

# Annual General Meeting

## Company Participants

- Hamilton E James "Tony", Chairman of the Board
- Julia Cedarholm, Senior Associate, ESG Research & Shareholder Engagement
- Unidentified Speaker, NA
- W Craig Jelinek, Chief Executive Officer

## Presentation

### Operator

Good day, and welcome to Costco Wholesale Corporation 2023 Annual Meeting of Shareholders. I'd now like to turn the conference over to Tony James, Chairman of the board.

### Hamilton E James "Tony"

Thank you, and good afternoon, everyone. I want to welcome you to the 2023 Annual Meeting of Shareholders of Costco. I am Tony James, Chairman of the board. Before we get started, I want to make a few other introductions. John Sullivan, our Corporate Secretary, will act as Secretary for this meeting. Gail Tsuboi, acting as Inspector of Elections, will be counting ballots and reporting on the final vote.

I will now introduce the members of our terrific Board of Directors, all of whom are present on this call today, Sue Decker, Founder and CEO of her own exciting startup, Rafr and formerly President of Yahoo; Ken Denman, a partner in Sway Venture Capital and formerly CEO of Emotient, which was acquired by Apple; Richard Galanti, our stalwart CFO; Craig Jelinek, our fantastic CEO, who has done such an amazing job leading the company for the last 11 years; Sally Jewell, formerly Secretary of the Interior under President Obama and previously CEO of coat retailer, REI; Charlie Munger, Warren Buffett's incomparable partner and alter ego, and our own irrepressible fount of wisdom; Jeff Raikes, founder of the Raikes Foundation and previously CEO of the Bill & Melinda Gates Foundation; John Stanton, Chairman of the Hometown Seattle Mariners and a pioneer of the wireless industry in America; Ron Vachris, Craig's go-to partner, who was elevated to President and joined the Board last year; and Maggie Wilderotter, Chairman of Grand Reserve Inn and formerly CEO of Frontier Telecom.

Okay. Onto business. We're going to do the formal part of the meeting first. I hope to make that efficient and relatively brief, and then we will turn it over to Craig to give his presentation on the state of the company and open it up to your questions. The polls are open and will close shortly. Only shareholders who held shares as of the record date for this meeting are entitled to vote. If you have already voted your

shares, there is no need for you to vote again unless you wish to change your vote. If you'd like to change your vote or vote your shares, you may do so while the polls are open by following the instructions on your screen.

The record date for the meeting was the close of business on November 11th, 2022. Each shareholder record on November 11th was mailed a notice of availability of proxy statement on or about December 10th. The proxy statement was posted on our corporate website on December 6th. Affidavits of the mailing and the posting of these materials will be attached to the minutes of this meeting. A complete list of shareholders of record entitled to vote is available for your inspection through the link on your meeting page. This list will be kept open for inspection during the entire meeting. To conduct business we need a quorum, and a quorum for this meeting is a majority of the shares entitled to vote. The Inspector of Election has reported that we do indeed have a quorum today.

I will now review the items put to a shareholder vote and the preliminary results of the voting. We will close the polls very shortly, so please vote now if you have not already done so. Item one, all current board members have been renominated to serve again until the next Annual Meeting. I reviewed the nominees in each of their backgrounds in my introductory remarks. The nominees have all been reelected with substantial majorities of the vote. Item two is to ratify the selection of KPMG as our auditor. This item also passed with over 96% of the shares voting. Item three is an advisory vote to approve the compensation of the company's executive officers. This item passes well with over 95% of the shares voting. Item four is an advisory vote to approve the frequency of future advisory votes on the compensation of the company's executive officers. The frequency of one year was approved with over 98% of the shares voting. Item five, in addition, we have one shareholder proposal, item five concerns reporting on risks of state policies restricting reproductive rights.

We'll now play pre-recorded statements by the shareholder proposing this resolution and from the company explaining why we believe this proposal is not in the company's best interest. We respectfully request that you vote against this proposal.

