



FORM 10-K405

ROSS STORES INC - ROST

Filed: April 24, 1998 (period: January 31, 1998)

Annual report. The Regulation S-K Item 405 box on the cover page is checked

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K405

(Mark one)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended January 31, 1998

OR
TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the transition period from _____ to _____

Commission file number 0-14678

ROSS STORES, INC.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware (State or other jurisdiction of incorporation or organization) | 94-1390387 (I.R.S. Employer Identification No.) |
| 8333 Central Avenue, Newark, California (Address of principal executive offices) | 94560-3433 (Zip Code) |

Registrant's telephone number,
including area code (510) 505-4400

Securities registered pursuant to
Section 12(b) of the Act: None

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

| Title of each class ----- | Name of each exchange on which registered ----- |
|-------------------------------|---|
| Common stock, par value \$.01 | NASDAQ/NMS |

Indicate by check mark whether the registrant 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 if disclosure of delinquent files pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of April 3, 1998 was \$1,889,560,486.13. Shares of voting stock held by each director and executive officer and each person who on that date owned 10% or more of the outstanding voting stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of Common Stock, with \$.01 par value, outstanding on April 3, 1998 was 47,950,192.

Documents incorporated by reference:

Portions of the Proxy Statement for Registrant's 1998 Annual Meeting of Stockholders, which will be filed on or before April 24, 1998, are incorporated herein by reference into Part III.

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PART I

ITEM 1. BUSINESS

Ross Stores, Inc. ("Ross" or "company") operates a chain of off-price retail apparel stores which target value conscious men and women between the ages of 25 and 54 in white collar, middle-to-upper middle income households which the company believes to be the largest customer segment in the retailing industry. The decisions of the company, from merchandising, purchasing and pricing, to the location of its stores, are aimed at this customer base. The company offers its merchandise at low everyday prices, generally 20% to 60% below regular prices of most department and specialty stores. The company believes it derives a competitive advantage by offering a wide assortment of quality brand name merchandise within each of its merchandise categories in an attractive easy-to-shop environment.

Ross' mission is to offer competitive values to its target customers by focusing on the following key strategic objectives:

- - Achieve an appropriate level of brands and labels at strong discounts throughout the store;
- - Meet customer needs on a more regional basis;
- - Deliver an in-store shopping experience that reflects the expectations of the off-price customer; and
- - Manage real estate growth to maintain dominance or achieve parity with the competition in key markets.

The original Ross Stores, Inc. was incorporated in California in 1957. In August 1982, the company was purchased by some of its current directors and stockholders. The six stores acquired were completely refurbished in the company's off-price format and stocked with new merchandise. In June 1989 the company reincorporated in the state of Delaware.

Merchandising, Purchasing and Pricing

Ross seeks to provide its target customers with a wide assortment of first quality, in-season, name brand apparel, accessories and footwear for the entire family at everyday savings of 20% to 60% from regular department and specialty store prices, as well as similar savings on fragrances, gift items for the home, bed and bath merchandise and accessories. Although not a fashion leader, the company sells recognizable branded merchandise that is current and fashionable in each category. The company reviews its merchandise mix each week, enabling it to respond to merchandise trends and purchasing opportunities in the market. The company's merchandising strategy is reflected in its advertising, which emphasizes its strong value message -- Ross' customers get great savings on name brand merchandise every day of the year.

Merchandising. The Ross merchandising strategy incorporates a combination of in-season and past-season apparel, shoes and accessories for the entire family, as well as fragrances, giftware and linens for the home. The company's emphasis on brand names reflects management's conviction that brand name merchandise sold at compelling discounts will continue to be an important determinant of its success. Ross leaves the brand name label on the merchandise it sells.

The company has established a merchandise assortment which it believes is attractive to its target customer group. Although Ross offers fewer classifications of merchandise than most department stores, the company generally offers a large selection of brand names within each classification with a wide assortment of vendors, prices, colors, styles and fabrics within each size. Over the past year, the company has continued to diversify its merchandise offerings by adding new product categories such as small sporting goods and exercise equipment, small electronics, tabletop lamps, small furnishings, educational toys and games. Other recent additions include luggage, gourmet food and cookware. This diversification will continue in fiscal 1998, with a test of fine jewelry in approximately 50 stores during the first half of the year and a potential roll-out to other stores in 1999. For fiscal 1997, the overall merchandise sales mix was approximately 95% first quality merchandise and 5% irregulars. The respective departments accounted for total sales in fiscal 1997 approximately as follows: Ladies 35%, Men's 22%, Accessories, Hosiery and Lingerie 10%, Shoes 10%, Children's 9%, and Fragrances, Home Accents and Bed and Bath 14%.

Purchasing. During the past three years, no single vendor has accounted for more than 3% of the company's purchases. The company continues to add new vendors and believes it has adequate sources of first quality merchandise to meet its requirements. The company purchases the vast majority of its merchandise directly from manufacturers and has not experienced any difficulty in obtaining sufficient inventory.

The company believes that its ability to effectively execute certain off-price buying strategies is a key factor in its business. Ross buyers use a number of methods that enable the company to offer customers name brand merchandise at strong everyday discounts relative to department and specialty stores. By purchasing later in the merchandise buying cycle than department and specialty stores, Ross is able to take advantage of imbalances of manufacturer-projected supply of merchandise.

Ross, unlike most department and specialty stores, does not require that manufacturers provide promotional and markdown allowances, return privileges and delayed deliveries. In addition, deliveries are made to one of the company's two distribution centers. These flexible requirements further enable the company's buyers to obtain significant discounts on in-season purchases.

The company has increased its emphasis in recent years on opportunistic purchases created by manufacturer overruns and canceled orders both during and at the end of a season. These buys are referred to as "closeout" or "packaway" purchases. Closeouts can be shipped to stores in season. Closeouts allow the company to get in season goods in its stores at lower prices. Packaway merchandise is purchased with the intent that it will be stored in the company's warehouses until the beginning of the next selling season. Packaway purchases are an effective method of increasing the percentage of prestige and national brands at competitive savings within the merchandise assortments. Packaway merchandise is mainly fashion basics and, therefore, not usually affected by seasonal shifts in fashion trends.

Throughout the 1990s, Ross gradually increased the amount of packaway inventories. In 1996 and 1997, the company further increased these important resources in response to compelling opportunities available in the marketplace. It is management's belief that the stronger discounts the company is able to offer on packaway merchandise are a key driver of Ross' business. As a result, while in-store inventories at the end of fiscal 1997 were down 1% on a comparable store basis to the prior year, total consolidated inventories were up 12% due to the investment at year-end in additional packaway goods and inventory for the new stores.

