UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended May 11, 2025
or

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

Commission file number 0-20355

Costco Wholesale Corporation
(Exact name of registrant as specified in its charter)

Washington	**91-1223280**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

999 Lake Drive, Issaquah, WA 98027
(Address of principal executive offices) (Zip Code)
(Registrant’s telephone number, including area code): **(425) 313-8100**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, $.005 Par Value	COST	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the issuer's common stock as of May 28, 2025, was 443,477,086.

COSTCO WHOLESALE CORPORATION
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PART I—FINANCIAL INFORMATION

Item 1—Financial Statements

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

	12 Weeks Ended		36 Weeks Ended	
	May 11, 2025	May 12, 2024	May 11, 2025	May 12, 2024
REVENUE				
Net sales	$ 61,965	$ 57,392	$ 185,480	$ 171,440
Membership fees	1,240	1,123	3,599	3,316
Total revenue	63,205	58,515	189,079	174,756
OPERATING EXPENSES				
Merchandise costs	54,996	51,173	164,849	152,770
Selling, general and administrative	5,679	5,145	17,188	15,743
Operating income	2,530	2,197	7,042	6,243
OTHER INCOME (EXPENSE)				
Interest expense	(35)	(41)	(108)	(120)
Interest income and other, net	85	128	374	504
INCOME BEFORE INCOME TAXES	2,580	2,284	7,308	6,627
Provision for income taxes	677	603	1,819	1,614
NET INCOME	$ 1,903	$ 1,681	$ 5,489	$ 5,013
NET INCOME PER COMMON SHARE:				
Basic	$ 4.29	$ 3.79	$ 12.36	$ 11.29
Diluted	$ 4.28	$ 3.78	$ 12.34	$ 11.27
Shares used in calculation (000s):				
Basic	443,958	443,892	443,976	443,870
Diluted	444,762	444,828	444,846	444,662

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

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

	12 Weeks Ended		36 Weeks Ended	
	May 11, 2025	May 12, 2024	May 11, 2025	May 12, 2024
NET INCOME	$ 1,903	$ 1,681	$ 5,489	$ 5,013
Foreign-currency translation adjustment and other, net	327	(80)	(87)	(117)
COMPREHENSIVE INCOME	$ 2,230	$ 1,601	$ 5,402	$ 4,896

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)

	May 11, 2025	September 1, 2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 13,836	$ 9,906
Short-term investments	1,014	1,238
Receivables, net	2,875	2,721
Merchandise inventories	18,606	18,647
Other current assets	1,820	1,734
Total current assets	38,151	34,246
OTHER ASSETS		
Property and equipment, net	30,582	29,032
Operating lease right-of-use assets	2,718	2,617
Other long-term assets	4,031	3,936
TOTAL ASSETS	$ 75,482	$ 69,831
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 19,820	$ 19,421
Accrued salaries and benefits	4,813	4,794
Accrued member rewards	2,583	2,435
Deferred membership fees	2,931	2,501
Other current liabilities	7,432	6,313
Total current liabilities	37,579	35,464
OTHER LIABILITIES		
Long-term debt, excluding current portion	5,717	5,794
Long-term operating lease liabilities	2,463	2,375
Other long-term liabilities	2,598	2,576
TOTAL LIABILITIES	48,357	46,209
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Preferred stock $0.005 par value; 100,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock $0.005 par value; 900,000,000 shares authorized; 443,519,000 and 443,126,000 shares issued and outstanding	2	2
Additional paid-in capital	8,148	7,829
Accumulated other comprehensive loss	(1,915)	(1,828)
Retained earnings	20,890	17,619
TOTAL EQUITY	27,125	23,622
TOTAL LIABILITIES AND EQUITY	$ 75,482	$ 69,831

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

COSTCO WHOLESALE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(amounts in millions) (unaudited)

	12 Weeks Ended May 11, 2025					
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
	Shares (000s)	Amount				
BALANCE AT FEBRUARY 16, 2025	443,730	$ 2	$ 8,047	$ (2,242)	$ 19,770	$ 25,577
Net income	—	—	—	—	1,903	1,903
Foreign-currency translation adjustment and other, net	—	—	—	327	—	327
Stock-based compensation	—	—	107	—	—	107
Release of vested restricted stock units (RSUs), including tax effects	4	—	(2)	—	—	(2)
Repurchases of common stock	(215)	—	(4)	—	(206)	(210)
Cash dividend declared and other	—	—	—	—	(577)	(577)
BALANCE AT MAY 11, 2025	443,519	$ 2	$ 8,148	$ (1,915)	$ 20,890	$ 27,125

	12 Weeks Ended May 12, 2024					
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
	Shares (000s)	Amount				
BALANCE AT FEBRUARY 18, 2024	443,549	$ 2	$ 7,620	$ (1,842)	$ 14,980	$ 20,760
Net income	—	—	—	—	1,681	1,681
Foreign-currency translation adjustment and other, net	—	—	—	(80)	—	(80)
Stock-based compensation	—	—	107	—	—	107
Release of vested RSUs, including tax effects	46	—	(21)	—	—	(21)
Repurchases of common stock	(221)	—	(4)	—	(158)	(162)
Cash dividend declared and other	—	—	—	—	(514)	(514)
BALANCE AT MAY 12, 2024	443,374	$ 2	$ 7,702	$ (1,922)	$ 15,989	$ 21,771

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

COSTCO WHOLESALE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(amounts in millions) (unaudited)

36 Weeks Ended May 11, 2025

	Common Stock					
	Shares (000s)	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
BALANCE AT SEPTEMBER 1, 2024	443,126	$ 2	$ 7,829	$ (1,828)	$ 17,619	$ 23,622
Net income	—	—	—	—	5,489	5,489
Foreign-currency translation adjustment and other, net	—	—	—	(87)	—	(87)
Stock-based compensation	—	—	723	—	—	723
Release of vested RSUs, including tax effects	1,051	—	(392)	—	—	(392)
Repurchases of common stock	(658)	—	(12)	—	(611)	(623)
Cash dividend declared and other	—	—	—	—	(1,607)	(1,607)
BALANCE AT MAY 11, 2025	443,519	$ 2	$ 8,148	$ (1,915)	$ 20,890	$ 27,125

36 Weeks Ended May 12, 2024

	Common Stock					
	Shares (000s)	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
BALANCE AT SEPTEMBER 3, 2023	442,793	$ 2	$ 7,340	$ (1,805)	$ 19,521	$ 25,058
Net income	—	—	—	—	5,013	5,013
Foreign-currency translation adjustment and other, net	—	—	—	(117)	—	(117)
Stock-based compensation	—	—	689	—	—	689
Release of vested RSUs, including tax effects	1,330	—	(313)	—	—	(313)
Repurchases of common stock	(749)	—	(14)	—	(470)	(484)
Cash dividend declared and other	—	—	—	—	(8,075)	(8,075)
BALANCE AT MAY 12, 2024	443,374	$ 2	$ 7,702	$ (1,922)	$ 15,989	$ 21,771