### **Julia Cedarholm** {BIO 22511447 <GO>}

Good morning. My name is Julia Cederholm from investment management firm, Arjuna Capital, and I move Proposal 5, asking the company to assess the risks and costs of state policies that restrict reproductive rights. Reproductive rights are under siege in the United States. Risking company's ability to attract and retain female talent. (Inaudible) decision, abortion is currently banned in 13 states, severely restricted in five states, and at risk in another 10 states. About one-third of Costco's employees live in states that severely restrict abortion availability, meaning its female employees are unable to easily access necessary healthcare. Numerous studies show that when women are unable to access abortion care, they are more likely to drop out of the workforce. This lack of abortion access also impacts company's ability to attract talent in these states. Additionally, there are large-scale societal repercussions from limiting abortion access.

The Institute for Women's Policy Research estimates over 0.5 million more women of reproductive age would enter the workforce if all restrictions were eliminated. Our company states it has worked to create stability with its female workforce through competitive wages and benefits. While we recognize Costco has done this in the past, the legal environment post-jobs [ph] is profoundly different. Costco must stay abreast of state policies restricting reproductive rights and proactively work to protect its female workforce in these states. Costco's current reproductive health benefits also do not fully protect our company from the risks associated with state policies limiting abortion access. While travel and lodging reimbursements help female employees in restricted states, these women still face additional barriers to receiving an abortion. Therefore, Costco must consider all risks associated with the current political environment as it relates to abortion and consider ways to mitigate these risks. This might include public policy advocacy or reviewing political contributions, amongst other strategies that would help protect women from abortion restrictions. As this is a critical time to protect women's abortion access, we urge you to support Proposal 5.

## **Hamilton E James "Tony"**

Hello, this is Tony James, Costco's Board Chair. Directors respectfully urges a vote against Proposal 5. As many of you know, we take great pride at Costco in our relationship with our employees and are widely known for being a responsive and caring employer committed to our people. In addition to a strong historical and current focus on generous pay and benefits, we have in recent years enhanced our communications with our workforce. Engagement surveys, culture-building meetings, training programs and extensive follow-up efforts. These and other initiatives help Craig and Ron and their teams (technical difficulty) in close touch with employee concerns and address them effectively. Efforts have shown success and are reflected in the high quality of our employees and the great retention rates we enjoy. Recognize that the topic of reproductive rights can be divisive, but we don't believe there is any genuine controversy concerning our employee satisfaction with our healthcare plans in this regard, nor has our coverage adversely impacted our success in attracting and retaining employees.

Importantly, the plan's fund expenses for those who must travel to obtain reproductive services covered under the plan. We will continue to pay close attention to legal and other developments around reproductive rights and their impact on our workforce. If our monitoring efforts reveal a new area of need among employees, we will respond appropriately. However, imposing special reporting obligations on the company is not necessary and would be a significant added expense. As a result, your Board of Directors urges a vote against proposal five.

Thank you for your attention on that. The preliminary vote counts show that the shareholder proposal item five did not pass, receiving less than 15% of the vote. The official business is now closed, the polls are declared closed and the Inspector of Election will tabulate the votes and the final results will be reported in our 8K, which will be filed shortly. As chair of the meeting, I now declare the official meeting adjourned. Thank you.

Next up is a fun video of media clips about your company over the last year, followed by a presentation by Craig Jelinek, our CEO on the year's highlights. Following the presentation, Craig will address comments and questions from shareholders. Please remember that only shareholders are permitted to ask questions or make comments. And also, please keep your questions and comments brief because we want everyone to get a chance to get theirs in. Others who have comments are free to address them in writing to the Corporate Secretary. Okay, over to you, Craig. (Video Presentation)

