

COSTCO WHOLESALE CORP /NEW

Form 11-K

June 10, 2016

Table of Contents

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

ý ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
o TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

Commission File Number 0-20355

Costco 401(k) Retirement Plan
(full title of plan)

Costco Wholesale Corporation

999 Lake Drive
Issaquah, Washington 98027
(Name of issuer and address of principal executive offices of issuer)

Table of Contents

COSTCO 401(k) RETIREMENT PLAN

Table of Contents

| | Page |
|--|-----------|
| <u>Report of Independent Registered Public Accounting Firm</u> | <u>1</u> |
| Financial Statements: | |
| <u>Statements of Net Assets Available for Benefits as of December 31, 2015 and 2014</u> | <u>2</u> |
| <u>Statements of Changes in Net Assets Available for Benefits for the Years Ended December 31, 2015 and 2014</u> | <u>3</u> |
| <u>Notes to Financial Statements</u> | <u>4</u> |
| Supplemental Information | |
| <u>Schedule H, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2015</u> | <u>12</u> |
| <u>Signature</u> | <u>28</u> |
| Exhibit: | |
| 23(a) - Consent of Independent Registered Public Accounting Firm | |

Table of Contents

Report of Independent Registered Public Accounting Firm

The Benefits Committee

Costco 401(k) Retirement Plan:

We have audited the accompanying statements of net assets available for benefits of the Costco 401(k) Retirement Plan (the Plan) as of December 31, 2015 and 2014, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2015 and 2014, and the changes in net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

The supplemental information in the accompanying schedule of assets (held at end of year) as of December 31, 2015, has been subjected to audit procedures performed in conjunction with the audit of the Plan's 2015 financial statements. The supplemental information is presented for the purpose of additional analysis and is not a required part of the financial statements but include supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental information is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information in the accompanying schedule is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ KPMG LLP

Seattle, Washington

June 10, 2016

Table of Contents

COSTCO 401(k) RETIREMENT PLAN

Statements of Net Assets Available for Benefits

December 31, 2015 and 2014

(in thousands)

| | 2015 | 2014 |
|---|--------------|--------------|
| Assets: | | |
| Investments at fair value: | | |
| Costco Wholesale Corporation common stock | \$4,720,350 | \$3,481,433 |
| Common commingled trust funds | 2,313,903 | 2,234,859 |
| Separately managed accounts | 1,622,876 | 409,903 |
| Registered investment company funds | 866,839 | 2,224,625 |
| Investments at contract value: | | |
| Fully benefit-responsive investment contracts | 1,083,350 | 1,143,368 |
| Total investments | 10,607,318 | 9,494,188 |
| Receivables: | | |
| Notes receivable from participants | 432,585 | 419,432 |
| Employer contributions (net of forfeitures) | 278,537 | 261,055 |
| Total receivables | 711,122 | 680,487 |
| Non-interest bearing cash | 5,825 | 1,455 |
| Net assets available for benefits | \$11,324,265 | \$10,176,130 |

See accompanying notes to financial statements.

2

Table of Contents

COSTCO 401(k) RETIREMENT PLAN

Statements of Changes in Net Assets Available for Benefits

Years Ended December 31, 2015 and 2014

(in thousands)

| | 2015 | 2014 |
|--|--------------|--------------|
| Net investment income: | | |
| Net appreciation of investments | \$555,628 | \$754,085 |
| Interest | 23,295 | 23,035 |
| Dividends | 217,359 | 174,310 |
| Total net investment income | 796,282 | 951,430 |
| Interest from notes receivable from participants | 19,979 | 19,914 |
| Contributions to the Plan: | | |
| Employee | 452,191 | 404,604 |
| Employer | 330,883 | 312,334 |
| Total contributions | 783,074 | 716,938 |
| Distributions to participants | (451,200) | (309,856) |
| Net increase in net assets available for benefits | 1,148,135 | 1,378,426 |
| Net assets available for benefits, beginning of year | 10,176,130 | 8,797,704 |
| Net assets available for benefits, end of year | \$11,324,265 | \$10,176,130 |

See accompanying notes to financial statements.

