. At those dates, there were no available-for-sale securities in a continuous unrealized-loss position. There were no sales of available-for-sale securities during the first half of 2021 or 2020.

The maturities of available-for-sale and held-to-maturity securities at February 14, 2021, are as follows:

	Available-For-Sale		
	Cost Basis	Fair Value	Held-To-Maturity
Due in one year or less	$ 206	$ 207	$ 156
Due after one year through five years	246	254	—
Total	$ 452	$ 461	$ 156

Note 4—Fair Value Measurement

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

	Level 2	
	February 14, 2021	August 30, 2020
Investment in government and agency securities[(1)]	$ 463	$ 508
Forward foreign-exchange contracts, in asset position[(2)]	4	1
Forward foreign-exchange contracts, in (liability) position[(2)]	(22)	(21)
Total	$ 445	$ 488

(1) At February 14, 2021, $2 cash and cash equivalents and $461 short-term investments are included in the accompanying condensed consolidated balance sheets. At August 30, 2020, $60 cash and cash equivalents and $448 short-term investments are included in the accompanying condensed consolidated balance sheets.
(2) The asset and liability values are included in other current assets and other current liabilities, respectively, in the accompanying condensed consolidated balance sheets.

At February 14, 2021, and August 30, 2020, the Company did not hold any Level 1 or 3 financial assets or liabilities that were measured at fair value on a recurring basis. There were no transfers between levels during the first half of 2021 or 2020.

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 half of 2021 or 2020.

Note 5—Debt

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

	February 14, 2021	August 30, 2020
2.300% Senior Notes due May 2022	$ 800	$ 800
2.750% Senior Notes due May 2024	1,000	1,000
3.000% Senior Notes due May 2027	1,000	1,000
1.375% Senior Notes due June 2027	1,250	1,250
1.600% Senior Notes due April 2030	1,750	1,750
1.750% Senior Notes due April 2032	1,000	1,000
Other long-term debt	861	857
Total long-term debt	7,661	7,657
Less unamortized debt discounts and issuance costs	44	48
Less current portion[(1)]	95	95
Long-term debt, excluding current portion	$ 7,522	$ 7,514

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

The fair value of Senior Notes is estimated using Level 2 inputs. Other long-term debt consists of Guaranteed Senior Notes issued by the Company's Japan subsidiary, valued using Level 3 inputs. The fair value of the Company's long-term debt, including the current portion, was approximately $7,895 and $7,987 at February 14, 2021, and August 30, 2020, respectively.

Note 6—Equity

Dividends

The Company's current quarterly dividend is $0.70 per share, compared to $0.65 in the second quarter of 2020. On January 21, 2021, the Board of Directors declared a quarterly cash dividend in the amount of $0.70 per share, which was paid on February 19, 2021. On December 11, 2020, an aggregate payment of approximately $4,430 was made in connection with the special cash dividend of $10.00 per share, declared on November 16, 2020.

Stock Repurchase Programs

Stock repurchase activity during the second quarter and first half of 2021 and 2020 is summarized below:

	Shares Repurchased (000s)	Average Price per Share	Total Cost
Second quarter of 2021	308	$ 362.95	$ 112
First half of 2021	521	$ 361.52	$ 189
Second quarter of 2020	162	$ 301.50	$ 49
First half of 2020	262	$ 299.40	$ 79

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 $3,556 at February 14, 2021. 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 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.

As required by the Company's Seventh Restated 2002 Incentive Plan and 2019 Incentive Plan, in conjunction with the 2021 special cash dividend the number of shares subject to outstanding RSUs was increased on the dividend record date to preserve their value. They were adjusted by multiplying the number of outstanding shares by a factor of 1.019 (rounded up to a whole share), representing the ratio of the Nasdaq closing price of $391.77 on November 30, 2020, which was the last trading day immediately prior to the ex-dividend date, to the Nasdaq opening price of $384.50 on the ex-dividend date, December 1, 2020. The outstanding RSUs increased by approximately 94,000. The adjustment did not result in additional stock-based compensation expense, as the fair value of the awards did not change. As further required by the Seventh Restated 2002 Incentive Plan and the 2019 Incentive Plan, the maximum number of shares issuable under each plan was proportionally adjusted, which resulted in an additional 222,000 RSU shares available to be granted.

Summary of Restricted Stock Unit Activity

At February 14, 2021, 11,946,000 shares were available to be granted as RSUs, and the following awards were outstanding:

- 4,285,000 time-based RSUs, which vest upon continued employment over specified periods;
- 29,000 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
- 102,000 performance-based RSUs, granted to executive officers of the Company, subject to achievement of performance targets for fiscal 2021, as determined by the Compensation Committee of the Board of Directors after the end of the fiscal year. These awards are included in the table below. The Company recognized compensation expense for these awards in the second quarter of 2021, as it is currently deemed probable that the targets will be achieved.