## **W Craig Jelinek** {BIO 1505432 <GO>}

Good afternoon, everyone, and thank you for joining us for our Annual January '23 Meeting. So we started out 2022 with 815 warehouses. We opened up 23 new Costcos last year, ending with 838. Since the beginning of the September fiscal year, we've opened up nine Costcos and we currently have 847 as of today. Just to go through a few of the Costcos that we opened up this year, our San Marcos Business Center was our 23rd US business center. We continue to see an opportunity for this business and we're using a lot of our relocation sites to open up these business centers. So there's a real future with these. In Canada, we open up our 61 in Anjou, Quebec. Malibu, Japan was our 31st location in Japan we opened up this year. College Station, Texas was number 34 in our Texas market. Murrieta, California, our 123rd building that we have in the state of California, which is our largest presence of Costcos. Auckland, New Zealand, this was our first building in the New Zealand market that started out very well for us and we're looking to open up at least three more in that market. Gocheok, Korea which was our 18th building in Korea. This is what the building looked like when we first found the site. It was a prison. This is what it looks like today. So it's amazing what you can do in different countries with real estate and those are the all the high rises have been built behind it. Stockholm, Sweden, our first building in Sweden, and we would hope to open up our second one sometime in the end of '23 or the beginning of '24. Lake Stevens, Washington was our 31st location in the state of Washington and the state is where we started at '01 Seattle. Castorina, Australia was our 14th building in Australia and this is in our Perth Market.

Some of the other locations we opened up this year Riverton, Utah which is a fill-in market for us in Utah. Ontario, St. Augustine. Florida, which is in the Jacksonville market. Verona, Wisconsin, which was our 10th building in the Wisconsin Market. Gimhae, Korea. University of Missouri, which is a fill-in the Springfield market. Athens, Georgia. Ankeny, Iowa, which is also in the Iowa market near our Des Moines location and Logan, Utah.

Costco today were the third largest global retailer with 11th largest on the Fortune 500 and we currently have a market cap of \$214 billion. Sales last year \$223 billion. We currently have 124 million square feet of selling space. We currently have 304,000 employees worldwide. Warehouses were in 14 regions. We have 847 warehouses worldwide. The majority of them, about 730 are in North America. As you could see the other opportunities there in these other regions will continue not only fill-in in the US but look in these other markets to expand. Costco today, 67 million member households, 121 million card holders, one of the things we're very

proud of is our renewal rate worldwide over 90%. And obviously, the membership revenue was very important to our whole model, \$4.3 billion in membership fees collected in the last 12 months.

In this last fiscal year 2022, \$222.730 billion. Our net income, \$5.844 billion. Our diluted earning per share, \$13.14, which is up from \$11.27. So we're very happy with last year's results considering the situation in the economy. Our first quarter, again, we're very pleased with \$53.437 billion. Net income, \$1.364 billion, \$3.07 a share compared to \$2.98 last year. Our comp traffic frequency, which -- what we gauge our growth of our business along with sales for the previous 2009 through 2019, our comp traffic was 4% a year; '20 because of COVID, we dropped down to less than 1%; coming out of COVID for '21 and '22, very strong years in terms of comp traffic; and this year, we're slightly less than 4% for the first quarter of business. So although it's not 7%, we're continuing to be pleased with our traffic as we've continued to grow the business.

Some of our highlights, although you've seen deflation in TV's, our global TV sales were up 5% in '22. Our apparel business continues to be strong, up 12%. Diamonds, although slowed up a little bit from 2021, we sold over 500,000 carats of diamonds globally. Our beer, wine, and spirits one of the softened sears [ph] in terms of increase at only 3%. We attribute that mostly to restaurants and bars opening backup where people were consuming probably more alcohol at home than they were in restaurants and bars previously. That was not the case last year.

Produce, up 7% globally. Our bakery, global sales up 16%. This was actually the biggest growth in terms of bakery sales over the last five years as a percentage per year. Meat & Seafood, global sales up 5% and we're actually happy with that because we had such challenges with stay-in-stock [ph] and chicken and fish this year. Service deli our all reliable 117 million chicken sold last year. Some of our merchandise highlights, we continue to look for new brands. You have Alaska Airlines, Jacuzzi, Impossible, All-Clad, Hurley, Calvin Klein, Major League Baseball, Pendleton. These are just some of the new brands that we're bringing in last year and we'll have again this year.

Some of the new items that we're looking at is a deli sushi program, family pack, \$28.99 to a crunch roll combo \$13.99. So far our sushi business is growing quite well for us. Some of the other items Kirkland Signature as you know that's our own brand that we're very proud of just some of the items, KS caramel S'mores clusters, \$9.49. KS roasted almonds, we sell for \$9.99. KS chunks and gravy wet cat food, \$26.99. KS laundry scent beads \$9.99. Some of the other items are Reposado, Tequila, again, grow the Kirkland Signature brand and bring value. KS aerosol light whipped cream, \$5.49. Our organic pine nut hummus, \$5.99. Cherry cheese pastry in our bakeries, \$9.99. Our new Aero [ph] Kit \$6.49 a pound. I encourage you all to try these new items.