3

Table of Contents

COSTCO 401(k) RETIREMENT PLAN

Notes to Financial Statements

December 31, 2015 and 2014

(1) Plan Description

The following description of the Costco 401(k) Retirement Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions. Participants in the Plan are employees of Costco Wholesale Corporation (the Company or Costco).

The Plan is a defined contribution plan for the benefit of eligible employees, established by the Company under Section 401(a) of the Internal Revenue Code (IRC). It includes a qualified cash or deferred arrangement as described in Section 401(k) of the IRC. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

Starting January 1, 2016, participants' investment in Costco common stock are limited to no more than 50% of their 401(k) Plan Account, including loan repayments. Participants will not be forced to sell stock and may still reinvest stock dividends in Costco common stock. Participants will not be able to purchase more stock if, after the change, total stock investment exceeds 50%. Additionally, participants' loans will no longer be in default and required to be paid within 30 days of termination. Participants will be allowed to continue making regular loan payments after termination. These amendments were approved in November 2015.

(a) Employee Contributions

The Plan allows employees at least 18 years of age who have completed 90 days of service within a 12-consecutive-month period to make salary deferral contributions, commencing the first day of the month following the completion of 90 days of employment. Participants may contribute from 1% to 50% of their compensation before income taxes, subject to certain limitations set by the Internal Revenue Service (IRS). Participants may also contribute amounts representing distributions from other qualified benefit or contribution plans (known as rollover contributions).

All newly-eligible employees are automatically enrolled in the Plan at a contribution rate of 3% unless the employee elects otherwise. The percentage deferred into the Plan automatically increases by one percentage point on an active participant's employment anniversary date, and each anniversary date thereafter, to a maximum automatic deferral of 20%. Employees may choose to opt out of this automatic deferral increase.

(b) Employer Contributions

All Company contributions are made in cash and invested in accordance with investment selections made by participants. If no selection has been made, the contribution defaults to the age-based target retirement fund. Employer contributions are allocated based on an employee's classification as either: 1) a California Union Employee; or 2) an Other-than-California Union Employee.

(1) California Union Employees

The Company matches 50% of each employee's contribution up to a maximum employer matching contribution of \$250 per year. In addition, employees at least 18 years of age who have completed 12 consecutive months of service and worked at least 1,000 hours, calculated every pay period, are eligible for an annual employer contribution. Plan entry dates for this purpose occur on January 1 and July 1. If the minimum hours requirement is not met in the first 12 months, hours roll forward until the requirement is fulfilled. The Company makes contributions into the accounts of all eligible plan participants employed on the last day of the plan year, based on straight-time hours worked during the plan year, up to a maximum of 2,080 hours per calendar year and years of service. These contributions in 2015 and 2014 ranged from \$0.05 to \$0.47 per hour, totaling \$4.3 million and \$4.2 million, respectively.

Table of Contents

COSTCO 401(k) RETIREMENT PLAN
 Notes to Financial Statements (Continued)
 December 31, 2015 and 2014

(2) Other-than-California Union Employees

The Company matches 50% of each employee's contribution up to a maximum employer matching contribution of \$500 per year. In addition, employees at least 18 years of age who have completed 12 consecutive months of service and worked at least 1,000 hours, calculated every pay period, are eligible for an annual discretionary employer contribution. Plan entry dates for this purpose occur on January 1 and July 1. If the minimum hours requirement is not met in the first 12 months, hours roll forward until the requirement is fulfilled. The Company makes contributions into the accounts of all eligible plan participants employed on the last day of the plan year. These contributions ranged from 3% to 9% of each participant's compensation based on years of service, as defined by the Plan, totaling \$274.2 million and \$256.8 million for the years ended December 31, 2015 and 2014, respectively.

(c) Participants' Accounts

Each participant's account is credited or debited with the participant's contributions, the Company's contributions, plan earnings, and appreciation or depreciation in underlying securities. Participant accounts are also charged with an allocation of certain expenses based on the account balances. An example of an expense is the investment fees, which vary by investment elections. The benefit to which a participant is entitled is that available from the participant's vested account.