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

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

	36 Weeks Ended	
	May 11, 2025	May 12, 2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 5,489	$ 5,013
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,652	1,531
Non-cash lease expense	208	220
Stock-based compensation	720	686
Other non-cash operating activities, net	(15)	(35)
Changes in operating assets and liabilities:		
Merchandise inventories	(25)	(831)
Accounts payable	604	1,380
Other operating assets and liabilities, net	835	417
Net cash provided by operating activities	9,468	8,381
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of short-term investments	(573)	(1,007)
Maturities of short-term investments	786	1,441
Additions to property and equipment	(3,532)	(3,133)
Other investing activities, net	(24)	(7)
Net cash used in investing activities	(3,343)	(2,706)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(635)	(637)
Proceeds from short-term borrowings	616	628
Proceeds from issuance of long-term debt	—	498
Tax withholdings on stock-based awards	(392)	(313)
Repurchases of common stock	(623)	(484)
Cash dividend payments	(1,030)	(8,527)
Financing lease payments and other financing activities, net	(118)	(113)
Net cash used in financing activities	(2,182)	(8,948)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(13)	(23)
Net change in cash and cash equivalents	3,930	(3,296)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	9,906	13,700
CASH AND CASH EQUIVALENTS END OF PERIOD	$ 13,836	$ 10,404
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the first thirty-six weeks of the year for:		
Interest	$ 81	$ 90
Income taxes, net	$ 1,648	$ 1,449
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:		
Cash dividend declared, but not yet paid	$ 577	$ —
Financing lease assets obtained in exchange for new or modified leases	$ 93	$ 173
Operating lease assets obtained in exchange for new or modified leases	$ 237	$ 117
Capital expenditures included in liabilities	$ 115	$ 181

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

COSTCO WHOLESALE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(amounts in millions, except share, per share, and warehouse count data)
(unaudited)

Note 1—Summary of Significant Accounting Policies

Description of Business

Costco Wholesale Corporation (Costco or the Company), a Washington corporation, and its subsidiaries operate membership warehouses based on the concept that offering members low prices on a limited selection of nationally-branded and private-label products in a wide range of merchandise categories will produce high sales volumes and rapid inventory turnover. At May 11, 2025, Costco operated 905 warehouses worldwide: 624 in the United States (U.S.) located in 47 states, Washington, D.C., and Puerto Rico, 109 in Canada, 41 in Mexico, 37 in Japan, 29 in the United Kingdom (U.K.), 19 in Korea, 15 in Australia, 14 in Taiwan, seven in China, five in Spain, two in France, and one each in Iceland, New Zealand, and Sweden. The Company operates e-commerce sites in the U.S., Canada, the U.K., Mexico, Korea, Taiwan, Japan, and Australia.

Basis of Presentation

The condensed consolidated financial statements include the accounts of Costco and its wholly-owned subsidiaries. All material inter-company transactions among the Company and its consolidated subsidiaries have been eliminated in consolidation.

These unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q for interim financial reporting pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). While these statements reflect all normal recurring adjustments that are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles (U.S. GAAP) for complete financial statements. Therefore, the interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended September 1, 2024.

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 2025 is a 52-week year ending on August 31, 2025. References to the third quarter of 2025 and 2024 relate to the 12-week fiscal quarters ended May 11, 2025, and May 12, 2024. References to the first thirty-six weeks of 2025 and 2024 relate to the 36 weeks ended May 11, 2025, and May 12, 2024.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect; the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions take into account historical and forward-looking factors that the Company believes are reasonable. Actual results could differ from those estimates and assumptions.

Reclassification

Reclassifications were made to the condensed consolidated balance sheet for 2024 and to the statement of cash flows for the first thirty-six weeks of 2024. These changes were made to conform with the current year presentation.

Recent Accounting Pronouncements Not Yet Adopted By The Company

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-07, which is intended to improve reportable segment disclosure requirements, primarily about significant expenses. The standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements.

In December 2023, the FASB issued ASU 2023-09, which requires public business entities on an annual basis to disclose specific categories in the income-tax rate reconciliation, provide information for reconciling items that meet a quantitative threshold, and disclose certain information about income taxes paid. The standard is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The amendments should be applied on a prospective basis. Retrospective application is permitted.

In November 2024, the FASB issued ASU 2024-03, which requires disaggregated disclosures of certain costs and expenses on the income statement on an annual and interim basis. The standard is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. The amendments should be applied on a prospective basis. Retrospective application is permitted.

The Company is evaluating these standards.

Note 2—Investments

The Company's investments were as follows:

May 11, 2025:	Cost Basis	Unrealized Losses, Net	Recorded Basis
Available-for-sale:			
Government and agency securities	$ 781	$ (4)	$ 777
Held-to-maturity:			
Certificates of deposit	237	—	237
Total short-term investments	$ 1,018	$ (4)	$ 1,014

September 1, 2024:	Cost Basis	Unrealized Losses, Net	Recorded Basis
Available-for-sale:			
Government and agency securities	$ 689	$ (1)	$ 688
Held-to-maturity:			
Certificates of deposit	550	—	550
Total short-term investments	$ 1,239	$ (1)	$ 1,238

Gross unrealized holding gains and losses on available-for-sale securities were not material for the periods ended May 11, 2025, or September 1, 2024. At those dates, there were no available-for-sale securities in a material continuous unrealized-loss position. There were no sales of available-for-sale securities during the first thirty-six weeks of 2025 or 2024.

The maturities of available-for-sale and held-to-maturity securities at May 11, 2025, are as follows:

	Available-For-Sale		
	Cost Basis	Fair Value	Held-To-Maturity
Due in one year or less	$ 134	$ 134	$ 237
Due after one year through five years	475	474	—
Due after five years	172	169	—
Total	$ 781	$ 777	$ 237

Note 3—Fair Value Measurement

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

	Level 2	
	May 11, 2025	September 1, 2024
Investment in government and agency securities	$ 777	$ 688
Forward foreign-exchange contracts, in asset position[(1)]	5	1
Forward foreign-exchange contracts, in (liability) position[(1)]	(34)	(28)
Total	$ 748	$ 661

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

On May 11, 2025, and September 1, 2024, the Company did not hold any Level 1 or 3 financial assets or liabilities that were measured at fair value on a recurring basis. There were no transfers between levels during the first thirty-six weeks of 2025 or 2024.