Some of the other items are Kirkland Signature wide [ph] burner, top sear burner grill, \$890.999. Barbecued hardwood pellets, \$12.99. One of the things that we're also very proud of our commitment to sustainability in terms of reducing plastic and

reducing prices. I just want to take your journey on this KS cashew packaging progression, which is these cashews are one of our top items in our nut business.

In 1995, when we introduced the item, we had a round container, we moved to a jar comparison [ph] square jar in 2008 and we had a 23% reduction in plastic. In 2009, we went to Emboss Jar, and we had a 5% reduction in plastic. In 2022, we reduced the plastic, what we went to -- what we call a V4, reduced the weight 10.5% in plastic. And this year, we went to actually a bag conversion, which reduced it another 85% and reduced the price to for [ph] \$11 million in savings to our members. So a lot of opportunity here to continue to do the right thing plus reduce the pricing of our merchandise.

Some of the other things we're doing with packaging, this is Korea, we've gone from plastic boxes to a box and composable film, reducing 400,000 pounds of plastic. One of the things that we're very good at, we're a true global company. We move goods from not only the US to other countries where we do business, but also we move goods from other countries to the US and other countries. So here's some of the items, shredded squid from Thailand, very big item that we brought over here in the US, that cooked octopus from Spain, seaweed salad from Korea. These are all global items that we found that work in all countries where we do business.

Our online presence we currently have in eight regions. Our e-commerce business, we want to complement the core warehouse convenience and big and bulky purchases, we want to have grocery online, all coming to your house, expanded selection year-round, delivering insulation available, same day delivery available, and expand the Costco treasure hunt. These are what we want to accomplish with e-commerce this year.

One of the other things we're getting ourselves involved in is Costco Next. Costco Next is going to be actually more brands that you have available to you that will come directly from the supplier in itself. It's going to be a selection of goods that our buyers have found from these suppliers that we can't necessarily carry in our warehouses and they'll be exclusive values for our members. So I encourage you to go on Costco Next and look at the savings on additional item selection that you might like. Some of the areas home improvement, beauty, apparel, art, sports and bicycles, outdoor recreation. Some of the brands of Briggs & Riley, priority bicycles, which is electric bikes and SPIRE Fitness, Studio Sheds, Thomas Kinkade, again, these are all direct from the supplier delivered to your home. Our grocery online options for home delivery. We currently have same-day delivery available through Instacart. We have two-day delivery that's available through Costco Grocery. And also we have cold and frozen delivery from Costco Grocery.

Also, we have other exciting merchandise available, Samsung French Door Refrigerator, Sports Memorabilia, you see a Patrick Holmes signed helmet there for \$1,300. La Priere firming face treatment \$1,500. Our jewelry, although not as big as previous years in terms of dollars, three signature items this year, a four-carat pear-shaped diamond ring, \$90,000; a yellow diamond ring fancy 7.5 carat, \$90,000 and a four-carat radiant diamond ring for \$85,000. That's the highlight of some of our

jewelry items this year. Gift cards and tickets online, we continue to have gift cards from Southwest Airlines, \$500 cash card for \$449.99. DoorDash, \$100 for \$89.99. And we have Super Bowl packages anywhere from \$10,000 to \$43,000 this year available.

Our mobile app, something that we continue to improve on. Feature shop online, Costco, visa card, and your digital membership card locations where we have gas stations and our gas prices, some of the enhancements we're going to add for next year, which includes something that everybody's asked for warehouse inventory online and as we go move forward, you'll be seeing new features available over time. Our depots, one of the lifeblood of our distributions and keeping in stock. We currently have 26 global depots in eight regions, 18 e-com fulfillment centers and we have 10 DDC locations, which are responsible for taking in big and bulky and delivering to our smaller last mile locations.