(d) Vesting

Participants are immediately vested in their contributions, actual earnings thereon, and in other contributions as defined in the Plan document. Vesting in the employer-match, employer contributions, and discretionary contributions, including actual earnings thereon, is based on years of service, according to the following schedule:

| Years of service | Percentage vested |
|------------------|-------------------|
| Under 2 years | 0% |
| 2 years | 20% |
| 3 years | 40% |
| 4 years | 60% |
| 5 years | 100% |

(e) Forfeitures

Forfeited balances of terminated participants' non-vested accounts are used to reduce future employer contributions or to pay administrative expenses. During 2015 and 2014, forfeitures totaling \$3.8 million and \$3.5 million, respectively, were used to reduce employer contributions. There were no unallocated forfeitures as of December 31, 2015 and 2014, after application to reduce the employer discretionary contributions. Forfeitures, without the benefit of investment gains or losses, can be restored to a participant's account if, within five years, the participant is re-hired by the Company and repays the full amount distributed upon termination.

(f) Investment Options

Upon enrollment in the Plan, a participant may direct the account balance into any of the investment options then available. Participants may change their options and transfer amounts between funds daily. T. Rowe Price (TRP) is the trustee for all investments and the keeper of records of all participant accounts. Amounts may be temporarily invested in a cash account prior to investment in the Plan's investment accounts.

Table of Contents

COSTCO 401(k) RETIREMENT PLAN
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

The Capital Preservation Portfolio (CPP) is a fully benefit-responsive investment contract for the exclusive benefit of the Plan. The CPP invests in Guaranteed Investment Contracts (GICs), Synthetic Guaranteed Investment Contracts (SICs), Separate Account Contracts (SACs) and mutual funds.

(g) Distributions

Upon termination of employment, total disability or death, the vested interest in a participant's account is payable in a lump sum, or as a partial or installment distribution for eligible participants. Participants may apply for a distribution of all or a portion of the vested interest at any time after attaining age 59-1/2. Participants are also eligible to make withdrawals from their salary deferral contributions in the event of certain financial hardships. Following a hardship withdrawal, participants are not allowed to contribute to the Plan for a period of six months.

Dividends on the Company's stock are reinvested in the participant's Company stock account unless a distribution is requested by the participant in advance of the ex-dividend date. Dividends on the Company's stock are reported on a gross basis, with the dividends paid reported as "Dividends" and the amounts distributed reported as "Distributions to participants" in the statements of changes in net assets available for benefits. On January 29, 2015, the Company declared a special cash dividend on Costco common stock of \$5 per share, which was paid on February 27, 2015. Of the \$145.4 million special dividend paid to Plan participants, approximately \$91.7 million was distributed to the participants and the remaining \$53.7 million was reinvested into the participants' accounts.

(h) Notes Receivable from Participants

A participant may borrow up to the lesser of \$50,000 or 45% of the vested account balance, calculated using the participant's pre-tax contribution, rollover, Company matching and Company discretionary contribution amounts. Only the participant's pre-tax contribution, rollover, and Company matching amounts may be borrowed against, with a minimum note of \$1,000. Notes are payable through payroll deductions over a period ranging up to 180 months. The interest rate is determined by the Plan Administrator, based on the Bank of America prime rate on the last day of the calendar year prior to when the note was made, plus 1% for a primary residence loan and 2% for a standard loan. The rates at December 31, 2015 and 2014 ranged from 4.25% to 11.50%, respectively. The notes have various maturity dates up to December 2030.

Starting January 1, 2015, participant loans requested and issued cannot be withdrawn from Company matching contributions. Loans also have an annual maintenance fee charge. This amendment was approved in December 2014.

(i) Plan Administrator

The Plan is administered by the Benefits Committee of the Company.

(j) Administrative and Investment Expenses

All investment management and transaction fees are netted against the "Net appreciation of investments." Certain administrative expenses of maintaining the Plan are paid by the Company, except for loan origination fees (paid by the participant requesting the loan) associated with notes receivable from participants.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting. As required under U.S. generally accepted accounting principles (U.S. GAAP), fully benefit-responsive investment

Table of Contents

COSTCO 401(k) RETIREMENT PLAN

Notes to Financial Statements (Continued)

December 31, 2015 and 2014

contracts are reported at contract value (see Note 3), while all other investments in the Plan are reported at fair value (see Note 4). A benefit-responsive investment contract is a contract with a financial institution or an insurance company that provides for a stated return on principal invested over a specified period and that permits withdrawals at contract value for benefit payments, loans, or transfers to other investment options offered to the participant by the Plan. Contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan.