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 thirty-six weeks of 2025 and no material fair value adjustments in 2024.

Note 4—Debt

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

	May 11, 2025	September 1, 2024
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	913	919
Total long-term debt	5,913	5,919
Less unamortized debt discounts and issuance costs	18	22
Less current portion(1)	178	103
Long-term debt, excluding current portion	$ 5,717	$ 5,794

(1) Net of unamortized debt discounts and issuance costs and included in other current liabilities in the accompanying condensed consolidated balance sheets.

The fair value of the Senior Notes is estimated using Level 2 inputs. Other long-term debt consists of Guaranteed Senior Notes issued by the Company's Japan subsidiary, valued using Level 3 inputs. The fair value of the Company's long-term debt, including the current portion, was approximately $5,425 and $5,412 at May 11, 2025, and September 1, 2024.

Subsequent to the end of the quarter on May 21, 2025, the Japanese subsidiary repaid $103 of its Guaranteed Senior Notes.

Note 5—Equity

Dividends

A quarterly cash dividend of $1.30 per share was declared on April 16, 2025, and paid on May 16, 2025. The dividend was $1.16 per share in the third quarter of 2024.

Stock Repurchase Programs

The Company's stock repurchase program is conducted under a $4,000 authorization by the Board of Directors, which expires in January 2027. At May 11, 2025, the remaining amount available under the program was $2,242. The following table summarizes the repurchase activity:

	Shares Repurchased (000s)	Average Price per Share	Total Cost
Third quarter of 2025	215	$ 976.71	$ 210
First thirty-six weeks of 2025	658	$ 946.64	$ 623
Third quarter of 2024	221	$ 733.23	$ 162
First thirty-six weeks of 2024	749	$ 646.07	$ 484

These amounts may differ from the accompanying condensed consolidated statements of cash flows due to changes in unsettled stock repurchases at the end of each quarter. Purchases are made from time to time, as conditions warrant, in the open market or in block purchases and pursuant to plans under SEC Rule 10b5-1.

Note 6—Stock-Based Compensation

The 2019 Incentive Plan authorizes the issuance of up to 15,885,000 RSUs. To preserve the value of outstanding awards, the number of RSUs that may be granted under this Plan is subject to adjustments from changes in capital structure. The Company issues new shares of common stock upon vesting and settlement of RSUs. Shares for vested RSUs are generally delivered to participants annually, net of shares withheld for taxes.

Summary of Restricted Stock Unit Activity

At May 11, 2025, 6,261,000 shares were available to be granted as RSUs, and the following awards were outstanding:

- 2,205,000 time-based RSUs, which vest upon continued employment over specified periods and accelerate upon achievement of a long-service term;
- 51,000 performance-based RSUs granted to executive officers, for which the performance targets have been met. The awards vest upon continued employment over specified periods of time and upon achievement of a long-service term; and
- 70,000 performance-based RSUs granted to executive officers, subject to achievement of performance targets for 2025, as determined by the Compensation Committee of the Board of Directors after the end of the fiscal year. These awards are included in the table below. The Company recognized compensation expense for these awards in the third quarter of 2025, as it is currently deemed probable that the targets will be achieved.

The following table summarizes RSU transactions during the first thirty-six weeks of 2025:

	Number of Units (in 000s)	Weighted-Average Grant Date Fair Value
Outstanding at September 1, 2024	2,799	$ 463.24
Granted	1,095	883.46
Vested and delivered	(1,490)	558.10
Forfeited	(78)	562.25
Outstanding at May 11, 2025	2,326	$ 596.92

The remaining unrecognized compensation cost related to RSUs unvested at May 11, 2025, was $1,046, and the weighted-average period over which this cost will be recognized is 1.7 years.

Summary of Stock-Based Compensation

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

	12 Weeks Ended		36 Weeks Ended	
	May 11, 2025	May 12, 2024	May 11, 2025	May 12, 2024
Stock-based compensation expense	$ 106	$ 106	$ 720	$ 686
Less recognized income tax benefits	23	24	152	144
Stock-based compensation expense, net	$ 83	$ 82	$ 568	$ 542

Note 7—Net Income per Common and Common Equivalent Share

The following table shows the amounts used in computing net income per share and the weighted average number of shares of basic and of potentially dilutive common shares outstanding (shares in 000s):

	12 Weeks Ended		36 Weeks Ended	
	May 11, 2025	May 12, 2024	May 11, 2025	May 12, 2024
Net income	$ 1,903	$ 1,681	$ 5,489	$ 5,013
Weighted average basic shares	443,958	443,892	443,976	443,870
RSUs	804	936	870	792
Weighted average diluted shares	444,762	444,828	444,846	444,662

Basic earnings per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is calculated based on the dilutive effect of RSUs using the treasury stock method.

Note 8—Commitments and Contingencies

Legal Proceedings

The Company is involved in many claims, proceedings and litigations arising from its business and property ownership. In accordance with 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 actual losses in excess of amounts accrued. The Company monitors those matters for developments that would affect the likelihood of a loss (taking into account where applicable indemnification arrangements concerning suppliers and insurers) and the accrued amount, if any, thereof, and adjusts the amount as appropriate. The Company has recorded an immaterial accrual with respect to some 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 monitors for developments that make the contingency both probable and reasonably estimable. In each case, there is a reasonable possibility that a loss may be incurred, including a loss in excess of the applicable accrual. For matters where no accrual has been recorded, the possible loss or range of loss (including any loss in excess of the accrual) cannot, in the Company's view, be reasonably estimated because, among other things: the remedies or penalties sought are indeterminate or unspecified; the legal and/or factual theories are not well developed; and/or the matters involve complex or novel legal theories or a large number of parties.

In November 2023, a former employee filed a class action against the Company alleging claims under California law for failure to pay minimum wage, failure to pay overtime, failure to provide meal and rest breaks, failure to provide accurate wage statements, failure to reimburse expenses, failure to pay wages when due, and failure to pay sick pay. Martin Reyes v. Costco Wholesale Corporation, Sacramento County Superior Court (No. 23cv011351), removed to federal court, No. 2:24-cv-00300 (E.D. Cal.). A second amended complaint was filed, which the Company has moved to dismiss. In January 2024, the same plaintiff filed a related Private Attorneys General Act (PAGA) representative action, seeking civil penalties and asserting the same alleged underlying Labor Code violations and an additional suitable seating claim. In May 2024, the plaintiff filed an amended PAGA complaint; the Company has denied the material allegations of the complaint and filed a motion to stay the action. The motion was granted on December 18, 2024.