The company is developing a new management information system in an effort to provide more detailed information on how SKUs perform by region or market. While in the market, the buyers will utilize laptop computers to access real-time information on their business. The goal is to fine tune the merchandise mix and raise sales productivity in markets that are performing below the company average. The new system is scheduled to begin roll-out in late 1998 and early 1999.

Ross' buying offices are located in New York City and Los Angeles, the nation's two largest apparel markets. These strategic locations allow buyers to be in the market on a daily basis, sourcing opportunities and negotiating purchases with vendors and manufacturers. These locations also enable the company's buyers to strengthen vendor relationships -- a key determinant in the success of its off-price buying strategies.

The company's buyers have an average of 10 years of experience, including experience with other retailers such as Bloomingdale's, Burlington Coat Factory, Dayton Hudson, Lord & Taylor, Macy's, Marshalls, Montgomery Wards, TJ Maxx and Value City. In keeping with its strategy, over the past several years, the company has more than tripled the size of its merchandising staff. Management believes that this increase enables its merchants to spend even more time in the market which, in turn, should strengthen the company's ability to procure the most desirable brands at competitive discounts.

The combination of the above off-price buying strategies enables the company to purchase merchandise at net prices which are lower than prices paid by department and specialty stores.

Pricing. The company's policy is to sell brand name merchandise which can generally be priced at 20% to 60% less than most department and specialty store regular prices. The Ross pricing policy is to affix a ticket displaying the company's selling price as well as the estimated comparable selling price of that item at department and specialty stores.

The Ross pricing strategy differs from that of a department or specialty store. Ross purchases its merchandise at lower prices and

marks it up less than a department or specialty store. This strategy enables Ross to offer customers

consistently low prices. Ticketed prices are not increased and are reviewed weekly for possible markdowns based on the rate of sales and the end of fashion seasons to promote faster turnover of inventory and accelerate the flow of fresh merchandise.

The Ross Store

As of January 31, 1998, the company operated 325 stores. They are conveniently located in predominantly community and neighborhood strip shopping centers in heavily populated urban and suburban areas. Where the size of the market permits, the company clusters stores to maximize economies of scale in advertising, distribution and management. During 1997, the average Ross store employed 43 full- and part-time people.

The company believes a key element of its success is the attractive, easy-to-shop environment in its stores which allows customers to shop at their own pace. The Ross store is designed for customer convenience in its merchandise presentation, dressing rooms, checkout and merchandise return areas. The Ross store's sales area is based on a prototype single floor design with a racetrack aisle layout. A customer can locate desired departments by signs displayed just below the ceiling of each department. Ross encourages its customers to select among sizes and prices through prominent category and sizing markers, promoting a self-service atmosphere. At most stores, shopping carts are available at the entrance for customer convenience. Checkout stations are located at store entrances for customer ease and efficient employee assignment.

It is the company's policy to minimize transaction time for the customer at the checkout counter by using electronic systems for scanning each ticket at the point of sale and authorizing credit for personal checks and credit cards in a matter of seconds. Approximately 36% of payments are made with credit cards. Ross provides cash or credit card refunds on all merchandise returned with a receipt within 30 days. Merchandise returns having a receipt older than 30 days are exchanged or credited with a Ross Credit Voucher at the price on the receipt.

Operating Costs

Consistent with the other aspects of its business strategy, Ross strives to keep operating costs as low as possible. Among the factors which have enabled the company to operate at low costs are:

- - Reduced in-store labor costs resulting from (i) a store design that creates a self-selection retail format and (ii) the utilization of labor saving technologies.
- - Economies of scale with respect to both general and administrative costs as a result of centralized merchandising, marketing and purchasing decisions.
- - Model store layout criteria which facilitate conversion of existing buildings to the Ross format.
- - A fully-integrated, on-line management information system which enables the company to respond quickly when making purchasing, merchandising and pricing decisions.

Distribution

The company has two distribution centers -- one located in Newark, California (approximately 494,000 square feet) and the second located in Carlisle, Pennsylvania (approximately 424,000 square feet). Having a distribution center on each coast enhances cost efficiencies per unit and decreases turn-around time in getting the merchandise from the vendors to the stores. Shipments are made by contract carriers to the stores about five times a week depending on location.

Control Systems

The company's management information system fully integrates data from significant phases of its operations and is a key element in the company's planning, purchasing, distribution and pricing decisions. The system enables Ross to respond to changes in the retail market and to increase speed and accuracy in its merchandise distribution.

Data from the current and last fiscal year can be monitored on levels ranging from merchandise classification units to overall totals for the company. Merchandise is tracked by the system from the creation of its purchase order, through its receipt at the distribution center, through the distribution planning process, and ultimately to the point of sale.

Advertising

The company utilizes extensive advertising which emphasizes quality, brand name merchandise at low everyday prices. The company predominantly uses television advertising. This reflects the company's belief that overall television is the best medium for presenting Ross' everyday low price message.

Trademarks

The trademark for Ross Dress For Less (R) has been registered with the United States Patent and Trademark Office.

Employees

On January 31, 1998, the company had approximately 17,000 employees which includes an estimated 10,400 part-time employees. Additionally, the company hires temporary employees -- especially during the peak seasons. The company's employees are non-union. Management of the company considers the relationship between the company and its employees to be excellent.

Competition

The company believes that the principal competitive factors in the off-price retail apparel industry are offering large discounts on name brand merchandise appealing to its target customer and consistently providing a store environment that is convenient and easy to shop. To execute this concept, the company has strengthened its buying organization, developed a merchandise allocation system to distribute product based on regional factors as well as other systems and procedures to maximize cost efficiencies and leverage expenses in an effort to mitigate competitive pressures on gross margin. The company believes that it is well positioned to compete on the basis of each of these factors.

Nevertheless, the national apparel retail market is highly fragmented. Ross faces intense competition for business from department stores, specialty stores, discount stores, other off-price retailers and manufacturer-owned outlet stores, many of which are units of large national or regional chains that have substantially greater resources than Ross. The retail apparel business may become even more competitive in the future.

ITEM 2. PROPERTIES

Stores

From August 1982 to January 31, 1998, the company expanded from six stores in California to 325 stores in 17 states: Arizona, California, Colorado, Florida, Hawaii, Idaho, Maryland, Nevada, New Jersey, New Mexico, Oklahoma, Oregon, Pennsylvania, Texas, Utah, Virginia and Washington. All stores are leased, with the exception of one.