The following table summarizes RSU transactions during the first half of 2021:

	Number of Units (in 000s)	Weighted-Average Grant Date Fair Value
Outstanding at August 30, 2020	5,174	$ 207.55
Granted	1,982	369.15
Vested and delivered	(2,752)	235.72
Forfeited	(82)	250.66
Special cash dividend	94	N/A
Outstanding at February 14, 2021	4,416	$ 257.77

The remaining unrecognized compensation cost related to unvested RSUs at February 14, 2021, was $951, and the weighted-average period over which this cost will be recognized is 1.7 years.

Summary of Stock-Based Compensation

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

	12 Weeks Ended		24 Weeks Ended	
	February 14, 2021	February 16, 2020	February 14, 2021	February 16, 2020
Stock-based compensation expense	$ 122	$ 118	$ 463	$ 419
Less recognized income tax benefit	22	21	97	87
Stock-based compensation expense, net	$ 100	$ 97	$ 366	$ 332

Note 8—Taxes

Other Taxes

The Company is subject to 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. The 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		24 Weeks Ended	
	February 14, 2021	February 16, 2020	February 14, 2021	February 16, 2020
Net income attributable to Costco	$ 951	$ 931	$ 2,117	$ 1,775
Weighted average basic shares	443,134	442,021	443,043	441,920
RSUs	1,360	1,706	1,397	1,784
Weighted average diluted shares	444,494	443,727	444,440	443,704

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 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 an action under the California Labor Code Private Attorneys General Act (PAGA) 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 remanded to state court.

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). 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 2019, the parties reached an agreement to settle the seating claims on a representative basis, which received court approval in February 2020.

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). The complaint seeks relief under the California Labor Code, including civil penalties and attorneys’ fees. In October 2019, the parties reached an agreement on a class settlement, which received court approval in January 2021.

In March 2019, employees filed a class action against the Company alleging claims under California law for failure to pay overtime, to provide meal and rest periods and itemized wage statements, to timely pay wages due to terminating employees, to pay minimum wages, and for unfair business practices. Relief is sought under the California Labor Code, including civil penalties and attorneys' fees. *Nevarez v. Costco Wholesale Corp.* (Case No. 2:19-cv-03454; C.D. Cal.). The Company filed an answer denying the material allegations of the complaint. In December 2019, the court issued an order denying class certification. In January 2020, the plaintiffs dismissed their Labor Code claims without prejudice, and the court remanded the action to state court. The remand is being appealed.

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

In June 2019, an employee 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.). The Company filed an answer denying the material allegations of the complaint.

In April 2020, an employee, alleging underpayment of sick pay, filed a class and representative action against the Company, alleging claims under California law for failure to pay all wages at termination and for Labor Code penalties under PAGA. *Kristy v. Costco Wholesale Corp.* (Case No. 5:20-cv-04119; N.D. Cal.). The Company filed a motion to dismiss as to the plaintiff's amended complaint, and the case has been stayed due to the plaintiff's bankruptcy.

In July 2020, an employee filed an action under PAGA on behalf of all California non-exempt employees alleging violations of California Labor Code provisions regarding meal and rest periods, minimum wage, overtime, wage statements, reimbursement of expenses, and payment of wages at termination. *Schwab v. Costco Wholesale Corp.* (Case No. 37-2020-00023551-CU-OE-CTL; San Diego County Superior Court). In August 2020, the Company filed a motion to strike portions of the complaint.

In December 2020, a former employee filed suit against the Company asserting collective and class claims on behalf of non-exempt employees under the FLSA and New York Labor Law for failure to pay for all hours worked on a weekly basis and failure to provide proper wage statements and notices. The plaintiff also asserts individual retaliation claims. *Cappadora v. Costco Wholesale Corp.* (Case No. 1:20-cv-06067; E.D.N.Y.). The Company has not yet responded to the complaint.

In December 2017, the United States Judicial Panel on Multidistrict Litigation consolidated numerous cases concerning the impacts of opioid abuses filed against various defendants by counties, cities, hospitals, Native American tribes, third-party payors, and others. *In re National Prescription Opiate Litigation* (MDL No. 2804) (N.D. Ohio). Included are federal cases that name the Company, including actions filed by counties and cities in Michigan, New Jersey, Oregon, Virginia and South Carolina and a third-party payor in Ohio, class actions filed on behalf of infants born with opioid-related medical conditions in 40 states, and class actions and individual actions filed on behalf of individuals seeking to recover alleged increased insurance costs associated with opioid abuse in 41 states and American Samoa. In 2019, similar actions were commenced against the Company in state court in Utah. Claims against the Company in state courts in New Jersey, Oklahoma, and Arizona 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, 2019. On November 26, 2019, the court entered an order dismissing the consolidated amended complaint and granting the plaintiffs leave to file a further amended complaint. A further amended complaint was filed on March 9, which the court dismissed with prejudice on August 19, 2020. An appeal in the Ninth Circuit is pending.