In August 2024, an employee filed an action under PAGA against the Company, alleging claims for penalties for various alleged violations of the California Labor Code. Nader v. Costco (No. CV-24-006198; Stanislaus County Superior Court). An amended complaint was filed in November 2024. In February 2025 the court granted the Company's motion to strike portions of the complaint. The plaintiff filed a further amended complaint; the Company's motion to strike a portion of this complaint was granted on May 13, 2025.

Beginning in December 2017, the United States Judicial Panel on Multidistrict Litigation consolidated numerous cases concerning the impacts of opioid abuses filed against various defendants by counties, cities, hospitals, Native American tribes, third-party payors, and others. In re National Prescription Opiate Litigation (MDL No. 2804) (N.D. Ohio). Included are cases filed against the Company by counties and cities in Michigan, New Jersey, Oregon, Virginia and South Carolina, a third-party payor in Ohio, and a hospital in Texas, class actions filed on behalf of infants born with opioid-related medical conditions in 40 states, and class actions and individual actions filed on behalf of individuals seeking to recover alleged increased insurance costs associated with opioid abuse in 43 states and American Samoa. Claims against the Company filed in federal court outside the MDL by one county in Georgia are pending, and claims filed by certain cities and counties in New York are pending in state court, as are claims by certain county district attorneys in Pennsylvania. Claims against the Company in state courts in New Jersey, Oklahoma, Utah, and Arizona have been dismissed. Claims against the Company in federal court in Georgia and Florida have been dismissed. The Company is defending all of the pending matters except for a small number that have been resolved for immaterial amounts.

Between September 25 and October 31, 2023, five class action suits were filed against the Company alleging privacy law violations stemming from pixel trackers on Costco.com: Birdwell v. Costco Wholesale Corp., No. T23-1405, Contra Costa County Superior Court; and Scott v. Costco Wholesale Corp., No. 2:23-cv-08808 (C.D. Cal.), now consolidated with R.S. v. Costco Wholesale Corp., No. 2:23-cv-01628 (W.D. Wash.); Groves, et ano., v. Costco Wholesale Corp., No. 2:23-cv-01662 (W.D. Wash.), and Castillo v. Costco Wholesale Corp., under No. 2:34-cv-01548 (W.D. Wash.). The Castillo plaintiffs filed a consolidated complaint on January 26, 2024, which seeks damages, equitable relief and attorneys' fees under various statutes, including the Washington Consumer Protection Act, Washington Privacy Act, Washington Uniform Health Care Information Act, Electronic Communications Privacy Act, California Invasion of Privacy Act, and California Confidentiality of Medical Information Act. The consolidated complaint also alleges breach of implied contract, invasion of privacy, conversion, and unjust enrichment. The Company filed a motion to dismiss the Castillo complaint on March 11, 2024. In November 2024 the court denied the motion to dismiss in substantial part. On May 16, 2024, the parties stipulated to stay Birdwell pending resolution of Castillo. On January 2, and August 22, 2024, the Company received related civil investigative demands from the Washington Attorney General's Office. On January 3, 2024, the Company received a related pre-litigation letter from the Los Angeles Office of the County Counsel. The Company is in the process of responding to both agencies.

On June 20, 2024, a class-action lawsuit was filed against the Company and Nice-Pak Products, Inc., alleging that Kirkland Signature Fragrance Free Baby Wipes contain 3.7 parts per billion of per-and polyfluoroalkyl substances. The complaint alleges that the label claim that the wipes are "made with naturally derived ingredients" thus violates various state consumer protection and false advertising laws. The complaint seeks unspecified damages, including punitive damages, as well as equitable relief and attorneys' fees and costs. The defendants filed a motion to dismiss on August 9, 2024. Bullard, et ano., v. Costco Wholesale Corp., et ano., No. 3:24-cv-03714 (N.D. Cal.). On February 14, 2025, the court granted the motion. An amended complaint was filed; defendants' motion to dismiss this complaint was denied on May 14, 2025.

In January 2023 the Company received a Civil Investigative Demand from the U.S. Attorney's Office, Western District of Washington, requesting documents. The government is conducting a False Claims Act investigation concerning whether the Company presented or caused to be presented to the federal government for payment false claims relating to prescription medications.

In May 2024 the Company received a Notice of Intent to File Administrative Complaint for Violations of the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) from the U.S. Environmental Protection Agency (EPA). The EPA is seeking administrative fines for importation, sale and distribution of misbranded devices and unregistered products the government asserts are pesticides under FIFRA. An agreement has been reached to settle the matter for an immaterial amount.

The Company does not believe that any pending claim, proceeding or litigation, either alone or in the aggregate, will have a material adverse effect on the Company's financial position, results of operations or cash flows; it is possible that an unfavorable outcome of some or all of the matters, however unlikely, could result in a charge that might be material to the results of an individual fiscal quarter or year.

Note 9—Segment Reporting

The Company is principally engaged in the operation of membership warehouses through wholly owned subsidiaries in the U.S., Canada, Mexico, Japan, the U.K., Korea, Australia, Taiwan, China, Spain, France, Iceland, New Zealand, and Sweden. Reportable segments are largely based on management's organization of the operating segments for operational decisions and assessments of financial performance, which consider geographic locations. The material accounting policies of the segments are as described in the notes to the consolidated financial statements included in the Company's Annual Report filed on Form 10-K for the fiscal year ended September 1, 2024, and Note 1 above. Inter-segment net sales and expenses have been eliminated in calculating total revenue and operating income.

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

	United States	Canada	Other International	Total
12 Weeks Ended May 11, 2025				
Total revenue	$ 46,318	$ 8,321	$ 8,566	$ 63,205
Operating income	1,713	450	367	2,530
12 Weeks Ended May 12, 2024				
Total revenue	$ 42,449	$ 8,014	$ 8,052	$ 58,515
Operating income	1,476	394	327	2,197
36 Weeks Ended May 11, 2025				
Total revenue	$ 137,819	$ 25,021	$ 26,239	$ 189,079
Operating income	4,726	1,215	1,101	7,042
36 Weeks Ended May 12, 2024				
Total revenue	$ 126,234	$ 23,789	$ 24,733	$ 174,756
Operating income	4,128	1,109	1,006	6,243
52 Weeks Ended September 1, 2024				
Total revenue	$ 184,143	$ 34,874	$ 35,436	$ 254,453
Operating income	6,217	1,648	1,420	9,285