During fiscal 1997, the company opened 17 new Ross 'Dress For Less' stores, closed 1 existing location and relocated 4 locations. The typical new Ross store is approximately 30,187 square feet, yielding approximately 25,334 square feet of selling space. As of January 31, 1998, the company's 325 stores generally ranged in size from about 24,000 to 35,000 gross square feet and had an average of 22,000 square feet of selling space.

During the fiscal year ended January 31, 1998, no one store accounted for more than approximately 1% of the company's sales. The company carries earthquake insurance on its corporate headquarters, both distribution centers and on its stores in California.

The company's real estate strategy is to open additional stores mainly in existing market areas, to increase its market penetration and reduce overhead and advertising expenses as a percentage of sales in each market. Important considerations in evaluating a new market are the availability of potential sites, demographic characteristics, competition and

population density of the market. In fiscal 1998 and 1999, the company plans to focus its new store growth primarily in existing markets and adjacent regions in existing states. In addition, management continues to seek opportunistic real estate acquisitions.

Where possible, the company has obtained sites in existing buildings requiring minimal alterations. This has allowed Ross to establish stores in new locations in a relatively short period of time at reasonable costs in a given market. To date, the company has been able to secure leases in suitable locations for its stores. At January 31, 1998, the majority of the company's stores had unexpired original lease terms ranging from three to ten years with two to three renewal options of five years each. The average unexpired original lease term of its leased stores is six years, or 18 years if renewal options are included. (See Note C to the Consolidated Financial Statements.) Most of the company's store leases contain a provision for percentage rental payments after a specified sales level has been achieved.

Distribution Centers

In April 1998, the company purchased its Newark, California distribution center for \$24.6 million. The Newark facility is also the company's corporate headquarters. The company also owns its distribution center in Carlisle, Pennsylvania. In August 1996, the company paid off that facility's outstanding mortgage value of \$9.7 million.

The company's two distribution centers currently have processing capacity to support store growth through fiscal 1999. This reflects the company's recent investment in distribution systems along with the potential to expand work shifts. In September 1997, the company entered into a five year lease for an approximately 214,500 square foot warehouse in Newark, California. In February 1998, the company entered into a three year lease for an approximately 239,000 square foot warehouse in Carlisle, Pennsylvania. Both of these buildings will store the company's packaway inventory and replace third party warehousing services.

ITEM 3. LEGAL PROCEEDINGS

The company is a party to routine litigation incident to its business. Management believes that none of these legal proceedings will have a material adverse effect on the company's consolidated financial statements taken as a whole or results of operations of the company. Some of the lawsuits to which the company is a party are covered by insurance and are being defended by the company's insurance carriers.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following list sets forth the names and ages of all executive officers of the company, indicating each person's principal occupation or employment during the past five years. The term of office is at the pleasure of the Board of Directors.

| Name | Age | Position |
|--------------------|-----|--|
| Michael A. Balmuth | 47 | Vice Chairman and Chief Executive Officer |
| Melvin A. Wilmore | 52 | Director, President and Chief Operating Officer |
| John G. Call | 39 | Senior Vice President, Chief Financial Officer and Corporate Secretary |
| Ivy D. Council | 41 | Senior Vice President, Human Resources |
| James S. Fassio | 43 | Senior Vice President, Property Development |
| Barry S. Gluck | 45 | Senior Vice President and General Merchandising Manager |
| James S. Jacobs | 53 | Senior Vice President, Store Operations |
| Irene Jamieson | 47 | Senior Vice President and General Merchandising Manager |
| Barbara Levy | 43 | Senior Vice President and General Merchandising Manager |

Mr. Balmuth joined the Board of Directors as Vice Chairman and became Chief Executive Officer in September 1996. Prior to this, he served as the company's Executive Vice President, Merchandising since July 1993 and Senior Vice President and General Merchandise Manager since November 1989. Before joining Ross, he was Senior Vice President and General Merchandise Manager at Bon Marche in Seattle from September 1988 through November 1989. From April 1986 to September 1988, he served as Executive Vice President and General Merchandise Manager for Karen Austin Petites.

Mr. Wilmore has served as President, Chief Operating Officer and a member of the Board of Directors since March 1993. Prior to this, he served as Executive Vice President and Chief Operating Officer since December 1991. From October 1989 to December 1991, he was President and Chief Executive Officer of Live Specialty Retail, a division of LIVE Entertainment, Inc. From March 1988 to June 1989, he was President/General Partner of Albert's Acquisition Corporation. From March 1987 to March 1988, Mr. Wilmore was engaged in the acquisition of Albert's Hosiery and Bodywear by Albert's Acquisition Corporation. From April 1984 to March 1987, he was the President and Chief Operating Officer of Zale Jewelry Stores, a division of Zale Corporation.

Mr. Call has served as Senior Vice President, Chief Financial Officer and Corporate Secretary since June 1997. From June 1993 until joining Ross in 1997, Mr. Call was Senior Vice President, Chief Financial Officer, Secretary and Treasurer of Friedman's Inc. For five years prior to joining Friedman's in June 1993, Mr. Call held various positions with Ernst & Young, LLP, most recently as a Senior Manager in the San Francisco office.

Ms. Council has served as Senior Vice President, Human Resources since March 1998. Prior to this, she served as the company's Vice President of Human Resources, Compensation, Payroll, Distribution and Risk Management/Benefits since August 1997 and as the company's Vice President, Human Resources of Stores since March 1992. She joined the company in January 1989 as Director of Management and Organizational Development.

Mr. Fassio has served as Senior Vice President, Property Development since March 1991. He joined the company in June 1988 as Vice President of Real Estate. Prior to joining Ross, Mr. Fassio was Vice President, Real Estate and Construction at Craftmart and Property Director of Safeway Stores, Inc.

Mr. Gluck has served as Senior Vice President and General Merchandise Manager since August 1993. He joined the company in February 1989 as Vice President and Divisional Merchandise Manager. Prior to joining Ross, Mr. Gluck served as General Merchandise Manager, Vice President for Today's Man from May 1987 to February 1989. From March 1982 to April 1987, he was Vice President, Divisional Merchandise Manager, Men's, Children and Luggage of Macy's Atlanta.

Mr. Jacobs has served as Senior Vice President, Store Operations since November 1988. From November 1986 to October 1988, he served as Regional Vice President, Director of Stores for the J.W. Robinson's division of May Department Stores.

Ms. Jamieson became Senior Vice President and General Merchandise Manager in January 1995. From December 1992 to January 1995, she served as Vice President and Divisional Merchandise Manager. Prior to joining Ross, Ms. Jamieson served as Vice President and Divisional Merchandise Manager of the Home Store for Lord & Taylor from September 1983 to December 1992.