(b) 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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates and assumptions.

(c) Reclassifications

Certain reclassifications have been made to prior year amounts or balances to conform to the presentation in the current year. These reclassifications did not have a material impact on the Company's previously reported financial statements.

(d) Investment Valuation and Income Recognition

The Plan invests in the Company's common stock, common commingled trust funds and other exchange-traded equity securities, as well as registered investment companies and certain fully benefit-responsive investment contracts that, in turn, invest in a combination of stocks, bonds and other investment securities. Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities will occur and that those changes could materially affect the amounts reported in the statements of net assets available for benefits.

Registered investment company funds, Company common stock, and other equity securities (held in the separately managed accounts) are stated at fair value based upon quoted market prices.

The CPP is invested in GICs, SICs, and SACs, which are fully benefit-responsive and recorded at contract value. Participant withdrawals are required to be at contract value.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The crediting interest rate is based on a formula agreed upon with the issuer, but may not be less than zero. Such interest rates are reviewed on a quarterly basis for resetting. Certain events may limit the ability of the Plan to transact at contract value with the issuer. Events may include, but are not limited to, Plan termination, bankruptcy of the Company, or defunction of the trustee. A result may be that the fully benefit-responsive contracts are terminated and settled at a valued amount different from the contract value. The Plan Administrator believes at this time any events that would limit the Plan's ability to transact at contract value with participants are not probable.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation or depreciation of investments includes the change in the fair value or contract value of assets from one period to the next, plus realized gains and losses.

Table of Contents

COSTCO 401(k) RETIREMENT PLAN
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

(e) Notes Receivable from Participants

Participant loans are classified as notes receivable from participants, which are segregated from Plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest.

(f) Distribution of Benefits

Distributions of benefits are recorded when paid.

(g) Recently Adopted Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board (FASB) issued guidance eliminating the requirement to categorize investments in the fair value hierarchy if their fair value is measured at net asset value (NAV) per share. The guidance is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The Plan elected to early adopt this guidance on a retrospective basis for the year ended December 31, 2015. The Plan presents the investment disclosure required by this guidance in the fair value hierarchy disclosures for 2015 and 2014 in Note 4, "Fair Value Measurements." There were no other impacts on the statements of net assets available for benefits and the statement of changes in net assets available for benefits as of December 31, 2015 and December 31, 2014.

In July 2015, the FASB issued guidance to simplify employee benefit plan accounting. Part I of this guidance eliminates the requirements to measure the fair value of fully benefit-responsive contracts. Part II eliminates the requirements to disclose individual investments that represent five percent or more of net assets available for benefits, net appreciation or depreciation for investments by general type, and disaggregated investments by nature, risks, and characteristics. Part III is not applicable to the plan. The guidance is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The Plan elected to early adopt this guidance on a retrospective basis for the year ended December 31, 2015. Adoption of this guidance and prior fiscal year reclassifications did not have a material impact on reported financial statements or disclosures.

(3) Fully Benefit-Responsive Investment Contracts

The following is a description of the fully benefit-responsive investment contracts invested in by the CPP.

GIC: A form of traditional investment contract that provides for a fixed return on principal invested for a specified period of time. GICs do not permit an insurance company to terminate an agreement prior to the scheduled maturity date.

SIC: Consist of a portfolio of underlying assets owned by the Plan and wrap contracts issued by an insurance company and a financial institution. The issuers of the wrap contracts provide for unscheduled withdrawals from the contracts at contract value, regardless of the value of the underlying assets, in order to fund routine permitted participant-initiated withdrawals.

SAC and wrap contract: These are contracts with an insurance company. The issuer legally owns the assets and is required to segregate them into a separate account, which is designed to be protected from the claims of the issuer's general creditors in the event of issuer insolvency. The issuer of the wrap contract provides for unscheduled withdrawals from the contract at contract value, regardless of the value of the underlying assets, in order to fund routine permitted participant-initiated withdrawals.

Table of Contents

COSTCO 401(k) RETIREMENT PLAN
 Notes to Financial Statements (Continued)
 December 31, 2015 and 2014

The table below presents the total contract value of each type of fully benefit-responsive investment contract in the Plan as of December 31, 2015, and 2014.