Disaggregated Revenue

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

	12 Weeks Ended		36 Weeks Ended	
	May 11, 2025	May 12, 2024	May 11, 2025	May 12, 2024
Foods and Sundries	$ 25,149	$ 23,065	$ 75,323	$ 69,764
Non-Foods	16,080	14,518	49,777	44,301
Fresh Foods	8,785	7,888	25,839	23,212
Warehouse Ancillary and Other Businesses	11,951	11,921	34,541	34,163
Total net sales	$ 61,965	$ 57,392	$ 185,480	$ 171,440

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

FORWARD-LOOKING STATEMENTS

Certain statements contained in this document constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For these purposes, forward-looking statements are statements that address activities, events, conditions or developments that the Company expects or anticipates may occur in the future and may relate to such matters as net sales growth, changes in comparable sales, cannibalization of existing locations by new openings, price or fee changes, earnings performance, earnings per share, stock-based compensation expense, warehouse openings and closures, capital spending, the effect of adopting certain accounting standards, future financial reporting, financing, margins, return on invested capital, investments in technology, strategic direction, expense controls, membership renewal rates, shopping frequency, litigation, attainment of sustainability goals, and the demand for our products and services. In some cases, forward-looking statements can be identified because they contain words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "likely," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "target," "will," "would," or similar expressions and the negatives of those terms. Such forward-looking statements involve risks and uncertainties that may cause actual events, results or performance to differ materially from those indicated by such statements. These risks and uncertainties include, but are not limited to, domestic and international economic conditions, including exchange rates, inflation or deflation, the effects of competition and regulation, uncertainties in the financial markets, consumer and small business spending patterns and debt levels, breaches of security or privacy of member or business information, conditions affecting the acquisition, development, ownership or use of real estate, capital spending, actions of vendors, rising costs associated with employees (generally including health-care costs and wages), workforce interruptions, energy and certain commodities, geopolitical conditions (including tariffs), the ability to maintain effective internal control over financial reporting, regulatory and other impacts related to environmental and social matters, public-health related factors, and other risks identified from time to time in the Company's public statements and reports filed with the Securities and Exchange Commission. Forward-looking statements speak only as of the date they are made, and the Company does not undertake to update these statements, except as required by law.

OVERVIEW

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to promote understanding of the results of operations and financial condition. MD&A is provided as a supplement to, and should be read in conjunction with, our condensed consolidated financial statements and the accompanying Notes to Financial Statements (Part I, Item 1 of this Form 10-Q), as well as our consolidated financial statements, the accompanying Notes to Financial Statements, and the related MD&A in our fiscal year 2024 Form 10-K, filed with the Securities and Exchange Commission on October 9, 2024.

We operate membership warehouses and e-commerce sites based on the concept that offering our members low prices on a limited selection of nationally-branded and private-label products in a wide range of categories will produce high sales volumes and rapid inventory turnover. When combined with the operating efficiencies achieved by volume purchasing, efficient distribution and reduced handling of merchandise in no-frills, self-service warehouse facilities, these volumes and turnover enable us to operate profitably at significantly lower gross margins (net sales less merchandise costs) than most other retailers. We often sell inventory before we are required to pay for it, even while taking advantage of early payment discounts.

We believe that the most important driver of our profitability is increasing net sales, particularly comparable sales. Net sales includes our core merchandise categories (foods and sundries, non-foods, and fresh foods), warehouse ancillary (gasoline, pharmacy, optical, food court, hearing aids, and tire installation) and other businesses (e-commerce, business centers, travel, and other). E-commerce and business center sales are allocated to the appropriate merchandise categories in the Net Sales discussion. The 2% reward associated with Executive membership is allocated to the category in which the reward is generated (core merchandise categories, warehouse ancillary, and other businesses). Comparable sales is defined as net sales from warehouses open for more than one year, including remodels, relocations and expansions, and sales related to e-commerce sites operating for more than one year. The measure is intended as supplemental information and is not a substitute for net sales presented in accordance with U.S. GAAP and should be reviewed in conjunction with results reported in accordance with U.S. GAAP. Comparable sales growth is achieved through increasing shopping frequency from new and existing members and the amount they spend on each visit (average ticket). Sales comparisons can also be particularly influenced by certain factors that are beyond our control: fluctuations in currency exchange rates (with respect to our international operations) and inflation or deflation in the cost of gasoline and associated competitive conditions. The higher our comparable sales exclusive of these items, the more we can leverage 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 the right merchandise at the right prices, a skill that we believe we have repeatedly demonstrated over the long-term. Another substantial factor in net sales growth is the health of the economies in which we do business, including the effects of inflation or deflation, especially the United States. Net sales growth and gross margins are also impacted by our competition, which is vigorous and widespread, across a wide range of global, national and regional wholesalers and retailers, including those with e-commerce operations. While we cannot control or reliably predict general economic health or changes in competition, we believe that we have been successful historically in adapting our business to these changes, such as through adjustments to our pricing and merchandise mix, including increasing the penetration of our private-label items, and through online offerings.

Our philosophy is to provide our members with quality goods and services at competitive prices. We do not focus in the short-term on maximizing prices charged, but instead seek to maintain what we believe is a perception among our members of our “pricing authority” – consistently providing the most competitive values. Our net sales and gross margin are influenced in part by our merchandising and pricing strategies in response to cost increases. Those strategies can include, but are not limited to, working with our suppliers to share in absorbing cost increases, earlier-than-usual purchasing and in greater volumes, sourcing in the countries and regions where items are sold, as well as passing cost increases on to our members. Our investments in merchandise pricing may include reducing prices on merchandise to drive sales or meet competition and holding prices steady despite cost increases instead of passing the increases on to our members, negatively impacting gross margin and gross margin as a percentage of net sales (gross margin percentage) in the near term. Our e-commerce business, domestically and internationally, has a lower gross-margin percentage than our warehouse operations.

Government actions in various countries relating to tariffs 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. Higher tariffs are more likely to adversely impact rather than improve our results.

We believe our gasoline business enhances traffic in our warehouses; it generally has a lower gross margin percentage and lower SG&A expense relative to our non-gasoline businesses. A higher penetration of gasoline sales will generally lower our gross margin percentage. 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.

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. Negative aspects of such growth include lower initial operating profitability relative to existing warehouses and cannibalization of sales at existing warehouses when openings occur in existing markets. Our rate of square footage growth is generally higher in many of our foreign markets, due to the smaller base in those markets, and we expect that to continue.

The membership format is an integral part of our business and 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 Executive memberships, 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 worldwide renewal rate may be adversely impacted by memberships in newer international markets and a higher penetration of memberships sold online, including digital promotions, which typically renew at a lower rate.

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, increasing productivity 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 SG&A expenses, can have substantial impacts on net income.