Ms. Levy has served as Senior Vice President and General Merchandise Manager since May 1993. Prior to joining Ross, Ms. Levy was with R. H. Macy & Co., Inc. most recently as Senior Vice President and General Merchandise Manager from January 1992 to April 1993 and before that as their Regional Director - Stores from May 1989 to January 1992 and from August 1985 to May 1989 as their Divisional Merchandise Manager - Better Sportswear.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

General Information. See the information set forth under the caption "Quarterly Financial Data (Unaudited)" under Note H to the Consolidated Financial Statements in Item 8 of this document which is incorporated herein by reference. The company's stock is traded on the Nasdaq National Market tier of The Nasdaq Stock MarketSM under the symbol ROST. There were 836 stockholders of record as of April 3, 1998.

Stock Dividend. On January 30, 1997, the Board of Directors authorized a two-for-one stock split in the form of a 100% stock dividend. The dividend was paid on March 5, 1997 to stockholders of record on February 11, 1997.

Cash Dividends. During fiscal 1996 and 1997, the company paid a quarterly cash dividend of \$0.035 and \$0.045, respectively, per common share. On January 31, 1998, the Board of Directors increased the quarterly dividend to \$0.055 per common share.

ITEM 6. SELECTED FINANCIAL DATA

| (\$000, except per share data) | 1997 | 1996 | 1995<F1> | 1994 | 1993 |
|---|-------------|-------------|-------------|-------------|-------------|
| Operations | | | | | |
| Sales | \$1,988,692 | \$1,689,810 | \$1,426,397 | \$1,262,544 | \$1,122,033 |
| Cost of goods sold and | | | | | |
| occupancy | 1,388,098 | 1,194,136 | 1,031,455 | 920,265 | 814,745 |
| Percent of sales | 69.8% | 70.7% | 72.3% | 72.9% | 72.6% |
| General, selling and | | | | | |
| administrative | 374,119 | 332,439 | 293,051 | 263,777 | 235,558 |
| Percent of sales | 18.8% | 19.7% | 20.5% | 20.9% | 21.0% |
| Depreciation and | | | | | |
| amortization | 30,951 | 28,754 | 27,033 | 24,017 | 20,539 |
| Interest (income) expense | (265) | (360) | 2,737 | 3,528 | 2,318 |
| Insurance proceeds | | | | (10,412) | |
| Earnings before taxes | 195,789 | 134,841 | 72,121 | 61,369 | 48,873 |
| Percent of sales | 9.8% | 8.0% | 5.1% | 4.9% | 4.4% |
| Provision for taxes | | | | | |
| on earnings | 78,315 | 53,936 | 28,849 | 24,548 | 19,549 |
| Net earnings | 117,474 | 80,905 | 43,272 | 36,821 | 29,324 |
| Percent of sales | 5.9% | 4.8% | 3.0% | 2.9% | 2.6% |
| Diluted earnings per share ² | \$2.35 | \$1.58 | \$.87 | \$.75 | \$.57 |
| Cash dividends declared per | | | | | |
| common share ² | \$.190 | \$.150 | \$.125 | \$.105 | \$.025 |

<FN>

<F1> Fiscal 1995 is a 53-week year; all other fiscal years have 52 weeks.

<F2> All per share information is adjusted to reflect the effect of the two-for-one stock split effected in the form of a 100% stock dividend on March 5, 1997.

</FN>

SELECTED FINANCIAL DATA

| (\$000, except per share data) | 1997 | 1996 | 19951 | 1994 | 1993 |
|--|-----------|-----------|-----------|-----------|-----------|
| Financial Position | | | | | |
| Merchandise inventory | \$418,825 | \$373,689 | \$295,965 | \$275,183 | \$228,929 |
| Property and equipment, net | 204,721 | 192,647 | 181,376 | 171,251 | 144,152 |
| Total assets | 737,953 | 659,478 | 541,152 | 506,241 | 437,371 |
| Working capital | 174,678 | 134,802 | 121,692 | 131,846 | 125,047 |
| Current ratio | 1.5:1 | 1.4:1 | 1.6:1 | 1.7:1 | 1.8:1 |
| Total debt | | | 9,806 | 46,069 | 33,308 |
| Stockholders' equity | 380,681 | 328,843 | 291,516 | 254,551 | 228,222 |
| Book value per common share outstanding at year-end<F2> | \$7.94 | \$6.67 | \$5.92 | \$5.21 | \$4.62 |
| Total debt as a percent of total capitalization | 0% | 0% | 3% | 15% | 13% |
| Return on average stockholders' equity | 33% | 26% | 16% | 15% | 13% |

Operating Statistics

| | | | | | |
|---|--------|--------|--------|--------|-------|
| Number of stores opened | 17 | 21 | 21 | 35 | 22 |
| Number of stores closed | 1 | 4 | 4 | 3 | 2 |
| Number of stores at year-end | 325 | 309 | 292 | 275 | 243 |
| Comparable store sales increase (decline) (52-week basis) | 10% | 13% | 2% | 2% | (1%) |
| Sales per square foot of selling space (52-week basis)<F3> | \$285 | \$259 | \$230 | \$227 | \$222 |
| Square feet of selling space at year-end (000) | 7,172 | 6,677 | 6,276 | 5,901 | 5,210 |
| Number of employees at year-end | 17,039 | 14,853 | 11,935 | 10,516 | 8,949 |
| Number of common stockholders of record at year-end | 813 | 826 | 1,022 | 1,168 | 1,275 |

<FN>

<F1> Fiscal 1995 is a 53-week year; all other fiscal years have 52 weeks.

<F2> All per share information is adjusted to reflect the effect of the two-for-one stock split effected in the form of a 100% stock dividend on March 5, 1997.

<F3> Based on average annual selling square footage.

</FN>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

For the fiscal years ended January 31, 1998, February 1, 1997 and February 3, 1996 (referred to as 1997, 1996 and 1995). All share and per share information has been adjusted to reflect the effect of the company's two-for-one stock split effected in the form of a 100% stock dividend on March 5, 1997.

Results of Operations

| | Year Ended January 31, 1998 | Year Ended February 1, 1997 | Year Ended February 3, 1996<F1> |
|--|-----------------------------------|-----------------------------------|---------------------------------------|
| SALES | | | |
| Sales (\$000) | \$1,988,692 | \$1,689,810 | \$1,426,397 |
| Sales growth | 18% | 18% | 13% |
| Comparable store sales growth | 10% | 13% | 2% |
| COSTS AND EXPENSES (as a percent of sales) | | | |
| Cost of goods sold and occupancy | 69.8% | 70.7% | 72.3% |
| General, selling and administrative | 18.8% | 19.7% | 20.5% |
| Depreciation and amortization | 1.6% | 1.7% | 1.9% |
| Interest (income) expense | (0)% | (0)% | .2% |
| NET EARNINGS | 5.9% | 4.8% | 3.0% |

<FN>

<F1> Fiscal 1995 is a 53-week year; all other years have 52 weeks.