Fully
 benefit-responsive
 investment contracts (in
 thousands)

| 2015 | 2014 |
|---------------------|---------|
| \$6C | \$6,800 |
| 902 ,262 | 925,554 |
| 881 088 | 211,014 |

Total
 fully
 benefit-responsive
 investment
 contracts
 (4)Fair Value Measurement

U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying a fair value hierarchy, which requires maximizing the use of observable inputs. The three levels of inputs are:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Significant unobservable inputs that are not corroborated by market data.

The following valuation techniques are used to measure fair value:

Level 1 primarily consists of financial instruments, such as investments in registered investment company funds and Costco Common Stock, whose value is based on quoted market prices, such as quoted net asset values published by the fund as supported in an active market, exchange-traded instruments and listed equities.

Level 2 includes assets and liabilities where quoted market prices are unobservable but observable inputs other than Level 1 prices, such as quoted prices for similar assets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Valuation methodologies are based on "consensus pricing," using market prices from a variety of industry-standard data providers or pricing that considers various assumptions, including time value, yield curve, volatility factors, credit spreads, default rates, loss severity, current market and contractual prices for the underlying instruments or debt, broker and dealer quotes, as well as other relevant economic measures. All are observable in the market or can be derived principally from or corroborated by observable market data, for which the Plan typically receives independent external valuation information.

Level 3 assets include significant unobservable inputs reflecting our own assumptions consistent with reasonably available assumptions made by other market participants. The Plan uses the income approach for certain investments, which involves determining fair values from discounted cash flow methodologies, or replacement cost for Level 3 assets.

Valuation techniques utilized during the reporting period in the fair value measurement of Level 1, Level 2, and Level 3 assets and liabilities presented on the Plan's statements of net assets available for benefits were not changed from previous practice. The Company reports transfers in and out of Levels 1, 2, and 3, as applicable, using the fair value of the individual securities or funds as of the beginning of the reporting period in which the transfer(s) occurred.

The carrying value of the Plan's receivables approximate fair value due to their short-term nature or fixed rates relative to prevailing market rates.

9

Table of Contents

COSTCO 401(k) RETIREMENT PLAN
 Notes to Financial Statements (Continued)
 December 31, 2015 and 2014

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following is a description of the valuation methodologies used for assets measured at fair value.

Common stock, registered investment company funds, and separately managed accounts: Valued at the closing price reported in the active market in which the individual securities are traded. These assets are valued using Level 1 inputs.

Common commingled trust: Valued at the NAV of shares held by the Plan at year end. Plan participant transactions of investment or withdrawals may occur on a daily basis in these trusts. There are no unfunded commitments at December 31, 2015 or 2014.

There were no Level 2 or Level 3 financial assets in the Plan that are measured at fair value on a recurring basis as of December 31, 2015 and 2014. Common commingled trust funds are no longer categorized in the fair value hierarchy (see discussion in Note 2(g) of this report). Fully benefit-responsive contracts are no longer measured at fair value (see discussion in Note 2(g) of this report).

(5) Form 5500 Reconciliation

The following is a reconciliation of the net assets available for benefits per the financial statements at December 31, 2015 and 2014 to the Plan's Form 5500 (in thousands):

| | 2015 | 2014 |
|---|--------------|--------------|
| Net assets available for benefits per the financial statements | \$11,324,265 | \$10,176,130 |
| Adjustment from contract value to fair value for fully benefit- responsive investment contracts | 4,631 | 16,166 |
| Net assets available for benefits per the Form 5500 | \$11,328,896 | \$10,192,296 |

The following is a reconciliation of the net increase in net assets available for benefits per the financial statements at December 31, 2015 and 2014 to the Plan's Form 5500 (in thousands):

| | 2015 | 2014 |
|--|-------------|-------------|
| Net increase in net assets available for benefits per the financial statements | \$1,148,135 | \$1,378,426 |
| Net change from contract value to fair value for fully benefit- responsive contracts | (11,535) | 107 |
| Net increase in net assets available for benefits per the Form 5500 | \$1,136,600 | \$1,378,533 |

(6) Plan Termination

Although it has no present intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan, subject to the provisions of ERISA and the requirements of the collective bargaining agreement with the International Brotherhood of Teamsters in California. In the event of plan termination, participants will become 100% vested in their accounts.