Costco Logistics, which is something that we actually purchased probably almost two years ago from Sears was this last-mile logistics company. We think that long term it's going to increase member service level. You can also have room of where you want it delivered or white glove. We can reduce ship time with forward deployed goods, lower member prices with full cost transparency and expand our online categories, and also controlling the delivery experience. Last year \$3.76 billion in sales on 3.2 million shipments. 10 middle-mile distribution centers, which I mentioned were the DDCs. 121 final mile delivery facilities including Alaska, Hawaii, and Puerto Rico. We currently have 700 home delivery trucks on the road delivering six days a week. These are some of the categories that you can have delivered direct to your home. Exercise, large TV's, barbecues, vanities and kitchen ensembles. Some of the other things that we have in there, washer dryers, TVs, riding lawn mowers, furniture, anything that might be something that you can't get in your car, we usually can get it delivered through Costco Logistics.

Our business centers, as I said before, continue to be part of our future walk-in delivery for business members, e-commerce fulfillment. We currently have 23 in the US, six in Canada. Our pharmacy is considered to be one of our staples in our business, 56 million prescriptions in '22. In '22, are also immunizations were very big. We gave 3.5 million immunizations last year. Our optical business 8.2 million pairs of glasses sold last year. Our food court all reliable 156 million hot dogs at \$1.50 sold globally last year. Our gasoline, up 22% in gallons. Our tires, 10 million tires sold globally last year. Our tire business continues to grow and we continue to gain market share.

Sustainability, which is very important to us. Our sustainability commitment, if you'll go online, you'll be able to find this we updated in '22, and you'll also see our climate action plan on there. We basically have four pillars. Our commitment, people and communities, our operations, our merchandising and our climate action plan. And again, this can all be found on our Costco website. We currently for our employees 304,000 employees, we pay premium benefits. We feel that we have industry-leading compensation. Our average US hourly wage, \$26; \$31 hour wage for 10-year service or over benefits for full-time and part-time employees. And we feel

we have a stable workforce, 32% of our employees have more than 10 years of service and we have a low turnover after a year of less than 10%.

Our community is, we feel we have a responsibility to get back in the communities where we do business. 1% of our pretax profits donated over \$65 million in 2022 United Way Red Cross Children's Hospitals, we invested \$25 million in a black Economic Development Fund, feeding America \$5.5 million in cash grants and over 90 million pounds of food and other products donated. And World Vision, over \$275 million in merchandise donated. Our commitment to operations remain efficient to stay a low-cost operator. Expand our star program globally to help us remain in compliance with regulations, reduce water usage, reduce energy usage, reduce waste, and most important continue and reduced emissions. Our commitment to merchandise, we ask our suppliers six major questions. Can you map your supply chain? How are the people treated? How are the animals treated? How is the environment treated, with we want to focus on water, forestry, and fisheries? Is the best possible packaging being used? What are your missions and plans to reduce them? These are all questions that we continue to ask our suppliers on everything that we may buy from them.

Our climate action plan, we met all of our milestones while supporting seven US sustainable development goals. We reduce our Scope 1 and Scope 2 absolute emissions from operations and increase our reduction commitment from 20% to 39% in 2030, which is our goal. Determined global Scope 3 emissions 97 % are on our supply chain and will be determined reduction commitment by December of 2023 and develop a robust action plan to reduce our Scope 1, 2 and 3 emissions.

Our financial position; cash, \$11.06 billion; property and equipment, \$25 billion; long-term debt, not a lot of debt, \$6.5 billion; our shareholder's equity \$21,476 million. Our dividends, we've been paying a dividend since 2004. We started at \$0.40 per share. We're currently at \$3.60 per share. That's a growth rate of 13% per year and we pay \$1.6 billion annually. We've also had four special dividends in the last 10 years. Our stock repurchase program, we started in fiscal 2005, we've spent over \$10 billion in buying back stock of 133 million shares. We've retired with an average price of almost \$76. Last year, we repurchased \$442 million at an average price of \$511.44.

What we do is continue to open up Costcos. In 2019, as you just know we opened up 20. Because of COVID, in 2020, we dropped down to 13. We rebounded in 2021 with 20 buildings. And last year '23 fiscal 2023 and forward we'll open up 24 plus buildings a year. Our company annual growth net sales since December of \$85 has grown at 12.4%, our income of over 13%, our stock price has appreciated annually an average of 17% compared to the S&P at 8.7%. Well, now, we'll open it up for questions. Thank you.