Our operating model is generally the same across our U.S., Canadian, and Other International operating segments (see Note 9 to the consolidated financial statements included in Part I, Item 1, of this Report). Certain operations in the Other International segment have relatively higher rates of square footage growth, lower wage and benefit costs as a percentage of sales, less or no direct membership warehouse competition, or lack e-commerce or business delivery.

In discussions of our consolidated operating results, we refer to the impact of changes in foreign currencies relative to the U.S. dollar, which are differences between the foreign-exchange rates we use to convert the financial results of our international operations from local currencies into U.S. dollars. This impact is calculated based on the difference between the current and prior period's exchange rates. The impact of changes in gasoline prices on net sales is calculated based on the difference between the current and prior period's average price per gallon. Results expressed excluding the impacts of foreign-exchange and gasoline prices are intended as supplemental information and are not a substitute for net sales presented in accordance with U.S. GAAP and should be reviewed in conjunction with results reported in accordance with U.S. GAAP.

Our fiscal year ends on the Sunday closest to August 31. References to the third quarter of 2025 and 2024 relate to the 12-week fiscal quarters ended May 11, 2025, and May 12, 2024. References to the first thirty-six weeks of 2025 and 2024 relate to the 36 weeks ended May 11, 2025, and May 12, 2024. Certain percentages presented are calculated using actual results prior to rounding.

Highlights for the third quarter of 2025 versus 2024 include:

- Net sales increased 8% to $61,965, driven by an increase in comparable sales and sales at 29 net new warehouses opened since the end of the third quarter of 2024;
- Membership fee revenue increased 10% to $1,240, primarily driven by new member sign-ups and membership fee increases;
- Gross margin percentage increased 41 basis points; 29 basis points excluding the impact of gasoline price deflation on net sales;
- SG&A expenses as a percentage of net sales increased 20 basis points; 11 basis points excluding the impact of gasoline price deflation;
- Net income increased to $1,903, $4.28 per diluted share, compared to $1,681, $3.78 per diluted share in 2024. Foreign-exchange rates had a negative impact on net income of $35, $0.08 per diluted share; and
- A quarterly cash dividend of $1.30 per share, a 12% increase, was declared on April 16, 2025, and paid on May 16, 2025.

RESULTS OF OPERATIONS

Net Sales

	12 Weeks Ended		36 Weeks Ended	
	May 11, 2025	May 12, 2024	May 11, 2025	May 12, 2024
Net Sales	$ 61,965	$ 57,392	$ 185,480	$ 171,440
Increases in net sales:				
U.S.	9 %	9 %	9 %	6 %
Canada	4 %	10 %	5 %	9 %
Other International	6 %	10 %	6 %	12 %
Total Company	8 %	9 %	8 %	7 %
Increases in comparable sales(1):				
U.S.	7 %	6 %	7 %	4 %
Canada	3 %	8 %	4 %	8 %
Other International	3 %	8 %	3 %	9 %
Total Company	6 %	7 %	6 %	5 %
E-commerce	15 %	21 %	16 %	15 %
Increases in comparable sales excluding the impact of changes in foreign-currency and gasoline prices(1):				
U.S.	8 %	6 %	8 %	4 %
Canada	8 %	7 %	8 %	8 %
Other International	9 %	8 %	9 %	8 %
Total Company	8 %	7 %	8 %	5 %
E-commerce	16 %	21 %	17 %	15 %

(1) Comparable sales for the third quarter and first thirty-six weeks of 2024 were calculated using comparable retail weeks.

Net Sales

Net sales increased $4,573 or 8%, and $14,040 or 8% during the third quarter and first thirty-six weeks of 2025. The improvement was primarily attributable to an increase in comparable sales of $3,266 or 6% and $10,309 or 6% during the third quarter and first thirty-six weeks of 2025. The remaining increase was driven by sales at the 29 net new warehouses opened since the end of the third quarter of 2024. Sales increased $4,543 or 10% and $13,662 or 10% in core merchandise categories during the third quarter and first thirty-six weeks of 2025, increasing in all categories. Sales in warehouse ancillary and other businesses were up slightly during the third quarter of 2025, and increased $378 or 1% during the first thirty-six weeks of 2025.

Lower gasoline prices negatively impacted net sales by $642, or 112 basis points, and $1,606, or 94 basis points, during the third quarter and first thirty-six weeks of 2025. The average price per gallon decreased 9% and 8% during the third quarter and first thirty-six weeks of 2025. The volume of gasoline sold increased approximately 1%, positively impacting net sales by $59, or ten basis points and $191, or 11 basis points during the third quarter and first thirty-six weeks of 2025.

Changes in foreign currencies relative to the U.S. dollar attributable to our Other International and Canadian operations negatively impacted net sales by approximately $699, or 122 basis points, and approximately $2,107, or 123 basis points, during the third quarter and first thirty-six weeks of 2025.

Comparable Sales

Comparable sales increased 6% in the third quarter and first thirty-six weeks of 2025 and were positively impacted by increased shopping frequency of 5% and an average ticket increase of less than 1%.

Membership Fees

	12 Weeks Ended		36 Weeks Ended	
	May 11, 2025	May 12, 2024	May 11, 2025	May 12, 2024
Membership fees	$ 1,240	$ 1,123	$ 3,599	$ 3,316
Membership fees increase	10 %	8 %	9 %	8 %
Total paid members (000s)	79,600	74,500	—	—
Total cardholders (000s)	142,800	133,900	—	—

Membership fee revenue increased 10% and 9% in the third quarter and first thirty-six weeks of 2025, primarily driven by new member sign-ups and membership fee increases. At the end of the third quarter of 2025, our renewal rates were 92.7% in the U.S. and Canada and 90.2% worldwide. Our renewal rates were negatively impacted by sign-ups from a digital promotion in the fall of 2023 entering the renewal calculation this quarter and higher penetration of online sign-ups in recent years. Our renewal rate, which excludes affiliates of Business members, is a trailing calculation that captures renewals during the period seven to eighteen months prior to the reporting date.

As previously reported, we increased our annual membership fees in the U.S. and Canada, effective September 1, 2024. We account for membership fee revenue on a deferred basis, recognized ratably over the one-year membership period. The fee increase contributed approximately 4% of membership fee revenue during the third quarter of 2025.