(7) Tax Status

In a determination letter dated September 23, 2013, the IRS informed the Company that the Plan is designed in accordance with applicable sections of the IRC. Although the Plan has been amended since receiving the last determination letter, the Plan Administrator believes that the Plan is designed and is being operated in compliance with the requirements of the IRC.

Table of Contents

COSTCO 401(k) RETIREMENT PLAN
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

U.S. GAAP requires Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan Administrator has analyzed the tax positions taken by the Plan and has concluded that as of December 31, 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; there are currently no audits in progress. The Plan Administrator believes it is no longer subject to income tax examinations for years prior to 2012.

(8) Party-in-Interest and Related Party Transactions

Certain Plan investments are shares of registered investment companies, benefit-responsive investment contracts, and common commingled trust funds managed by T. Rowe Price. T. Rowe Price is also the trustee and record keeper as defined by the Plan. Therefore, these transactions qualify as party-in-interest transactions. The Plan also invests in the Company's common stock. Therefore, these transactions also qualify as party-in-interest transactions.

Table of Contents

Schedule I

COSTCO 401(k) RETIREMENT PLAN

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

December 31, 2015

(In thousands)

| Identity of issuer, borrower, lessor, or similar party | Description of investment | Current value |
|--|-----------------------------|---------------|
| Registered investment company and common commingled trust funds: | | |
| American Funds | New Perspective Fund R6 | \$ 192,964 |
| PIMCO | Income Inst Retirement | 318,587 |
| * T. Rowe Price | Balanced Trust D | 19,065 |
| * T. Rowe Price | TRP Ret 2005 Active Trust D | 12,706 |
| * T. Rowe Price | TRP Ret 2010 Active Trust D | 32,267 |
| * T. Rowe Price | TRP Ret 2015 Active Trust D | 100,613 |
| * T. Rowe Price | TRP Ret 2020 Active Trust D | 236,724 |
| * T. Rowe Price | TRP Ret 2025 Active Trust D | 297,757 |
| * T. Rowe Price | TRP Ret 2030 Active Trust D | 309,637 |
| * T. Rowe Price | TRP Ret 2035 Active Trust D | 252,703 |
| * T. Rowe Price | TRP Ret 2040 Active Trust D | 331,914 |
| * T. Rowe Price | TRP Ret 2045 Active Trust D | 369,606 |
| * T. Rowe Price | TRP Ret 2050 Active Trust D | 177,020 |
| * T. Rowe Price | | 170,457 |

| | | |
|------------------------------|---|---------|
| | TRP Ret 2055 Active Trust D | |
| * T. Rowe Price | TRP Ret 2060 Active Trust D | 3,434 |
| | Total Bond | |
| Vanguard | Market Index Fund | 37,730 |
| Vanguard | Institutional Institutional Index, Plus | 317,558 |
| Separately managed accounts: | | |
| Mid-Cap Growth Portfolio: | | |
| Acuity Brands Inc | Common Stock | 6,300 |
| Agilent Technologies Inc | Common Stock | 9,389 |
| Air Products & Chemicals | Common Stock | 6,493 |
| Akamai Technologies Inc | Common Stock | 7,616 |
| Alnylam Pharmaceuticals I | Common Stock | 1,503 |
| Ametek Inc | Common Stock | 7,809 |
| Aramark | Common Stock | 4,667 |
| Ashland Inc | Common Stock | 3,895 |
| Atmel Corp | Common Stock | 4,683 |
| Atmos Energy Corp | Common Stock | 881 |
| Autozone Inc | Common Stock | 11,847 |
| Ball Corp | Common Stock | 6,968 |
| Baxalta Inc | Common Stock | 6,544 |
| Blue Buffalo Pet Products | Common Stock | 336 |
| Borgwarner Inc | Common Stock | 6,860 |
| Bruker Corp | Common Stock | 7,315 |
| CBOE Holdings Inc | Common Stock | 8,420 |
| Carmax Inc | Common Stock | 12,819 |
| Catalent Inc | | 5,171 |

| | | |
|---------------------------|-----------------|-------|
| | Common Stock | |
| Celanese Corp-Series A | Common Stock | 4,838 |
| Chipotle Mexican Grill In | Common Stock | 958 |
| Choice Hotels Intl Inc | Common Stock | 4,880 |
| Cimarex Energy Co | Common Stock | 1,160 |
| Cognex Corp | Common Stock | 1,618 |
| Colfax Corp | Common Stock | 3,006 |