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 action. 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.

On June 23, 2020, a putative class action was filed against the Company, the “Board of Directors,” the “Costco Benefits Committee” and others under the Employee Retirement Income Security Act, in the United States District Court for the Eastern District of Wisconsin. *Dustin S. Soulek v. Costco Wholesale, et al.*, Case No. 20-cv-937. The class is alleged to be beneficiaries of the Costco 401(k) plan from June 23, 2014, and the claims are that the defendants breached their fiduciary duties in the operation and oversight of the plan. The complaint seeks injunctive relief, damages, interest, costs, and attorneys' fees. On September 11, 2020, the defendants filed a motion to dismiss the complaint, and on September 21 the plaintiffs filed an amended complaint, which the defendants have also moved to dismiss.

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 August 30, 2020, and Note 1 above. Inter-segment 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 February 14, 2021				
Total revenue	$ 32,127	$ 6,001	$ 6,641	$ 44,769
Operating income	790	236	314	1,340
12 Weeks Ended February 16, 2020				
Total revenue	$ 28,523	$ 5,231	$ 5,318	$ 39,072
Operating income	821	202	243	1,266
24 Weeks Ended February 14, 2021				
Total revenue	$ 63,419	$ 12,012	$ 12,546	$ 87,977
Operating income	1,638	529	603	2,770
24 Weeks Ended February 16, 2020				
Total revenue	$ 55,588	$ 10,358	$ 10,166	$ 76,112
Operating income	1,456	430	441	2,327
52 Weeks Ended August 30, 2020				
Total revenue	$ 122,142	$ 22,434	$ 22,185	$ 166,761
Operating income	3,633	860	942	5,435

Disaggregated Revenue

The following table summarizes net sales by merchandise category; sales from business centers and e-commerce are allocated to the relevant categories:

	12 Weeks Ended		24 Weeks Ended	
	February 14, 2021	February 16, 2020	February 14, 2021	February 16, 2020
Foods and sundries	$ 17,624	$ 14,984	$ 35,643	$ 29,516
Hardlines	8,306	6,774	15,636	12,617
Fresh foods	6,254	5,079	12,117	9,655
Softlines	5,417	4,504	10,471	8,801
Ancillary and other	6,287	6,915	12,368	13,903
Total net sales	$ 43,888	$ 38,256	$ 86,235	$ 74,492

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 document constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For these purposes, forward-looking statements are statements that address activities, events, conditions or developments that the Company expects or anticipates may occur in the future and may relate to such matters as net sales growth, changes in comparable sales, cannibalization of existing locations by new openings, price or fee changes, earnings performance, earnings per share, stock-based compensation expense, warehouse openings and closures, capital spending, the effect of adopting certain accounting standards, future financial reporting, financing, margins, return on invested capital, strategic direction, expense controls, membership renewal rates, shopping frequency, litigation, and the demand for our products and services. In some cases, forward-looking statements can be identified because they contain words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "likely," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "target," "will," "would," or similar expressions and the negatives of those terms. Such forward-looking statements involve risks and uncertainties that may cause actual events, results, or performance to differ materially from those indicated by such statements. These risks and uncertainties include, but are not limited to, domestic and international economic conditions, including exchange rates, 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), the ability to maintain effective internal control over financial reporting, COVID-19 related factors and challenges, including among others, the duration of the pandemic, the unknown long-term economic impacts, reduced member shopping due to illness, travel restrictions or financial hardship, shifts in demand away from discretionary or higher-priced products, reduced workforce due to illness, quarantine, or government mandates, temporary store closures due to reduced workforces or government mandates, supply-chain disruptions, or capacity constraints of third-party logistics suppliers and other risks identified from time to time in the Company's public statements and reports filed with the Securities and Exchange Commission (SEC). Forward-looking statements speak only as of the date they are made, and the Company does not undertake to update these statements, except as required by law.