Gross Margin

	12 Weeks Ended		36 Weeks Ended	
	May 11, 2025	May 12, 2024	May 11, 2025	May 12, 2024
Net sales	$ 61,965	$ 57,392	$ 185,480	$ 171,440
Less merchandise costs	54,996	51,173	164,849	152,770
Gross margin	$ 6,969	$ 6,219	$ 20,631	$ 18,670
Gross margin percentage	11.25 %	10.84 %	11.12 %	10.89 %

Quarterly Results

Gross margin percentage increased 41 basis points. Excluding the impact of gasoline price deflation on net sales, gross margin percentage increased to 11.13%, 29 basis points. This increase was positively impacted by 27 basis points in our core merchandise categories, primarily in fresh foods and foods and sundries and 27 basis points in warehouse ancillary and other businesses, primarily gasoline and e-commerce. Gross margin was negatively impacted by 23 basis points due to a LIFO charge for higher merchandise costs and two basis points for a one-time expense for increased employee vacation. Changes in foreign currencies relative to the U.S. dollar negatively impacted gross margin by approximately $80, compared to the third quarter of 2024, attributable to our Other International and Canadian operations.

The gross margin in core merchandise categories, when expressed as a percentage of core merchandise sales (rather than total net sales), increased 36 basis points. The increase was across all categories, most significantly fresh foods which benefited from sales leverage, higher productivity, and lower prices for certain commodities. This measure eliminates the impact of changes in sales penetration and gross margin from our warehouse ancillary and other businesses.

Gross margin percentage on a segment basis, when expressed as a percentage of the segment's own sales and excluding the impact of changes in gasoline prices on net sales (segment gross margin percentage), increased in our U.S. segment, which performed similarly to the consolidated results above. Our Canadian segment gross margin percentage increased, primarily due to increases in core merchandise categories and warehouse ancillary and other businesses. Gross margin increased in our Other International segment, primarily due to increases in warehouse ancillary and other businesses.

Year-to-date Results

Gross margin percentage increased 23 basis points. Excluding the impact of gasoline price deflation on net sales, gross margin percentage increased to 11.03%, 14 basis points. This increase was positively impacted by 18 basis points in our core merchandise categories, primarily due to increases in our co-branded credit card program and fresh foods, and four basis points in warehouse ancillary and other businesses, primarily e-commerce, partially offset by gasoline. Gross margin percentage was negatively impacted by eight basis points due to a LIFO charge. Changes in foreign currencies relative to the U.S. dollar negatively impacted gross margin by approximately $238, compared to the first thirty-six weeks of 2024, attributable to our Other International and Canadian operations.

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

Segment gross margin percentage increased in all segments. Our U.S. segment performed similarly to the consolidated results above. Our Canadian and Other International segments gross margin increased, primarily due to increases in core merchandise categories.

Selling, General and Administrative Expenses

	12 Weeks Ended		36 Weeks Ended	
	May 11, 2025	May 12, 2024	May 11, 2025	May 12, 2024
SG&A expenses	$ 5,679	$ 5,145	$ 17,188	$ 15,743
SG&A expenses as a percentage of net sales	9.16 %	8.96 %	9.27 %	9.18 %

Quarterly Results

SG&A expenses as a percentage of net sales increased 20 basis points. SG&A expenses as a percentage of net sales excluding the impact of gasoline price deflation was 9.07%, an increase of 11 basis points. The comparison to last year was negatively impacted by five basis points due to warehouse operations and other businesses, which included our investment in employee wages. A one-time expense for increased employee vacation negatively impacted SG&A by five basis points. Preopening and central operating costs were both higher by one basis point. Stock compensation decreased by one basis point.

Year-to-date Results

SG&A expenses as a percentage of net sales increased nine basis points. SG&A expenses as a percentage of net sales excluding the impact of gasoline price deflation was 9.19%, an increase of one basis point. Changes in foreign currencies relative to the U.S. dollar decreased SG&A expenses by approximately $142 compared to the first thirty-six weeks of 2024, attributable to our Other International and Canadian operations.

Interest Expense

	12 Weeks Ended		36 Weeks Ended	
	May 11, 2025	May 12, 2024	May 11, 2025	May 12, 2024
Interest expense	$ 35	$ 41	$ 108	$ 120

Interest expense is primarily related to Senior Notes and financing leases. The decrease in interest expense for the third quarter and first thirty-six weeks of 2025 was primarily due to repayment of the 2.750% Senior Notes in May 2024.

Interest Income and Other, Net

	12 Weeks Ended		36 Weeks Ended	
	May 11, 2025	May 12, 2024	May 11, 2025	May 12, 2024
Interest income	$ 95	$ 94	$ 300	$ 395
Foreign-currency transaction gains (losses), net	(17)	20	49	54
Other, net	7	14	25	55
Interest income and other, net	$ 85	$ 128	$ 374	$ 504

The decrease in interest income in the first thirty-six weeks of 2025 was due to lower interest rates, partially offset by higher cash balances. Foreign-currency transaction gains (losses), net, include mark-to-market adjustments for forward foreign-exchange contracts and revaluation or settlement of monetary assets and liabilities by our Canadian and Other International operations. See Derivatives and Foreign Currency sections in Item 8, Note 1 of our Annual Report on Form 10-K, for the fiscal year ended September 1, 2024.

Provision for Income Taxes

	12 Weeks Ended		36 Weeks Ended	
	May 11, 2025	May 12, 2024	May 11, 2025	May 12, 2024
Provision for income taxes	$ 677	$ 603	$ 1,819	$ 1,614
Effective tax rate	26.2 %	26.4 %	24.9 %	24.4 %

The effective tax rate for the first thirty-six weeks of 2025 was favorably impacted by discrete tax benefits of $100 related to stock compensation.

The effective tax rate for the first thirty-six weeks of 2024 was favorably impacted by discrete tax benefits of $94 related to the portion of the special cash dividend payable through our 401(k) plan and $44 related to stock compensation.

LIQUIDITY AND CAPITAL RESOURCES

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

	36 Weeks Ended	
	May 11, 2025	May 12, 2024
Net cash provided by operating activities	$ 9,468	$ 8,381
Net cash used in investing activities	(3,343)	(2,706)
Net cash used in financing activities	(2,182)	(8,948)

Our primary sources of liquidity are cash flows from operations, cash and cash equivalents, and short-term investments. Cash and cash equivalents and short-term investments were $14,850 and $11,144 at

May 11, 2025, and September 1, 2024. Of these balances, unsettled credit and debit card receivables represented approximately $2,587 and $2,519 at May 11, 2025, and September 1, 2024. These receivables generally settle within four days.

Material contractual obligations arising in the normal course of business primarily consist of purchase obligations, long-term debt and related interest payments, leases, and construction and land purchase obligations. Purchase obligations consist of contracts primarily related to merchandise, equipment, and third-party services, the majority of which are due in the next 12 months. Construction and land-purchase obligations consist of contracts primarily related to the development and opening of new and relocated warehouses, the majority of which (other than leases) are due in the next 12 months.

