



DATE: October 12, 2006
TO: INTERESTED PARTIES
FROM: Richard Galanti, EVP/CFO
RE: Additional Fourth Quarter FY 2006 Information

The attached information is provided to address questions about Costco Wholesale Corporation's Fourth quarter FY 2006 results (dollars in thousands):

1. What was the impact of LIFO in FY 2006? FY 2005? FY 2004?

	<u>LIFO (Income)/Expense (Pre-tax)</u> <u>(000's/% to Sales)</u>		
	Fiscal 2006	Fiscal 2005	Fiscal 2004
1st Quarter	\$0/0%	\$0/0%	\$0/0%
2nd Quarter	\$0/0%	\$2,500/.02%	\$0/0%
3rd Quarter	\$0/0%	\$3,500/.03%	\$5,500/.05%
4th Quarter	\$0/0%	\$7,410/.05%	\$590/.00%
YTD	\$0/0%	\$13,410/.03%	\$6,090/.01%

2. FY 2006 and FY 2005 Quarterly Consolidated Statements of Income – see attached

3. Calculation of Diluted Earnings Per Share – see attached.

4. FYE 2006 Condensed Balance Sheet- see attached.

5. What was the effect of the Canadian and UK exchange rates for FY 2006? FY 2005? For FY 2004?

Exchange Rates	CANADA (CN vs. US)			UK (UK vs. US)		
	FY 2006	FY 2005	FY2004	FY 2006	FY 2005	FY 2004
1st Quarter	.8467	.7980	.7485	1.7761	1.8122	1.6540
2nd Quarter	.8621	.8191	.7641	1.7521	1.8988	1.7918
3rd Quarter	.8713	.8136	.7481	1.7599	1.8999	1.8251
4th Quarter	.8954	.8124	.7460	1.8657	1.7997	1.8216
YTD/Total	.8704	.8106	.7510	1.7924	1.8471	1.7735

6. What was the impact of income tax rates in FY 2006? FY 2005? FY 2004?

	Fiscal 2006	Fiscal 2005	Fiscal 2004
1st Quarter	37.86%	37.00%	37.00%
2nd Quarter	36.11%	37.55%*	37.00%
3rd Quarter	38.93%	37.90%	37.00%
4th Quarter	35.89%	35.80%*	37.00%
YTD/Total Year	37.01%	36.21%*	37.00%

* Before unusual items

7. Breakdown of Total and Comparable Warehouse Sales Increases:

	<u>FY 2006</u>		<u>FY 2005</u>		<u>FY 2004</u>	
	<u>Total Sales</u>	<u>Comp. Sales</u>	<u>Total Sales</u>	<u>Comp. Sales</u>	<u>Total Sales</u>	<u>Comp. Sales</u>
1st Quarter	12%	9%	10%	7%	14%	11%
2nd Quarter	11%	7%	10%	7%	14%	11%
3rd Quarter	11%	7%	10%	7%	14%	11%
4th Quarter	12%/19%*	8%	10%	7%	11%	8%
YTD/Total Year	12%/14%*	8%	10%	7%	13%	10%

*Reflects 53-week fiscal year

8. Warehouse Openings for FY 2006

At fiscal 2006 year end, the Company operated 487 warehouses, including 358 in the United States and Puerto Rico, 68 in Canada, 18 in the United Kingdom, five in Korea, four in Taiwan, five in Japan and 29 in Mexico. Planned warehouse openings in FY 2007 through 12/31/06 are listed below:

<u>Date</u>	<u>Location</u>	<u>Fourth Qtr '06</u>	<u>Location</u>
<u>First Qtr '06</u>		6/01/06	S. Austin, TX
09/17/05	San Luis Obispo, CA	6/02/06	Juarez, MX
10/14/05	Pembroke Pines, FL	6/29/06	Sheffield, UK
10/21/05	Kalispell, MT (relocation)	7/18/06	Lacey, WA
10/26/05	LaHabra, CA	7/27/06	E. Bayamon, PR
10/27/05	Centennial, NV	7/28/06	Wilmington, NC
11/07/05	Milton Keynes, UK	8/09/06	Duncanville, TX
11/10/05	Veracruz, MX	8/17/06	Sequim, WA (relocation)
11/11/05	Cave Creek (Phoenix), AZ	8/23/06	Nampa, ID
11/16/05	Kanata, ON	8/24/06	Lehi, UT
11/17/05	Hillsboro, OR	8/25/06	Sparks, NV
<u>Second Qtr '06</u>	<u>Location</u>	<u>First Qtr '07</u>	<u>Location</u>
11/22/05	W. Bountiful, UT	09/21/06	Marysville, WA
12/01/05	Chandler, AZ	10/17/06	Kauai, HI
<u>Third Qtr '06</u>	<u>Location</u>	10/20/06	Gypsum Eagle County, CO
3/28/06	Gatineau, QB (relocation)	10/25/06	Raleigh, NC
3/29/06	Sherwood Park, AB	10/26/06	Louisville, KY
3/30/06	NW Calgary, AB	10/27/06	Maple Grove, MN
4/26/06	SW Bakersfield, CA	11/10/06	Vancouver, BC
5/03/06	Mall of Georgia, GA	11/14/06	W. Nashville, TN
5/04/06	SE Gilbert, AZ	11/15/06	Cumberland Mall (Atlanta), GA
5/05/06	Lake Elsinore, CA	11/16/06	Toluca, MX
		11/17/06	Fontana, CA
		11/21/06	Boisbriand, QC
		11/22/06	La Quinta, CA
		<u>Second Qtr '07</u>	<u>Location</u>
		11/28/06	Helena, MT
		11/29/06	Columbus, OH
		11/30/06	Orland Park, IL
		12/02/06	Chester, UK

Quarterly Financial Data (unaudited) – Fiscal 2006

	53 Weeks Ended September 3, 2006				
	First Quarter 12 Weeks	Second Quarter 12 Weeks	Third Quarter 12 Weeks	Fourth Quarter 17 Weeks	Total 53 Weeks
REVENUE					
Net sales	\$ 12,670,792	\$ 13,789,246	\$ 13,007,415	\$ 19,495,727	\$ 58,963,180
Membership fees	262,554	269,766	276,233	379,494	1,188,047
Total revenue	12,933,346	14,059,012	13,283,648	19,875,221	60,151,227
OPERATING EXPENSES					
Merchandise costs	11,330,171	12,303,850	11,635,052	17,476,424	52,745,497
Selling, general and administrative	1,264,092	1,317,804	1,282,276	1,867,969	5,732,141
Preopening expenses	12,377	4,614	10,431	15,082	42,504
Provision for impaired assets and closing costs, net	1,211	1,428	1,182	1,632	5,453
Operating income	325,495	431,316	354,707	514,114	1,625,632
OTHER INCOME (EXPENSE)					
Interest expense	(3,724)	(2,923)	(2,679)	(3,244)	(12,570)
Interest income and other	25,540	35,225	33,751	43,839	138,355
INCOME BEFORE INCOME TAXES					
Provision for income taxes	347,311	463,618	385,779	554,709	1,751,417
	131,493	167,415	150,184	199,110	648,202
NET INCOME	\$ 215,818	\$ 296,203	\$ 235,595	\$ 355,599	\$ 1,103,215
NET INCOME PER COMMON SHARE:					
Basic	\$ 0.46	\$ 0.63	\$ 0.50	\$ 0.76	\$ 2.35
Diluted	\$ 0.45	\$ 0.62	\$ 0.49	\$ 0.75	\$ 2.30
Shares used in calculation (000's)					
Basic	472,717	471,889	470,516	465,542	469,718
Diluted	486,367	482,127	480,533	474,449	480,341
Dividends per share	\$ 0.115	\$ 0.115	\$ 0.13	\$ 0.13	\$ 0.49

Certain reclassifications have been made to conform to the presentation adopted in the fourth quarter of Fiscal 2006.

Quarterly Financial Data (unaudited) – Fiscal 2005

	52 Weeks Ended August 28, 2005				
	First Quarter 12 Weeks	Second Quarter 12 Weeks	Third Quarter 12 Weeks	Fourth Quarter 16 Weeks	Total 52 Weeks
REVENUE					
Net sales	\$ 11,342,611	\$ 12,415,442	\$ 11,750,892	\$ 16,370,125	\$ 51,879,070
Membership fees	238,059	245,499	249,787	339,811	1,073,156
Total revenue	11,580,670	12,660,941	12,000,679	16,709,936	52,952,226
OPERATING EXPENSES					
Merchandise costs	10,132,487	11,056,064	10,503,661	14,654,749	46,346,961
Selling, general and administrative	1,134,353	1,187,986	1,168,404	1,570,596	5,061,339
Preopening expenses	10,385	22,996 (a)	9,475	10,374	53,230
Provision for impaired assets and closing costs, net	2,800	4,000	3,000	6,593	16,393
Operating income	300,645	389,895	316,139	467,624	1,474,303
OTHER INCOME (EXPENSE)					
Interest expense	(9,642)	(8,980)	(8,476)	(7,339)	(34,437)
Interest income and other	15,590	24,779	30,159	38,568	109,096
INCOME BEFORE INCOME TAXES	306,593	405,694	337,822	498,853	1,548,962
Provision for income taxes	113,440	100,242 (b)	128,034	144,154 (c)	485,870
NET INCOME	\$ 193,153	\$ 305,452	\$ 209,788	\$ 354,699	\$ 1,063,092
NET INCOME PER COMMON SHARE:					
Basic	\$ 0.41	\$ 0.64	\$ 0.44	\$ 0.74	\$ 2.24
Diluted	\$ 0.40	\$ 0.62	\$ 0.43	\$ 0.73	\$ 2.18
Shares used in calculation (000's)					
Basic	465,869	474,221	478,248	476,636	473,945
Diluted	489,284	493,700	493,282	491,392	492,035
Dividends per share	\$ 0.100	\$ 0.100	\$ 0.115	\$ 0.115	\$ 0.430

