

**Exhibit 1 A Profile of the Leading Wholesale Clubs in North America in 2009**

Company	2009 Revenues (\$ millions)			2009 Operating Income (\$ millions)	2009 Net Income (\$ millions)
	Merchandise Sales	Membership Fees	Total		
Costco Wholesale	\$69,889	\$1,533	\$71,422	\$1,777	\$1,086
Sam's Club	Not available	Not available	46,710 <sup>a</sup>	1,512	n.a. <sup>b</sup>
B.J.'s Wholesale	9,954	182	10,187	224	132

  

Company	Number of Members 2009	Number of Stores in 2010		Average Annual Net Sales per Store
		United States	Worldwide	
Costco Wholesale	58.8 million <sup>c</sup>	413	566 <sup>d</sup>	\$132.6 million <sup>e</sup>
Sam's Club	47.0 million <sup>f</sup>	596	729 <sup>g</sup>	76.3 million <sup>h</sup> (est., U.S. only)
B.J.'s Wholesale	9.4 million	187	187	53.2 million

<sup>a</sup>Includes U.S. revenues only; revenues for Sam's Club locations outside the United States are not separately available since they are reported as part of the Walmart International division, which includes all types of Walmart stores located outside the United States.

<sup>b</sup>Walmart does not report net income for subsidiary operations, only for the company as a whole.

<sup>c</sup>Includes 2,800,000 members of Costco Mexico, which was part of a 50% owned joint venture.

<sup>d</sup>Includes 36 warehouses operated in Mexico through a 50% owned joint venture.

<sup>e</sup>Does not include the 36 warehouses operated in Mexico through a 50% owned joint venture because sales for the joint venture were not publicly available.

<sup>f</sup>As of 2008; membership data for 2009 were not reported.

<sup>g</sup>Includes 23 Sam's Club locations in Brazil, 98 Sam's Club locations in Mexico, 9 Sam's Club locations in Puerto Rico, and 3 Sam's Club locations in China.

<sup>h</sup>Based on U.S. stores only and estimated membership fees of \$1.2 billion (which are not a part of sales per store).

The key elements of Costco's strategy were ultra-low prices, a limited selection of nationally branded and private-label products, a "treasure hunt" shopping environment, strong emphasis on low operating costs, and a three-pronged growth initiative to boost sales and profits.

**Pricing** In keeping with Costco's mission, "To continually provide our members with quality goods and services at the lowest possible prices," Costco capped the margins on brand-name merchandise at 14 percent (whereas the markups over cost at other retailers often resulted in 20 to 50 percent margins for the very same items). The margins on Costco's private-label Kirkland Signature items—which included vitamins, juice, bottled water, coffee, spices, olive oil, canned salmon and tuna, nuts, laundry detergent, baby products, dog food, luggage, cookware, trash bags, batteries, wines and spirits, paper towels,

toilet paper, and clothing—were a maximum of 15 percent, but the fractionally higher markups on Costco's private-label items still resulted in its private-label prices being about 20 percent below comparable name-brand items. As a result of these low markups, Costco's prices were just fractionally above break-even levels, producing net sales revenues (not counting membership fees) that barely covered all operating expenses and generated only a modest contribution to operating profits. As can be verified from Exhibit 2, every year during 2005–2009, over 70 percent of the Costco's operating profits were attributable to membership fees and, in fact, membership fees were larger than Costco's net income in every year shown in Exhibit 2 but 2000. (To put it another way, without the revenues from membership fees, Costco's profits would be minuscule due to its strategy of capping the margins on branded goods at 14 percent and private-label goods at 15 percent.)