Stores. Total stores open at the end of 1997, 1996 and 1995 were 325, 309 and 292, respectively. During 1997, the company opened 17 new stores and closed one store. During 1996, the company opened 21 new stores and closed four stores. During 1995, the company opened 21 new stores and closed four stores.

Sales. The increases in sales for 1997, 1996 and 1995 were due to an increase in comparable store sales and a greater number of stores in operation (and the 53rd week in 1995). The company anticipates that the competitive climate for apparel and off-price retailers will continue in 1998. Management expects to address that challenge by continuing to strengthen the merchandise organization, diversify the merchandise mix and purchase goods more opportunistically. Although the company's existing strategies and store expansion program contributed to sales and earnings gains in 1997, 1996 and 1995, there can be no assurance that these strategies will result in a continuation of revenue and profit growth.

Cost of Goods Sold and Occupancy. The reduction in the cost of goods sold and occupancy ratio in 1997 resulted primarily from the higher sales, leverage on occupancy costs and lower markdowns as a percentage of sales. The reduction in the cost of goods sold and occupancy ratio in 1996 resulted primarily from the higher sales, lower markdowns as a percentage of sales, an increase in the initial mark-up from purchasing more opportunistically and leverage on occupancy costs. There can be no assurance that the improvement experienced in 1997 will continue in future years.

General, Selling and Administrative Expenses. During 1997, general, selling and administrative expenses as a percentage of sales declined primarily due to the leverage realized from the significant increase in comparable store sales combined with continued strong cost controls. As a result, even with the investments made in expanding the merchandise organization over the years, expenses as a percent of sales each year have decreased from the prior year.

The largest component of general, selling and administrative expenses is payroll. The total number of employees, including both full- and part-time, at year-end 1997, 1996 and 1995 was approximately 17,000, 14,900 and 11,900, respectively.

Depreciation and Amortization. Depreciation and amortization as a percentage of sales has remained relatively constant over the last three years, due primarily to the consistent level of fixed assets in each store.

Interest. Due to higher average borrowings during 1997, interest expense increased from 1996. The increase in average borrowings in 1997 was due to expenditures of \$98.1 million to repurchase three million shares of common stock, offset partially by the higher earnings levels and cash flows from issuances of common stock. Lower average borrowings in 1996 resulted in a decrease in interest expense from 1995. The reduction in borrowings in 1996 was due to higher earnings levels, higher cash flows from issuances under stock plans and improved inventory turnover, which more than offset expenditures for the repurchase of common stock, capital investments and an overall increase in inventory.

Taxes on Earnings. The company's effective rate for 1997, 1996 and 1995 was 40%, which represents the applicable federal and state statutory rates reduced by the federal benefit received for state taxes. During 1998, the company expects its effective tax rate to decline to 39%.

Information Systems and the Year 2000

The year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Certain of the company's computer programs may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failures or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, or to engage in similar normal business activities.

As is the case with most other companies using computers in their operations, the company is in the process of addressing the year 2000 issue. The company is currently engaged in a comprehensive project to identify all significant applications that will require modification to become year 2000 compliant and is utilizing both internal and external resources to identify, correct, upgrade or replace and test the systems for year 2000 compliance. The company is currently evaluating the financial impact of the systems and programming changes necessary to address the year 2000 issue and will disclose the expected costs for these modifications when the evaluation is complete. Year 2000 related costs will be expensed as incurred.

The company expects to implement the changes necessary to address the year 2000 issue. The company presently believes that, with modifications to existing software and conversions to new software, the year 2000 issue will not pose significant operational problems for the company's computer systems as so modified and converted. However, if unforeseen difficulties arise or such modifications and conversions are not completed timely, or if the company's vendors' or suppliers' systems are not modified to become year 2000 compliant, the year 2000 issue may have a material impact on the operations of the company.

Financial Condition

Liquidity and Capital Resources. During 1997, 1996 and 1995, liquidity and capital requirements were provided by cash flows from operations, the revolving credit facility and trade credit. The company's store sites, central office, West Coast distribution center, as well as the buying offices are leased and except for certain leasehold improvements and equipment, do not represent long-term capital investments. Commitments related to operating leases are described in Note C to the Consolidated Financial Statements. The company's Carlisle, Pennsylvania, distribution center is owned outright by the company as the mortgage was paid off on August 30, 1996. The company exercised its right to purchase its Newark, California, distribution center and corporate headquarters for \$24.6 million and anticipates completing this transaction on April 1, 1998. Short-term trade credit represents a significant source of financing for investments in merchandise inventory. Trade credit arises from customary trade practices with the company's vendors. Management regularly reviews the adequacy of credit available to the company from all sources and has been able to maintain adequate lines to meet the capital and liquidity requirements of the company.

During 1997, the primary uses of cash, other than for operating expenditures, were for merchandise inventory including a planned increase in packaway inventory, property and equipment to open 17 new stores, the relocation or remodeling of six stores, the repurchase in the open market of \$98.1 million of the company's common stock and quarterly cash dividend payments. During 1996, the primary uses of cash, other than for operating expenditures, were for merchandise inventory, including a planned increase in packaway inventory, property and equipment to open 21 new stores, the remodeling of seven stores, the repurchase in the open market of \$80.4 million of the company's common stock and quarterly cash dividend payments. During 1995, the primary uses of cash, other than for operating expenditures, were for merchandise inventory, property and equipment to open 21 new stores, the remodeling of eight stores, the repurchase in the open market of \$12.1 million of the company's common stock and quarterly cash dividend payments. In 1997, 1996 and 1995, the company spent approximately \$33 million, \$37 million and \$42 million, respectively, for capital expenditures, net of leased equipment, that included fixtures and leasehold improvements to open 17, 21 and 21 stores, respectively, remodeling or relocation costs for six, seven and eight stores, respectively, modifications in the buying office, purchase of previously leased equipment and various expenditures for existing stores and the central office.

The company currently anticipates opening 20 to 25 stores annually in 1998 and 1999. The company anticipates that this growth will be financed primarily from cash flows from operating activities and available credit facilities.

In January 1998, a 22% increase in the quarterly cash dividend payment to \$.055 per common share was declared by the Board of Directors, payable on or about April 6, 1998. The company's Board of Directors declared quarterly cash dividends of \$.045 per common share in January, May, August and November 1997 and \$.035 per common share in January, May, August and November 1996. The company uses cash flows from operating activities and available cash resources to provide for cash dividends.