Table of Contents

Schedule I

COSTCO 401(k) RETIREMENT PLAN

Schedule H, Line 4i – Schedule of Assets (Held at End of Year) (Continued)

December 31, 2015

(in thousands)

| Identity of issuer, borrower, lessor, or similar party | Description of investment | Current value |
|--|---------------------------|---------------|
| Concho Resources Inc | Common Stock | 2,966 |
| Cooper Cos Inc/The | Common Stock | 7,902 |
| Corelogic Inc | Common Stock | 5,373 |
| Dentsply International In | Common Stock | 9,717 |
| Digitalglobe Inc | Common Stock | 2,782 |
| Dollar General Corp | Common Stock | 9,181 |
| EQ Corp | Common Stock | 5,775 |
| E*Trade Financial Corp | Common Stock | 2,958 |
| Envision Healthcare Holdi | Common Stock | 2,929 |
| Equifax Inc | Common Stock | 10,670 |
| FEI Company | Common Stock | 5,335 |
| Factset Research Systems | Common Stock | 3,569 |
| Fidelity National Info Se | Common Stock | 4,838 |
| FNF Group | Common Stock | 11,142 |
| Fiserv Inc | Common Stock | 18,986 |
| Fortinet Inc | Common Stock | 1,960 |
| Franco-Nevada Corp | Common Stock | 5,844 |
| Gartner Inc | Common Stock | 5,522 |
| Global Payments Inc | Common Stock | 8,241 |
| GrubHub Inc | Common Stock | 628 |

| | | |
|---------------------------|--------------|--------|
| Guidewire Software Inc | Common Stock | 660 |
| Hanesbrands Inc | Common Stock | 7,783 |
| Harley-Davidson Inc | Common Stock | 2,763 |
| Harman International | Common Stock | 3,009 |
| Hologic Inc | Common Stock | 4,054 |
| Hunt (JB) Transprt Svcs I | Common Stock | 5,271 |
| IMS Health Holdings Inc | Common Stock | 3,813 |
| IDEX Corp | Common Stock | 10,245 |
| Idexx Laboratories Inc | Common Stock | 5,822 |
| IHS Inc-Class A | Common Stock | 11,347 |
| Illumina Inc | Common Stock | 3,448 |
| Incyte Corp | Common Stock | 6,061 |
| Intercontinental Exchange | Common Stock | 8,951 |
| Intuitive Surgical Inc | Common Stock | 11,992 |
| Jones Lang Lasalle Inc | Common Stock | 7,658 |
| Juniper Networks Inc | Common Stock | 771 |
| KAR Auction Services Inc | Common Stock | 1,774 |
| Kansas City Southern | Common Stock | 6,409 |
| Keurig Green Mountain Inc | Common Stock | 1,437 |
| Keysight Technologies In | Common Stock | 6,786 |
| L Brands Inc | Common Stock | 6,885 |
| LPL Financial Holdings In | Common Stock | 4,895 |
| LinkedIn Corp - A | Common Stock | 1,797 |
| Lumentum Holdings Inc | Common Stock | 1,055 |
| MGM Resorts International | Common Stock | 3,741 |
| MSCI Inc | | 9,790 |

Table of Contents

Schedule I

COSTCO 401(k) RETIREMENT PLAN

Schedule H, Line 4i – Schedule of Assets (Held at End of Year) (Continued)