This management discussion should be read in conjunction with the management discussion included in our fiscal 2020 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 increasing net sales, particularly comparable sales growth. Net sales includes our core merchandise categories (foods and sundries, hardlines, softlines, and fresh foods), warehouse ancillary and other businesses. We define comparable sales as net sales from warehouses open for more than one year, including remodels, relocations and expansions, and sales-related to e-commerce websites operating for more than one year. Comparable sales growth is achieved through increasing shopping frequency from new and existing members and the amount they spend on each visit (average ticket). Sales comparisons can also be particularly influenced by certain factors that are beyond our control: fluctuations in currency exchange rates (with respect to the consolidation of the results of our international operations); and changes in the cost of gasoline and associated competitive conditions. The higher our comparable sales exclusive of these items, the more we can leverage 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 net sales growth is the health of the economies in which we do business, including the effects of inflation or deflation, especially the United States. Net sales growth and gross margins are also impacted by our competition, which is vigorous and widespread, across a wide range of global, national and regional wholesalers and retailers, including those with e-commerce operations. While we cannot control or reliably predict general economic health or changes in competition, we believe that we have been successful historically in adapting our business to these changes, such as through adjustments to our pricing and merchandise mix, including increasing the penetration of our private-label items and through online offerings.

Our philosophy is to provide our members with quality goods and services at competitive prices. We do not focus in the short-term on maximizing prices charged, but instead seek to maintain what we believe is a perception among our members of our “pricing authority” 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, the United States and the United Kingdom, 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 net sales growth by opening new warehouses. As our warehouse base grows, available and desirable sites become more difficult to secure, and square footage growth becomes a comparatively less substantial component of growth. The negative aspects of such growth, however, including lower initial operating profitability relative to existing warehouses and cannibalization of sales at existing warehouses when openings occur in existing markets, are continuing to decline in significance as they relate to the results of our total operations. Our rate of operating floor space 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 wage and benefit costs as a percentage of country sales, less or no direct membership warehouse competition, or lack an e-commerce business.

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 second quarter of 2021 and 2020 relate to the 12-week fiscal quarters ended February 14, 2021, and February 16, 2020, respectively. References to the first half of 2021 and 2020 relate to the 24 weeks ended February 14, 2021, and February 16, 2020, 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 second quarter of 2021 as compared to the second quarter of 2020 include:

- Net sales increased 15% to $43,888, driven by an increase in comparable sales of 13% and sales at 18 net new warehouses opened since the end of the second quarter of 2020;
- Membership fee revenue increased 8% to $881, driven by signups at warehouses and online and by upgrades to Executive Membership;
- Gross margin percentage decreased two basis points, driven by certain ancillary and other businesses and incremental wages due to COVID-19, partially offset by increases in our core merchandise categories;
- SG&A expenses as a percentage of net sales increased 11 basis points, primarily due to incremental wages as a result of COVID-19, partially offset by leveraging increased sales;
- On January 21, 2021, our Board declared a quarterly cash dividend of $0.70 per share, which was paid on February 19, 2021. The special cash dividend of $10.00 per share declared on November 16, 2020, was paid on December 11, 2020; and
- Net income was $951, or $2.14 per diluted share, compared to $931, or $2.10 per diluted share in 2020.

COVID-19

As the COVID-19 pandemic persists we continue to operate as an essential business. We remain focused on our strategy while prioritizing the health and safety of our members and employees. We have taken a variety of measures, as described in Item 1A Risk Factors of our fiscal 2020 Annual Report on Form 10-K, which have impacted us across all reportable segments to varying degrees. We have recorded strong sales and profitability in our fresh foods, foods and sundries, and our e-commerce business. Conversely, we have experienced decreases in sales and profitability in certain of our ancillary and other businesses, primarily in our gasoline and travel businesses. COVID-related supply constraints have adversely affected some merchandise categories and are expected to do so for the foreseeable future.

We paid $246 and $458 in incremental wages during the second quarter and first half of 2021, respectively, related to COVID-19. The incremental wage and benefit costs associated with COVID-19, which began on March 1, 2020 and ended on February 28, 2021, totaled approximately $825.

Effective March 1, 2021, we implemented permanent wage increases for hourly and most salaried warehouse employees. The estimated annualized pre-tax cost of these permanent wage increases is approximately $400. Additionally, in certain areas where we do business in the United States, governments have mandated, or are considering mandating extra pay for classes of employees that include our employees, which will result in higher costs.