The company repurchased a total of \$98.1 million of common stock in 1997. In January 1998, the company announced that its Board of Directors authorized a \$110 million stock repurchase program. The company anticipates funding this new program through cash flows from operating activities and available credit facilities.

The company has available under its principal bank credit agreement a \$160 million revolving credit facility and a \$30 million credit facility, the latter solely for the issuance of letters of credit, both of which expire September 2002, and short-term lines of credit at January 31, 1998 totaling \$45 million. These facilities are available until canceled by either party. At fiscal year-end 1997, 1996 and 1995, there were no outstanding balances under any revolving credit facility. For additional information relating to these obligations, refer to Note B to the Consolidated Financial Statements.

Working capital was \$175 million at the end of 1997, compared to \$135 million at the end of 1996 and \$122 million at the end of 1995. At year-end 1997, 1996 and 1995, the company's current ratios were 1.5:1, 1.4:1 and 1.6:1, respectively. The percentage of long-term debt to total capitalization at fiscal year-end 1997, 1996 and 1995 was 0%, 0% and 3%, respectively.

The company's primary source of liquidity is the sale of its merchandise inventory. Management regularly reviews the age and condition of the merchandise and is able to maintain current inventory in its stores through the replenishment processes and liquidation of non-current merchandise through markdowns and clearances.

The company realized stronger cash flows in 1997 and 1996 due to increased earnings, tighter inventory controls with improved in-store inventory turnover, a strong emphasis on controlling expenses and increased cash generated by the issuance of common stock related to stock plans. These resources enabled the company to pay down all bank borrowings at each year-end.

The company estimates that cash flows from operations, bank credit lines and trade credit are adequate to meet operating cash needs as well as to provide for the \$110 million repurchase of shares, dividend payments and planned capital additions during the upcoming year.

Forward Looking Statements and Factors Affecting Future Performance

This report includes a number of forward looking statements, which reflect the company's current beliefs and estimates with respect to future events and the company's future financial performance, operations and competitive strengths. The words "expect," "anticipate," "estimate," "believe" and similar expressions identify forward looking statements.

The company's continued success depends, in part, upon its ability to increase sales at existing locations, to open new stores and to operate stores on a profitable basis. There can be no assurance that the company's existing strategies and store expansion program will result in a continuation of revenue and profit growth. Future economic and industry trends that could potentially impact revenue and profitability remain difficult to predict.

As a result, the forward looking statements that are contained herein are subject to certain risks and uncertainties that could cause the company's actual results to differ materially from historical results or current expectations. These factors include, without limitation, ongoing competitive pressures in the apparel industry, obtaining acceptable store locations, the company's ability to continue to purchase attractive name brand merchandise at desirable discounts, unseasonable weather trends, especially in California, changes in the level of consumer spending on or preferences in apparel or home related merchandise or currently unknown costs and uncertainties related to the ability to make the necessary modifications to the company's, or its major vendors', computer hardware and software systems to enable them to process information with dates or date ranges spanning the year 2000 and beyond. In addition, the company's corporate headquarters, one distribution center and 45% of its stores are located in California. Therefore, a downturn in the California economy or a major natural disaster could significantly impact the company's operating results and financial condition.

In addition to the above factors, the apparel industry is highly seasonal. The combined sales of the company for the third and fourth (holiday) fiscal quarters are higher than the combined sales for the first two fiscal quarters. The company has realized a significant portion of its profits in each fiscal year during the fourth quarter. Intensified price competition, lower than anticipated consumer demand or other seasonal factors, if they were to occur during the last six months, and in particular during the fourth quarter, could adversely affect the company's fiscal year results.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

CONSOLIDATED BALANCE SHEETS

| (\$000, except per share data) | January 31, 1998 | February 1, 1997 |
|---|---------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$56,369 | \$44,777 |
| Accounts receivable | 8,122 | 7,832 |
| Merchandise inventory | 418,825 | 373,689 |
| Prepaid expenses and other | 15,108 | 13,289 |
| Total Current Assets | <u>498,424</u> | <u>439,587</u> |
| PROPERTY AND EQUIPMENT | | |
| Land and buildings | 24,115 | 24,115 |
| Fixtures and equipment | 190,186 | 164,980 |
| Leasehold improvements | 144,247 | 135,810 |
| Construction-in-progress | 25,763 | 23,798 |
| | <u>384,311</u> | <u>348,703</u> |
| Less accumulated depreciation and amortization | 179,590 | 156,056 |
| | <u>204,721</u> | <u>192,647</u> |
| Deferred income taxes and other assets | 34,808 | 27,244 |
| Total Assets | <u>\$737,953</u> | <u>\$659,478</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$201,998 | \$184,101 |
| Accrued expenses and other | 82,290 | 84,328 |
| Accrued payroll and benefits | 39,458 | 36,356 |
| Total Current Liabilities | <u>323,746</u> | <u>304,785</u> |
| Long-term liabilities | 33,526 | 25,850 |
| STOCKHOLDERS' EQUITY | | |
| Common stock, par value \$.01 per share | | |
| Authorized 100,000,000 shares | | |
| Issued and outstanding 47,917,000 | | |
| and 49,332,000 shares | 479 | 493 |
| Additional paid-in capital | 195,562 | 164,166 |
| Retained earnings | 184,640 | 164,184 |
| | <u>380,681</u> | <u>328,843</u> |
| Total Liabilities and Stockholders' Equity | <u>\$737,953</u> | <u>\$659,478</u> |

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

CONSOLIDATED STATEMENTS OF EARNINGS

| (\$000, except share data) | Year Ended January 31, 1998 | Year Ended February 1, 1997 | Year Ended February 3, 1996<F1> |
|--|-----------------------------------|-----------------------------------|---------------------------------------|
| SALES | \$1,988,692 | \$1,689,810 | \$1,426,397 |
| COSTS AND EXPENSES | | | |
| Cost of goods sold and occupancy | 1,388,098 | 1,194,136 | 1,031,455 |
| General, selling and administrative | 374,119 | 332,439 | 293,051 |
| Depreciation and amortization | 30,951 | 28,754 | 27,033 |
| Interest (income) expense | (265) | (360) | 2,737 |
| | <u>1,792,903</u> | <u>1,554,969</u> | <u>1,354,276</u> |
| Earnings before taxes | 195,789 | 134,841 | 72,121 |
| Provision for taxes on earnings | 78,315 | 53,936 | 28,849 |
| Net earnings | <u>\$117,474</u> | <u>\$80,905</u> | <u>\$43,272</u> |
| EARNINGS PER SHARE | | | |
| Basic | \$2.40 | \$1.62 | \$.88 |
| Diluted | \$2.35 | \$1.58 | \$.87 |
| ----- | | | |
| WEIGHTED AVERAGE SHARES | | | |
| OUTSTANDING (000) | | | |
| Basic | 48,928 | 50,031 | 49,036 |
| Diluted | 50,002 | 51,311 | 49,504 |
| <FN> | | | |
| <F1> Fiscal 1995 is a 53-week year; all other years have 52 weeks. | | | |
| </FN> | | | |