We believe that our cash and investment position and operating cash flow, with capacity under existing and available credit agreements, will be sufficient to meet our liquidity and capital requirements for the foreseeable future and that our U.S. current and projected asset position is sufficient to meet our U.S. liquidity requirements.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled $9,468 in the first thirty-six weeks of 2025, compared to $8,381 in the first thirty-six weeks of 2024. Our cash flow provided by operations is primarily from net sales and membership fees. Cash flow used in operations generally consists of payments to merchandise suppliers, warehouse operating costs, including wages and employee benefits, utilities, credit and debit card processing fees, and operating leases. Cash used in operations also includes payments for income taxes. Changes in our net investment in merchandise inventories (the difference between merchandise inventories and accounts payable) is impacted by several factors, including inventory levels and turnover, payment terms with suppliers, and early payments to obtain discounts.

Cash Flows from Investing Activities

Net cash used in investing activities totaled $3,343 in the first thirty-six weeks of 2025, compared to $2,706 in the first thirty-six weeks of 2024, 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, information systems and manufacturing and distribution facilities. In the first thirty-six weeks of 2025, we spent $3,532 on capital expenditures, and it is our current intention to spend slightly over $5,000 during fiscal 2025. These expenditures are expected to be financed with cash from operations, cash and cash equivalents, and short-term investments. We opened 17 new warehouses, including two relocations, in the first thirty-six weeks of 2025 and plan to open ten additional new warehouses, including one relocation, in the remainder of fiscal 2025. There can be no assurance that current expectations will be realized, and plans are subject to change upon further review of our capital expenditure needs and the economic environment.

Cash Flows from Financing Activities

Net cash used in financing activities totaled $2,182 in the first thirty-six weeks of 2025, compared to $8,948 in the first thirty-six weeks of 2024. Cash flow used in financing activities during the first thirty-six weeks of 2025 was primarily related to the payment of dividends, repayments of short-term borrowings, repurchases of common stock, and withholding taxes on stock-based awards. Cash flow provided by financing activities included proceeds from short-term borrowings. In the first thirty-six weeks of 2024, cash flow used in financing was primarily due to the payment of a special dividend.

Dividends

A quarterly cash dividend of $1.30 per share was declared on April 16, 2025, and paid on May 16, 2025.

Share Repurchase Program

On January 19, 2023, the Board of Directors authorized a share repurchase program in the amount of $4,000, which expires in January 2027. During the first thirty-six weeks of 2025 and 2024, we repurchased 658,000 and 749,000 shares of common stock, at an average price per share of $946.64 and $646.07, totaling approximately $623 and $484. These amounts may differ from the accompanying condensed consolidated statements of cash flows due to changes in unsettled repurchases at the end of a quarter. Purchases are made from time to time, as conditions warrant, in the open market or in block purchases, pursuant to plans under SEC Rule 10b5-1. Repurchased shares are retired, in accordance with the Washington Business Corporation Act. The remaining amount available to be purchased under our approved plan was $2,242 at the end of the third quarter.

Bank Credit Facilities and Commercial Paper Programs

We maintain bank credit facilities for working capital and general corporate purposes. At May 11, 2025, we had borrowing capacity under these facilities of $1,176. Our international operations maintain $681 of this capacity under bank credit facilities, of which $164 is guaranteed by the Company. Short-term borrowings outstanding under the bank credit facilities, which are included in other current liabilities on the consolidated balance sheets, were immaterial at the end of the third quarter of 2025 and at the end of 2024.

We have letter of credit facilities, for commercial and standby letters of credit, totaling $228. The outstanding commitments under these facilities at the end of the third quarter of 2025 totaled $205, most of which were standby letters of credit that do not expire or have expiration dates within one year. The bank credit facilities have various expiration dates, most within one year, and we generally intend to renew these facilities. The amount of borrowings available at any time under our bank credit facilities is reduced by the amount of standby and commercial letters of credit outstanding.

Critical Accounting Estimates

The preparation of our consolidated financial statements in accordance with U.S. GAAP requires that we make estimates and judgments. We base these on historical experience and on assumptions that we believe to be reasonable. Our critical accounting policies are discussed in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of our Annual Report on Form 10-K, for the fiscal year ended September 1, 2024. There have been no material changes to the critical accounting estimates previously disclosed in that Report.

Recent Accounting Pronouncements

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

Item 3—Quantitative and Qualitative Disclosures about Market Risk

Our direct exposure to financial market risk results from fluctuations in foreign-currency exchange rates and interest rates. There have been no material changes to our market risks as disclosed in our Annual Report on Form 10-K, for the fiscal year ended September 1, 2024.

Item 4—Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to ensure that information required to be disclosed is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure. The Chief Executive Officer and the Chief Financial Officer, with assistance from other members of management, have reviewed the effectiveness of our disclosure controls and procedures as of May 11, 2025, and, based on their evaluation, have concluded the disclosure controls and procedures were effective as of such date.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) that occurred during the third quarter of fiscal 2025 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1—Legal Proceedings

See discussion of Legal Proceedings in Note 8 to the condensed consolidated financial statements included in Part I, Item 1 of this Report.

Item 1A—Risk Factors

In addition to the other information set forth in the Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K, for the fiscal year ended September 1, 2024. 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 activity for the third quarter of 2025 (amounts in millions, except share and per share data):

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs[1]	Maximum Dollar Value of Shares that May Yet be Purchased Under the Programs[1]
February 17, 2025 — March 16, 2025	68,000	$ 1,025.03	68,000	$ 2,382
March 17, 2025 — April 13, 2025	76,000	922.61	76,000	2,312
April 14, 2025 — May 11, 2025	71,000	988.05	71,000	2,242
Total third quarter	215,000	$ 976.71	215,000	

(1) Our share repurchase program is conducted under a $4,000 authorization approved by our Board of Directors in January 2023, which expires in January 2027.

Item 3—Defaults Upon Senior Securities

None.

Item 4—Mine Safety Disclosures

Not applicable.

Item 5—Other Information

None.

Item 6—Exhibits

The following exhibits are filed as part of this Quarterly Report on Form 10-Q or are incorporated herein by reference.

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference		
			Form	Period Ending	Filing Date
3.1	Articles of Incorporation as amended of Costco Wholesale Corporation		10-K	8/28/2022	10/5/2022
3.2	Bylaws as amended of Costco Wholesale Corporation		8-K		9/20/2024
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)

June 4, 2025	By	/s/ RON M. VACHRIS
Date		Ron M. Vachris *Chief Executive Officer, President and Director*
June 4, 2025	By	/s/ GARY MILLERCHIP
Date		Gary Millerchip *Executive Vice President and Chief Financial Officer*