RESULTS OF OPERATIONS

Net Sales

	12 Weeks Ended		24 Weeks Ended	
	February 14, 2021	February 16, 2020	February 14, 2021	February 16, 2020
Net Sales	$ 43,888	$ 38,256	$ 86,235	$ 74,492
Increases in net sales:				
U.S	13 %	10 %	14 %	8 %
Canada	15 %	9 %	16 %	6 %
Other International	25 %	12 %	24 %	9 %
Total Company	15 %	10 %	16 %	8 %
Increases in comparable sales:				
U.S	11 %	9 %	13 %	7 %
Canada	13 %	9 %	15 %	6 %
Other International	22 %	8 %	20 %	6 %
Total Company	13 %	9 %	14 %	7 %
Increases in comparable sales excluding the impact of changes in foreign currency and gasoline prices:				
U.S	13 %	8 %	15 %	7 %
Canada	11 %	7 %	14 %	6 %
Other International	18 %	7 %	18 %	6 %
Total Company	13 %	8 %	15 %	6 %

Net Sales

Net sales increased $5,632 or 15%, and $11,743 or 16% during the second quarter and first half of 2021, respectively, compared to the second quarter and first half of 2020. This improvement was attributable to an increase in comparable sales of 13% and 14% in the second quarter and first half of 2021, respectively, and sales at the 18 net new warehouses opened since the end of the second quarter of 2020. During the second quarter and first half of 2021, we experienced increased sales in our core merchandise categories, both in our warehouses and online due in part to COVID-19. Sales in certain ancillary and other businesses weakened compared to the second quarter and first half of 2020, largely driven by our gasoline and travel businesses.

During the second quarter of 2021, changes in gasoline prices negatively impacted net sales by $367, or 96 basis points, compared to 2020, due to a 10% decrease in the average price per gallon. The volume of gasoline sold decreased approximately 9%, negatively impacting net sales by $341, or 89 basis points. Changes in foreign currencies relative to the U.S. dollar positively impacted net sales by approximately $423, or 110 basis points, compared to the second quarter of 2020, attributable to our Canadian and Other International operations.

During the first half of 2021, changes in gasoline prices negatively impacted net sales by $1,094, or 147 basis points, compared to 2020, due to a 15% decrease in the average price per gallon. The volume of gasoline sold decreased approximately 9%, negatively impacting net sales by $740, or 99 basis points. Changes in foreign currencies relative to the U.S. dollar positively impacted net sales by approximately $527, or 71 basis points, compared to the first half of 2020, attributable to our Canadian and Other International operations.

Comparable Sales

Comparable sales increased 13% and 14% in the second quarter and first half of 2021, respectively, and were positively impacted by increases in average ticket and shopping frequency. There was an increase of 76% and 80% in e-commerce comparable sales in the second quarter and first half of 2021, respectively.

Membership Fees

	12 Weeks Ended		24 Weeks Ended	
	February 14, 2021	February 16, 2020	February 14, 2021	February 16, 2020
Membership fees	$ 881	$ 816	$ 1,742	$ 1,620
Membership fees as a percentage of net sales	2.01 %	2.13 %	2.02 %	2.17 %
Total paid members (000s)	59,700	55,300	—	—
Total cardholders (000s)	108,300	100,900	—	—

Membership fees increased 8% in both the second quarter and first half of 2021, driven by signups at warehouses and online and by upgrades to Executive Membership. At the end of the second quarter of 2021, our member renewal rates were 91% in the U.S. and Canada and 88% worldwide. Our renewal rate is a trailing calculation that captures renewals during the period seven to eighteen months prior to the reporting date.

We account for membership fee revenue on a deferred basis, recognized ratably over the one-year membership period. Our membership counts include active memberships as well as memberships that have not renewed within the 12 months prior to the reporting date. In the fourth quarter of 2020, we standardized our membership count methodology globally to be consistent with the U.S. and Canada. If this standardization would have been done at the end of the second quarter of 2020, it would have resulted in an addition to the count of approximately 2.2 million total cardholders, of which 1.4 million were paid members. Membership fee income and the renewal rate calculations were not affected.

Gross Margin

	12 Weeks Ended		24 Weeks Ended	
	February 14, 2021	February 16, 2020	February 14, 2021	February 16, 2020
Net sales	$ 43,888	$ 38,256	$ 86,235	$ 74,492
Less merchandise costs	39,078	34,056	76,536	66,289
Gross margin	$ 4,810	$ 4,200	$ 9,699	$ 8,203
Gross margin percentage	10.96 %	10.98 %	11.25 %	11.01 %

Quarterly Results

The gross margin of core merchandise categories, when expressed as a percentage of core merchandise sales (rather than total net sales), increased 71 basis points. This increase was across all categories, most significantly in fresh foods, primarily as a result of efficiencies from increased sales. This measure eliminates the impact of changes in sales penetration and gross margins from our warehouse ancillary and other businesses.

Total gross margin percentage decreased two basis points compared to the second quarter of 2020. Excluding the impact of gasoline price deflation on net sales, gross margin percentage was 10.87%, a decrease of 11 basis points. This was primarily due to a 55 basis point decrease in warehouse ancillary and other businesses, certain of which were negatively impacted by lower sales due to COVID-19, predominantly in our gasoline and travel businesses. The decreases in warehouse ancillary and other business were partially offset by e-commerce. Gross margin was also negatively impacted by incremental wages related to COVID-19 of 14 basis points and increased spending by members under the Executive Membership 2% reward program of five basis points. These decreases were partially offset by an increase of 63 basis points in our core merchandise categories, predominantly fresh foods.