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| (000) | Common Shares | Stock Amount | Additional Paid-In Capital | Retained Earnings | Total |
|---|------------------|-----------------|----------------------------------|----------------------|------------------|
| BALANCE AT JANUARY 28, 1995 | 48,866 | \$488 | \$125,207 | \$128,856 | \$254,551 |
| Common stock issued under stock plans, including tax benefit | 1,848 | 18 | 11,954 | | 11,972 |
| Stock repurchased | (1,512) | (14) | (3,998) | (8,128) | (12,140) |
| Net earnings | | | | 43,272 | 43,272 |
| Dividends declared | | | | (6,139) | (6,139) |
| BALANCE AT FEBRUARY 3, 1996 | <u>49,202</u> | <u>492</u> | <u>133,163</u> | <u>157,861</u> | <u>291,516</u> |
| Common stock issued under stock plans, including tax benefit | 4,617 | 46 | 44,301 | | 44,347 |
| Stock repurchased | (4,487) | (45) | (13,298) | (67,087) | (80,430) |
| Net earnings | | | | 80,905 | 80,905 |
| Dividends declared | | | | (7,495) | (7,495) |
| BALANCE AT FEBRUARY 1, 1997 | <u>49,332</u> | <u>493</u> | <u>164,166</u> | <u>164,184</u> | <u>328,843</u> |
| Common stock issued under stock plans, including tax benefit | 1,585 | 16 | 41,718 | | 41,734 |
| Stock repurchased | (3,000) | (30) | (10,322) | (87,794) | (98,146) |
| Net earnings | | | | 117,474 | 117,474 |
| Dividends declared | | | | (9,224) | (9,224) |
| BALANCE AT JANUARY 31, 1998 | <u>47,917</u> | <u>\$479</u> | <u>\$195,562</u> | <u>\$184,640</u> | <u>\$380,681</u> |

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

| (\$000) | Year Ended January 31, 1998 | Year Ended February 1, 1997 | Year Ended February 3, 1996<F1> |
|---|-----------------------------------|-----------------------------------|---------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net earnings | \$117,474 | \$80,905 | \$43,272 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | |
| Depreciation and amortization of property and equipment | 30,951 | 28,754 | 27,033 |
| Other amortization | 8,527 | 6,613 | 4,982 |
| Deferred income taxes | (1,732) | (7,366) | (2,898) |
| Change in assets and liabilities: | | | |
| Merchandise inventory | (45,135) | (77,724) | (20,782) |
| Other current assets - net | (2,110) | (49) | (4,380) |
| Accounts payable | 17,481 | 45,964 | 27,813 |
| Other current liabilities - net | (10,379) | 39,566 | 7,976 |
| Other | 2,807 | 437 | 4,968 |
| Net cash provided by operating activities | <u>117,884</u> | <u>117,100</u> | <u>87,984</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions to property and equipment | (33,322) | (37,105) | (41,706) |
| Net cash used in investing activities | <u>(33,322)</u> | <u>(37,105)</u> | <u>(41,706)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of long-term debt | (122) | (9,905) | (36,349) |
| Issuance of common stock related to stock plans | 34,106 | 38,703 | 7,946 |
| Repurchase of common stock | (98,146) | (80,430) | (12,140) |
| Dividends paid | (8,808) | (7,012) | (5,890) |
| Net cash used in financing activities | <u>(72,970)</u> | <u>(58,644)</u> | <u>(46,433)</u> |
| Net increase (decrease) in cash and cash equivalents | <u>11,592</u> | <u>21,351</u> | <u>(155)</u> |
| Cash and cash equivalents: | | | |
| Beginning of year | 44,777 | 23,426 | 23,581 |
| End of year | <u>\$56,369</u> | <u>\$44,777</u> | <u>\$23,426</u> |
| SUPPLEMENTAL CASH FLOW DISCLOSURES | | | |
| Interest paid | \$537 | \$831 | \$3,421 |
| Income taxes paid | \$85,529 | \$42,590 | \$24,239 |

<FN>

<F1> Fiscal 1995 is a 53-week year; all other years have 52 weeks.

</FN>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 31, 1998, February 1, 1997 and February 3, 1996 (referred to as 1997, 1996 and 1995).

Note A: Summary of Significant Accounting Policies

Business. The company is an off-price retailer of first quality, branded apparel, shoes and accessories for the entire family, as well as gift items, linens and other home related merchandise. At January 31, 1998, the company operated 325 stores. The company's headquarters, one distribution center, one warehouse and 45% of its stores are located in California.

Principles of Consolidation. The consolidated financial statements include the accounts of all subsidiaries. Intercompany transactions and accounts have been eliminated. Certain reclassifications have been made in the 1995 and 1996 financial statements to conform to the 1997 presentation. These changes had no impact on previously reported results of operations or stockholders' equity. The 1995 year consisted of 53 weeks while 1997 and 1996 each had 52 weeks.

Accounting Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents. Cash equivalents are highly liquid, fixed income instruments purchased with a maturity of three months or less.

Merchandise Inventory. Merchandise inventory is stated at the lower of cost or market determined under the unit cost method.

Deferred Store Opening Expenses. Pre-opening expenses are deferred until the store's grand opening date, at which time the deferred costs are expensed.

Advertising. Advertising costs are expensed when incurred. In 1997, 1996 and 1995, advertising expenses were \$35 million, \$39 million and \$37 million, respectively.

Deferred Rent. Many of the company's leases signed since 1988 contain fixed escalations of the minimum annual lease payments during the original term of the lease. For these leases, the company recognizes rental expense on a straight-line basis and records the difference between the average rental amount charged to expense and the amount payable under the lease as deferred rent. At the end of 1997 and 1996, the balance of deferred rent was \$10.6 million and \$9.7 million, respectively, and is included in long-term liabilities.

Intangible Assets. Included in other assets are lease rights and interests, consisting of payments made to acquire store leases, which are amortized over the remaining applicable life of the lease. Also included in other assets is the excess of cost over the acquired net assets, which is amortized on a straight-line basis over a period of 40 years.