## Questions And Answers

### A - Hamilton E James "Tony"



Now at this moment, we feel very good about where our inventories stand. We're roughly up 10% from last year, which takes into consideration the inflation. If you look at last year at this time, we did have what we call deep freeze with some Christmas goods. But we're very clean and we're in a good position going into spring and summer.

**A - Unidentified Speaker**

Craig, in this time of inflation 6.5% nationwide in 2022. And how many people are struggling to make ends meet? Is now a good time to raise membership prices?

**A - W Craig Jelinek {BIO 1505432 <GO>}**

When you talk about and I assume that you're asking in terms of our membership to be a member. At this time, we always talk about this not only from a company standpoint but also in our board meetings. And in the past, we have taken up the membership fee. In our opinion right now is not the time to do it. That's not to say that at some point we won't. But at the moment we have no plans to take up the fee.

**A - Hamilton E James "Tony"**

Craig, in lieu of an annual vote on executive compensation, would the board or the compensation committee of the board find a triennial shareholder vote that afforded shareholders a vote on the overall plan as well as separate votes on annual incentive pay, long-term incentive pay and post-employment pay to be a more useful and informative alternative?

**A - W Craig Jelinek {BIO 1505432 <GO>}**

Well to answer about the annual vote, we just voted annually, the shareholders voted to do it annually. So I don't know that I can speak to that. To some of the other issues that you brought up. We can certainly look at those and evaluate those. I don't know that I'm capable right at the moment to give you a response. So but we'll certainly take those under advisement and look at them.

**A - Unidentified Speaker**

Craig, has any thought or research been given to allow customers to be able to scan items into a cart on the app as they shop instead of doing it all at the register?

**A - W Craig Jelinek {BIO 1505432 <GO>}**

We've always looked at ways that we can enhance our digital checkout and our checkout process all the time. So we're continuing to evaluate things. We don't know if that's the best way to do things at the moment, but we will continue to look at all possible checkout future processes that are available digitally.

**A - Hamilton E James "Tony"**

Is Costco ever going to get its milk jugs designed so they don't dribble down the side of the jug when you pour? I have been complaining about this for over 10 years and it is a daily irritant. All other products are so consumer-driven.

**A - W Craig Jelinek {BIO 1505432 <GO>}**

Well, we appreciate the compliment on our other products. The milk jug was something that we probably been working on 15 years. We improved it probably 10 years ago. The last four years, we've thought we improved it and fixed this problem with our last engineering that we did on the bottle. Now as you know we have different producers out there. So if you could send me an e-mail where you purchase your milk and we could certainly look at some of these bottlers to see what the problem may be, if it's in the container if it's how it's being bottled. I haven't heard many complaints recently, so if you'll send me an e-mail, we'll certainly look at the bottler that's near your area.

**A - Unidentified Speaker**

Craig, is it true there are plans to double the number of warehouses in the next 10 years? If so, how big is too big for this corporation?

**A - W Craig Jelinek {BIO 1505432 <GO>}**

Well, we currently have 877 -- 847 buildings and to say that we're going to double the amount of Costcos in the next 10 years may be difficult to do. There's certainly other countries that we continue to look at to say that we could certainly double our amount of sales over the next 10 years if something that's probably not -- that's probably very possible to do.

**A - Hamilton E James "Tony"**

Craig, some of your suppliers like JBS and Smithfield, still keep pregnant sales in crates where they can't even turn around for five to six weeks before they decide if they're pregnant or when they're pregnant. Are you going to ask JBS and Smithfield to stop these confinement practices? I'm very concerned about this for fresh pork, Kirkland Signature cooler items, and bacon products.

**A - W Craig Jelinek {BIO 1505432 <GO>}**

We're very concerned about all animal welfare. And if you go on our website and look at our sustainability commitment, you'll see that we're doing everything possible to create a human environment for all animals. We continue -- we'll continue to work with our pork suppliers and try to reduce confinement as much as possible. So we're committed to trying to do that.

**A - Unidentified Speaker**

Craig, will Costco continue to invest in -- to increasing plant-based food options?