Gross margin on a segment basis, when expressed as a percentage of the segment's own sales and excluding the impact of changes in gasoline prices on net sales (segment gross margin percentage), performed similarly to the consolidated results above for our U.S. segment. The segment gross margin percentage increased in our Canadian and Other International segments, primarily due to increases in fresh foods and foods and sundries partially offset by incremental wages related to COVID-19 and increased spending by members under the Executive Membership 2% reward program.

Year-to-date Results

The gross margin of core merchandise categories, when expressed as a percentage of core merchandise sales, increased 72 basis points. This increase was across all categories, most significantly in fresh foods where gross margins increased primarily as a result of efficiencies from increased sales.

Total gross margin percentage increased 24 basis points compared to the first half of 2020. Excluding the impact of gasoline price deflation on net sales, gross margin percentage was 11.11%, an increase of ten basis points. This was primarily due to an increase of 68 basis points in our core merchandise categories, predominantly fresh foods and foods and sundries. These increases were partially offset by a 41 basis point decrease in warehouse ancillary and other businesses, certain of which were negatively impacted by lower sales due to COVID-19, predominantly our gasoline and travel businesses. The decreases in warehouse ancillary and other businesses were partially offset by e-commerce. Gross margin was also negatively impacted by incremental wages related to COVID-19 of 13 basis points and increased spending by members under the Executive Membership 2% reward program of four basis points.

The segment gross margin percentage decreased in our U.S. segment primarily due to warehouse ancillary and other businesses and incremental wages related to COVID-19, partially offset by increases in our core merchandise categories. Our Canada and Other International segments increased primarily due to certain of our core merchandise categories and warehouse ancillary and other businesses. These increases were partially offset by the incremental wages and increased spending by executive members discussed above.

Selling, General and Administrative Expenses

	12 Weeks Ended		24 Weeks Ended	
	February 14, 2021	February 16, 2020	February 14, 2021	February 16, 2020
SG&A expenses	$ 4,342	$ 3,743	$ 8,640	$ 7,475
SG&A expenses as a percentage of net sales	9.89 %	9.78 %	10.02 %	10.03 %

Quarterly Results

SG&A expenses as a percentage of net sales increased 11 basis points compared to the second quarter of 2020. SG&A expenses as a percentage of net sales excluding the impact of gasoline price deflation was 9.81%, an increase of three basis points compared to the prior year. SG&A expenses were negatively impacted by 42 basis points due to incremental wages as a result of COVID-19. Central operating costs were also higher by two basis points, largely in our U.S. segment. These increases were partially offset by a decrease of 38 basis points due to warehouse operations and other businesses, largely attributable to payroll and benefits, primarily due to leveraging increased sales. Stock compensation expense was lower by three basis points.

Year-to-date Results

SG&A expenses as a percentage of net sales decreased one basis point compared to the first half of 2020. SG&A expenses as a percentage of net sales excluding the impact of gasoline price deflation was 9.89%, a decrease of 14 basis points compared to the prior year. Warehouse operations and other businesses were lower by 50 basis points, largely attributable to payroll and benefits, primarily due to leveraging increased sales. Stock compensation expense was also lower by three basis points. SG&A expenses were negatively impacted by 39 basis points due to incremental wages as a result of COVID-19.

Preopening Expense

	12 Weeks Ended		24 Weeks Ended	
	February 14, 2021	February 16, 2020	February 14, 2021	February 16, 2020
Preopening expenses	$ 9	$ 7	$ 31	$ 21
Warehouse openings, including relocations				
United States	0	0	7	3
Canada	0	0	2	1
Other International	0	0	1	0
Total warehouse openings, including relocations	0	0	10	4

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 2021, we expect to open 13 warehouses.

Interest Expense

	12 Weeks Ended		24 Weeks Ended	
	February 14, 2021	February 16, 2020	February 14, 2021	February 16, 2020
Interest expense	$ 40	$ 34	$ 79	$ 72

Interest expense is primarily related to Senior Notes. Interest expense increased in the second quarter and first half of 2021 due to higher long-term debt balances.

Interest Income and Other, Net

	12 Weeks Ended		24 Weeks Ended	
	February 14, 2021	February 16, 2020	February 14, 2021	February 16, 2020
Interest income	$ 11	$ 30	$ 21	$ 62
Foreign-currency transaction gains (losses), net	(1)	8	7	4
Other, net	9	7	20	14
Interest income and other, net	$ 19	$ 45	$ 48	$ 80

Interest income decreased in the second quarter and first half of 2021 due to lower interest rates, partially offset by higher average cash and investment balances. Foreign-currency transaction gains (losses), 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 August 30, 2020.