(a) Includes a cumulative pre-tax, non-cash charge of \$15,999 (approximately \$.02 per diluted share) related to a correction of the Company's method of accounting for ground leases (entered into over the past twenty years) that did not require rental payments during the period of construction.

(b) Includes a \$52,064 (approximately \$.11 per diluted share) income tax benefit resulting primarily from the settlement of a transfer pricing dispute between the United States and Canada (covering the years 1996-2003). An additional benefit of \$2,091 was booked in the fourth quarter bringing the cumulative benefit to \$54,155.

(c) Includes a \$20,592 (approximately \$.04 per diluted share) net tax benefit with respect to unremitted earnings and a tax benefit of \$13,895 associated with lower state tax rates.

Certain reclassifications have been made to conform to the presentation adopted in the fourth quarter of Fiscal 2006.

COSTCO WHOLESALE CORPORATION
ADDITIONAL Q4 FY 2006 QUARTER INFORMATION
CALCULATION OF DILUTED EARNINGS PER SHARE

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>YTD</u>
DILUTED EPS	(12 weeks)	(12 weeks)	(12 weeks)	(17 weeks)	(53 weeks)
Net Income	\$215,818	\$296,203	\$235,595	\$355,599	\$1,103,215
Add back interest on subordinated Interest on subordinated convertible debentures less related taxes (3-1/2% Zero Coupons)	<u>1,251</u>	<u>592</u>	<u>513</u>	<u>684</u>	<u>3,040</u>
Net income, adjusted	<u>\$217,069</u>	<u>\$296,795</u>	<u>\$236,108</u>	<u>\$356,283</u>	<u>\$1,106,255</u>
SHARES					
Weighted average shares outstanding	477,740	478,103	477,014	471,304	475,662
Dilution from conversion of subordinated convertible debentures: 3-1/2% Zero Coupons	<u>8,627</u>	<u>4,024</u>	<u>3,519</u>	<u>3,145</u>	<u>4,679</u>
Total Shares	<u>486,367</u>	<u>482,127</u>	<u>480,533</u>	<u>474,449</u>	<u>480,341</u>
EPS - Diluted	<u>\$0.4463</u>	<u>\$0.6156</u>	<u>\$0.4913</u>	<u>\$0.7509</u>	<u>\$2.3031</u>
Earnings Per Share - Rounded	<u>\$0.45</u>	<u>\$0.62</u>	<u>\$0.49</u>	<u>\$0.75</u>	<u>\$2.30</u>

CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except par value)
(unaudited)

	September 3, 2006	August 28, 2005
ASSETS		
Cash and cash equivalents	\$ 1,510,939	\$ 2,062,585
Short-term investments	1,322,181	1,397,272
Merchandise inventories	4,568,723	4,014,699
Other current assets	801,349	763,445
Total current assets	8,203,192	8,238,001
Net property and equipment	8,564,295	7,790,192
Other assets	698,693	637,012
	<u>\$ 17,466,180</u>	<u>\$ 16,665,205</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 4,581,395	\$ 4,224,676
Short-term borrowing and current portion long-term debt	349,908	57,581
Other current liabilities	2,864,765	2,478,280
Total current liabilities	7,796,068	6,760,537
Long-term debt, excluding current portion	215,369	710,675
Deferred income taxes and other liabilities	247,946	254,270
Total liabilities	8,259,383	7,725,482
Minority Interest	63,358	58,614
Total stockholders' equity	9,143,439	8,881,109
	<u>\$ 17,466,180</u>	<u>\$ 16,665,205</u>