**A - W Craig Jelinek {BIO 1505432 <GO>}**

Well, we're always looking at whatever our member want. Members will tell us what they want and we will continue to try to fill those needs. We are increasing the plant-based options that we have and we will continue to look at doing that as long as we have a member who wants to purchase those goods.

### **A - Hamilton E James "Tony"**

Craig, is the company experiencing any supply issues in the food category and if so, which specific areas?

### **A - W Craig Jelinek {BIO 1505432 <GO>}**

Well, when you say supply issues, there's times that we have issues out there with chickens, based on you know about the influence out there that's out in the fields. We've also had issues with eggs. Different suppliers have different issues with raw materials. So yes, there's some suppliers with some issues, but that's happened from time to time over the years and I don't see that's a real problem long term.

### **A - Unidentified Speaker**

Craig, the Albuquerque store on Renaissance has a propane filling station. Is this something that will be opened in other locations?

### **A - W Craig Jelinek {BIO 1505432 <GO>}**

We've tested -- let me start someplace else here. We (technical difficulty) have propane stations in Canada where we really started them. We tried them in about 20 US locations. I don't see if it's moving out in any more US locations, but we'll continue to put them in Canada.

### **A - Hamilton E James "Tony"**

Hey, much loved bread that commands an \$8.99 per loaf price tag, cranberry walnut bread is seasonal, why? Perhaps Costco should consider creating and listening to user groups to advise on questions like seasonality when they are raised.

### **A - W Craig Jelinek {BIO 1505432 <GO>}**

Now I'm thinking, are you talking about the bakery, I assume? We've always been a company that kind of tries to rotate out products. We have a few basics but continue to rotate in and out of products and change so we don't keep the same stuff and change people's buying habits. So we'll certainly look at this. I can't give you an answer right now on what we're planning on doing with that bread, but we would certainly look at it.

### **A - Unidentified Speaker**

Well, warehouses become leads certified, it comes with tax incentives.

### **A - W Craig Jelinek {BIO 1505432 <GO>}**

Well, let's just the tax centers aside, we will continue to build our buildings to lead standards. So if in fact there's some type of tax that advantage to us, we would certainly look at that. But our ideal situation is do what's right and build to that standard.

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**A - Hamilton E James "Tony"**

Craig, how do you train your current manager so that they draw correct lessons from history, retain a clear understanding of the importance of culture instilled by Jim Sinegal and Sol Price?

**A - W Craig Jelinek {BIO 1505432 <GO>}**

Well, you obviously, we try to make sure as you get bigger it can become more complicated, but you continue to run the business accordingly. And I think over the last 40-plus years, we have tried to maintain that culture. So you just continue by living and trying to do the right thing for all situations.

**A - Unidentified Speaker**

>Craig, how has inflation with suppliers affected pricing?

**A - W Craig Jelinek {BIO 1505432 <GO>}**

When you say how inflation is affected pricing, it's increased pricing. I think if you read what's happened to inflation over the last year, prices started to increase. Now if you look at what gasoline prices are now compared to where they are a year ago, you'll start to see some prices start to drop. And our goal at Costco is to continue to figure out how we lower prices and that's working with our suppliers to in fact, lower the cost of goods.

**A - Hamilton E James "Tony"**

Does Costco have any specific plans to beat out BJ's or potentially affiliate with or purchase BJ's?

**A - W Craig Jelinek {BIO 1505432 <GO>}**

No, we have no plans at this moment to do anything such thing. But we will compete with them.

**A - Unidentified Speaker**

Does Costco intend on increasing revenue from online sales? If so, how would it go about this?

**A - W Craig Jelinek {BIO 1505432 <GO>}**

Well, normally when we do increase sales we would hope to see an improvement in profits. Now I think what you see that's happening specifically in our realm of business you see more start to come back to the brick and mortar. But we will continue to look to increase our digital footprint in our digital sales in all countries where we do business. Well, thank you everyone for your attendance. This concludes our meeting. For relevant questions that could not be answered due to the time constraints, we'll provide prompt responses on the Investor Relations section of our website with similar questions grouped together and responded to you collectively. Thanks again for your attendance.

## Operator

The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.

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