Provision for Income Taxes

	12 Weeks Ended		24 Weeks Ended	
	February 14, 2021	February 16, 2020	February 14, 2021	February 16, 2020
Provision for income taxes	$ 348	$ 330	$ 587	$ 532
Effective tax rate	26.4 %	25.9 %	21.5 %	22.8 %

The effective tax rate for the first half of 2021 was favorably impacted by net discrete tax benefits of $136, which primarily related to the first quarter. This included $75 of excess tax benefits related to stock compensation and $70 related to the portion of the special cash dividend payable through our 401(k) plan. The effective tax rate for the first half of 2020 was favorably impacted by net discrete tax benefits of $79, primarily related to excess tax benefits from stock compensation. Excluding the discrete net tax benefits, the tax rate was 26.4% and 26.2% for the first half of 2021 and 2020, respectively.

LIQUIDITY AND CAPITAL RESOURCES

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

	24 Weeks Ended	
	February 14, 2021	February 16, 2020
Net cash provided by operating activities	$ 2,685	$ 2,721
Net cash used in investing activities	(1,037)	(1,100)
Net cash used in financing activities	(5,350)	(2,228)

Our primary sources of liquidity are cash flows generated from our operations, cash and cash equivalents, and short-term investments. Cash and cash equivalents and short-term investments were $9,254 and $13,305 at February 14, 2021, and August 30, 2020, respectively. Of these balances, unsettled credit and debit card receivables represented approximately $1,659 and $1,636 at February 14, 2021, and August 30, 2020, respectively. These receivables generally settle within four days. Management believes that our cash position and operating cash flows will be sufficient to meet our liquidity and capital requirements for the foreseeable future.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled $2,685 in the first half of 2021, compared to $2,721 in the first half of 2020. Our cash flow provided by operations is primarily derived from net sales and membership fees. Cash flow used in operations generally consists of payments to merchandise suppliers, warehouse operating costs, including payroll and employee benefits, utilities, and credit and debit card processing fees. Cash used in operations also includes payments for income taxes. Changes in our net investment in merchandise inventories (the difference between merchandise inventories and accounts payable) is impacted by several factors, including how fast inventory is sold, the strategic forward deployment of inventory to accelerate delivery times to our members, payment terms with our suppliers, and the amount of payables paid early to obtain discounts from our suppliers.

Cash Flows from Investing Activities

Net cash used in investing activities totaled $1,037 in the first half of 2021, compared to $1,100 in the first half of 2020, and is primarily related to capital expenditures. Net cash from investing activities also includes purchases and maturities of short-term investments.

Capital Expenditure Plans

Our primary requirements for capital are acquiring land, buildings, and equipment for new and remodeled warehouses. Capital is also required for information systems, manufacturing and distribution facilities, initial warehouse operations, and working capital. In the first half of 2021, we spent $1,466 on capital expenditures. While COVID-19 has delayed certain construction projects, it is our current intention to spend between $3,000 and $3,200 during fiscal 2021. We opened 10 new warehouses, including two relocations, in the first half of 2021 and plan to open 13 additional new warehouses in the remainder of fiscal 2021. 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 $5,350 in the first half of 2021, compared to $2,228 in the first half of 2020. 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

On January 21, 2021, our Board declared a quarterly cash dividend of $0.70 per share payable to shareholders of record on February 5, 2021, which was paid on February 19, 2021. On December 11, 2020, an aggregate payment of approximately $4,430 was made in connection with the special cash dividend of $10.00 per share, declared on November 16, 2020.

Stock Repurchase Program

During the first half of 2021 and 2020, we repurchased 521,000 and 262,000 shares of common stock, at an average price per share of $361.52 and $299.40, respectively, totaling approximately $189 and $79, 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.

Bank Credit Facilities and Commercial Paper Programs

We maintain bank credit facilities for working capital and general corporate purposes. At February 14, 2021, we had borrowing capacity under these facilities of $1,051. Our international operations maintain $575 of the borrowing capacity under bank credit facilities, of which $207 is guaranteed by the Company. There were no short-term borrowings outstanding under the bank credit facilities at the end of the second quarter of 2021 or at the end of 2020.

The Company has letter of credit facilities, for commercial and standby letters of credit, totaling $215. The outstanding commitments under these facilities at the end of the second quarter of 2021 totaled $181, most of which were standby letters of credit which do not expire or have 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 August 30, 2020. There have been no material changes to the critical accounting policies previously disclosed in that Report.