December 31, 2015

(in thousands)

| Identity of issuer, borrower, lessor, or similar party | Description of investment | Current value |
|--|---------------------------|---------------|
| ManpowerGroup Inc | Common Stock | 4,711 |
| Marriott International -C | Common Stock | 7,427 |
| Martin Marietta Materials | Common Stock | 5,452 |
| Match Group Inc | Common Stock | 1,052 |
| MEDNAX Inc | Common Stock | 8,010 |
| Mettler-Toledo Internatio | Common Stock | 2,369 |
| Michaels Cos Inc/The | Common Stock | 4,369 |
| Microchip Technology Inc | Common Stock | 8,825 |
| Middleby Corp | Common Stock | 2,691 |
| Netsuite Inc | Common Stock | 1,774 |
| O'Reilly Automotive Inc | Common Stock | 11,381 |
| Old Dominion Freight Line | Common Stock | 1,892 |
| PVH Corp | Common Stock | 2,940 |
| Palo Alto Networks Inc | Common Stock | 2,813 |
| Pioneer Natural Resources | Common Stock | 1,001 |
| Progressive Corp | Common Stock | 7,934 |
| RPM International Inc | Common Stock | 5,585 |
| Red Hat Inc | Common Stock | 11,240 |
| Rexnord Corp | Common Stock | 1,230 |
| Rite Aid Corp | Common Stock | 3,717 |

| | | |
|---------------------------|--------------|--------|
| Roper Technologies Inc | Common Stock | 12,122 |
| SS&C Technologies Holding | Common Stock | 4,361 |
| Henry Schein Inc | Common Stock | 10,104 |
| ServiceMaster Global Hold | Common Stock | 3,642 |
| ServiceNow Inc | Common Stock | 1,382 |
| Splunk Inc | Common Stock | 1,409 |
| Sprouts Farmers Market In | Common Stock | 4,272 |
| TD Ameritrade Holding Cor | Common Stock | 7,967 |
| T-Mobile US Inc | Common Stock | 11,283 |
| Teleflex Inc | Common Stock | 10,495 |
| Tesla Motors Inc | Common Stock | 1,437 |
| Textron Inc | Common Stock | 13,417 |
| Towers Watson & Co-Cl A | Common Stock | 6,026 |
| TransUnion | Common Stock | 1,348 |
| TreeHouse Foods Inc | Common Stock | 3,132 |
| TripAdvisor Inc | Common Stock | 4,084 |
| Universal Health Services | Common Stock | 3,816 |
| Vantiv Inc - Cl A | Common Stock | 7,525 |
| Veeva Systems Inc-Class A | Common Stock | 2,764 |
| Verisign Inc | Common Stock | 13,950 |
| Verisk Analytics Inc | Common Stock | 8,593 |
| Vertex Pharmaceuticals In | Common Stock | 4,019 |
| Viavi Solutions Inc | Common Stock | 729 |
| WABCO Holdings Inc | Common Stock | 2,449 |
| Waste Connections Inc | Common Stock | 7,251 |
| West Pharmaceutical Servi | | 3,005 |

Table of Contents

Schedule I

COSTCO 401(k) RETIREMENT PLAN

Schedule H, Line 4i – Schedule of Assets (Held at End of Year) (Continued)

December 31, 2015

(in thousands)

| Identity of issuer, borrower, lessor, or similar party | Description of investment | Current value |
|--|---------------------------|---------------|
| WhiteWave Foods Co | Common Stock | 5,553 |
| Whole Foods Market Inc | Common Stock | 2,675 |
| Xilinx Inc | Common Stock | 4,125 |
| Xylem Inc | Common Stock | 4,335 |
| Zillow Group Inc - A | Common Stock | 1,663 |
| Zillow Group Inc - C | Common Stock | 2,250 |
| Alkermes Plc | Common Stock | 13,309 |
| Allegion Plc | Common Stock | 7,960 |
| Atlassian Corp Plc-Class | Common Stock | 1,021 |
| Mallinckrodt Plc | Common Stock | 2,830 |
| Norwegian Cruise Line Hol | Common Stock | 14,212 |
| Willis Group Holdings Plc | Common Stock | 10,083 |
| Ferrari Nv | Common Stock | 1,677 |
| Mobileye Nv | Common Stock | 2,532 |
| Sensata Technologies Hold | Common Stock | 8,872 |
| We Work Compan Class | Common Stock | 431 |
| Royal Caribbean Cruises L | Common Stock | 5,657 |
| US Govt STIF 5 Bps | Money Market Security | 2,033 |
| Govt Rsrve Inv Fund | Mutual Fund | 14,390 |
| Large Cap Value Portfolio: | | |

AES Corp

Common
Stock