Recent Accounting Pronouncements

There have been no material changes in recently issued or adopted accounting standards from those disclosed in our Annual Report on Form 10-K, for the fiscal year ended August 30, 2020.

Item 3—Quantitative and Qualitative Disclosures about Market Risk

Our direct exposure to financial market risk results from fluctuations in foreign-currency exchange rates and interest rates. There have been no material changes to our market risks as disclosed in our Annual Report on Form 10-K, for the fiscal year ended August 30, 2020.

Item 4—Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to ensure that information required to be disclosed is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure. The Chief Executive Officer and the Chief Financial Officer, with assistance from other members of management, have reviewed the effectiveness of our disclosure controls and procedures as of February 14, 2021 and, based on their evaluation, have concluded the disclosure controls and procedures were effective as of such date.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) that occurred during the second quarter of fiscal 2021 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 August 30, 2020. 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 second quarter of 2021 (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)]
November 23, 2020 — December 20, 2020	34,000	$ 371.10	34,000	$ 3,655
December 21, 2020 — January 17, 2021	122,000	367.92	122,000	3,610
January 18, 2021 — February 14, 2021	152,000	357.17	152,000	3,556
Total second quarter	308,000	$ 362.95	308,000	

(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	2/16/2020	3/12/2020
3.2	Bylaws as amended of Costco Wholesale Corporation		8-K		1/29/2020
3.2.1	Amendments to Sections 3.3, 3.4 and 3.6 of the Bylaws of Costco Wholesale Corporation, (to be effective and first apply with respect to the Company's 2022 Annual Meeting of Shareholders)		8-K		9/16/2020
10.1	Seventh Amendment to Citi, N.A. Co-Branded Credit Card Agreement	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			

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)

March 10, 2021	By	/s/ W. CRAIG JELINEK
Date		W. Craig Jelinek *President, Chief Executive Officer and Director*
March 10, 2021	By	/s/ RICHARD A. GALANTI
Date		Richard A. Galanti *Executive Vice President, Chief Financial Officer and Director*

Exhibit 10.1

SEVENTH AMENDMENT TO THE
CO-BRANDED CREDIT CARD PROGRAM AGREEMENT

This Seventh Amendment ("**Amendment**") is between Citibank, N.A. ("**Bank**") and Costco Wholesale Corporation ("**Costco**"), is effective as of January 4th, 2021, and amends that certain Co-Branded Credit Card Program Agreement, by and between Bank and Costco, dated February 27, 2015 (the "**Agreement**").

Pursuant to Section 16.10 of the Agreement, the Bank and Costco agree as follows:

1. **Defined Terms.** All capitalized terms used but not defined in this Amendment will have the meanings ascribed to such terms in the Agreement.

2. **Amendments.**

a. **Section 4.06 (c)**. The following is added after the words "with respect to Rewards paid by way of a statement credit" in the next to last sentence: "or electronic transfer."

b. **Section 4(b) of Schedule 9.01 (Program Economics)**. The following is added after the words "with respect to Rewards paid by way of a statement credit" in the second sentence: "or electronic transfer. Additionally, Bank shall have no obligation to fund a duplicate electronic transfer where bank establishes the original electronic transfer was made to the account provided by the Co-branded Cardholder in the event of a claim by a Co-Branded Cardholder that Rewards were not distributed and such obligation shall be that of Costco if a duplicate electronic transfer is requested by Costco."

3. **Full Force and Effect.** The Agreement, as modified hereby, will remain in full force and effect and this Amendment will not be deemed to be an amendment or a waiver of any other provision of the Agreement except as expressly stated herein. All such other provisions of the Agreement will also be deemed to apply to this Amendment.

4. **No Modification or Waiver; Incorporation.** No modification, amendment or waiver of this Amendment will be effective or binding unless made in writing and signed by the Parties. The Parties agree that, except for those modifications expressly set forth in this Amendment, all terms and provisions of the Agreement will remain unchanged and in full force and effect. This Amendment and the Agreement will hereafter be read and construed together as a single document, and all references to the Agreement will hereafter refer to the Agreement as amended by this Amendment.

5. **Counterparts.** This Amendment may be executed in counterparts and if so executed will be enforceable and effective upon the exchange of executed counterparts, including by facsimile or electronic transmissions of executed counterparts.

[Signature page follows]

Duly authorized representatives of the Parties have executed this Amendment.

COSTCO WHOLESALE CORPORATION	**CITIBANK, N.A.**
By: /s/ Paul Latham	By: /s/ John LaCoste
Name: Paul Latham	Name: John LaCoste
Title: SVP	Title: MD

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.

March 10, 2021

/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.

March 10, 2021

/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 February 14, 2021, 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: March 10, 2021
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 February 14, 2021, 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: March 10, 2021
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.