Property and Equipment. Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful life of the asset, typically ranging from five to twelve years for equipment and 20 to 40 years for real property. The cost of leasehold improvements is amortized over the useful life of the asset or the applicable lease term, whichever is less. Computer hardware and software costs are included in fixtures and equipment and are amortized over their estimated useful life of five years.

Impairment of Long-Lived Assets. Long-lived assets and certain identifiable intangibles, including goodwill, held and used by the company, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Based on the company's review as of January 31, 1998 and February 1, 1997, no adjustments were recognized to the carrying value of such assets.

Estimated Fair Value of Financial Instruments. The carrying value of cash and cash equivalents, accounts receivable, accounts payable and long-term debt approximates their estimated fair value.

Stock-Based Compensation. The company accounts for stock-based awards to employees using the intrinsic value method prescribed by "Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees."

Taxes on Earnings. Income taxes are accounted for under an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the company's financial statements or tax returns. In estimating future tax consequences, the company generally considers all expected future events other than changes in the tax law or rates.

Stock Dividend. All share and per share information has been adjusted to reflect the effect of the company's two-for-one stock split effected in the form of a 100% stock dividend on March 5, 1997.

Earnings Per Share. In 1997, the company adopted the provisions of Statement of Financial Accounting Standards No. 128 (SFAS 128), "Earnings per Share." SFAS 128 requires dual presentation of two earnings per share (EPS) amounts, basic EPS and diluted EPS, on the face of all income statements instead of primary and fully diluted EPS. Basic EPS excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if options to issue common stock were exercised into common stock. EPS for all periods presented have been restated to reflect the adoption of SFAS 128.

The following is a reconciliation of the number of shares (denominator) used in the basic and diluted EPS computations (shares in thousands):

| | Basic EPS | Effect of Diluted Stock Options | Diluted EPS |
|--------|--------------|---------------------------------------|----------------|
| 1997 | | | |
| Shares | 48,928 | 1,074 | 50,002 |
| Amount | \$2.40 | \$ (.05) | \$2.35 |
| 1996 | | | |
| Shares | 50,031 | 1,280 | 51,311 |
| Amount | \$1.62 | \$ (.04) | \$1.58 |
| 1995 | | | |
| Shares | 49,036 | 468 | 49,504 |
| Amount | \$.88 | \$ (.01) | \$.87 |

Note B: Long-Term Debt

The company had no outstanding debt at year-end 1997 and 1996. The weighted average interest rates on borrowings during 1997, 1996 and 1995 were 5.8%, 8.3% and 7.1%, respectively. The decrease in 1997 over 1996 reflects the mortgage debt in 1996 on the East Coast distribution center at an interest rate of 9.5%, contributing to the higher weighted average interest on borrowings in 1996.

Mortgage. On August 8, 1991, the company obtained a \$10.8 million mortgage at 9.5% interest, collateralized by the land and building of its East Coast distribution center, with interest and principal based on a 20-year amortization period. On August 30, 1996, the company paid in full the outstanding balance on the mortgage loan. The outstanding principal and accrued interest paid was \$9.7 million.

Bank Credit Facilities. The company has available under its principal credit agreement a \$160 million revolving credit facility, and a \$30 million credit facility, the latter solely for the issuance of letters of credit, both of which expire September 2002. Interest is payable upon borrowing maturity but no less than quarterly. At year-end 1997 and 1996, the company had \$16.6 million and \$12.2 million, respectively, in outstanding letters of credit. Borrowing under the credit facilities is subject to the company maintaining certain interest rate coverage and leverage ratios. As of January 31, 1998, the company was in compliance with these bank covenants.

In addition, the company has \$45 million in short-term bank lines of credit, which are available until canceled by either party. When utilized, interest is payable monthly under several pricing options.

Included in accounts payable are checks outstanding in excess of cash balances of approximately \$50.6 million and \$35.4 million at year-end 1997 and 1996, respectively. The company can utilize its revolving line of credit to cover payment of these checks as they clear the bank.

Note C: Leases

During fiscal 1997, the company leased its distribution center and corporate office located in Newark, California, under a 15-year lease agreement expiring 2002. The lease contains six renewal options of five years each. The company exercised its right to purchase its Newark, California, distribution center and corporate headquarters for \$24.6 million and anticipates completing this transaction on April 1, 1998. In September 1997, the company entered into a five-year lease for a warehouse in Newark, California, which will store the company's packaway merchandise. In February 1998, the company entered into a three-year lease for a warehouse in Carlisle, Pennsylvania. Both of these buildings replace third party warehousing services. In addition, the company leases its store sites, selected computer and related equipment and distribution center equipment under operating leases with original, noncancelable terms that in general range from three to fifteen years, expiring through 2012. Store leases typically contain provisions for three to four renewal options of five years each. Most store leases also provide for minimum annual rentals, with provisions for additional rent based on percentage of sales and for payment of certain expenses.

The aggregate future minimum annual lease payments under leases in effect at year-end 1997 are as follows:

| (\$000) | Amounts |
|-------------|-----------|
| 1998 | \$105,670 |
| 1999 | 104,679 |
| 2000 | 90,268 |
| 2001 | 79,619 |
| 2002 | 68,940 |
| Later years | 233,881 |
| Total | \$683,057 |

Total rent expense for all operating leases is as follows:

| (\$000) | 1997 | 1996 | 1995 |
|-----------------|-----------|----------|----------|
| Minimum rentals | \$100,109 | \$91,746 | \$84,340 |

Note D: Taxes on Earnings

The provision for taxes consists of the following:

| (\$000) | 1997 | 1996 | 1995 |
|----------|-----------------|-----------------|-----------------|
| CURRENT | | | |
| Federal | \$65,754 | \$49,628 | \$25,746 |
| State | 14,294 | 11,674 | 6,001 |
| | <u>80,048</u> | <u>61,302</u> | <u>31,747</u> |
| DEFERRED | | | |
| Federal | (1,693) | (6,385) | (2,715) |
| State | (40) | (981) | (183) |
| | <u>(1,733)</u> | <u>(7,366)</u> | <u>(2,898)</u> |
| Total | <u>\$78,315</u> | <u>\$53,936</u> | <u>\$28,849</u> |

In 1997, 1996 and 1995, the company realized tax benefits of \$14.1 million, \$14.0 million and \$1.7 million, respectively, related to stock options exercised and the vesting of restricted stock that were credited to additional paid-in capital.

The provisions for taxes for financial reporting purposes are different from the tax provision computed by applying the statutory federal income tax rate. The differences are reconciled as follows:

| | 1997 | 1996 | 1995 |
|--|------------|------------|------------|
| Federal income taxes at the statutory rate | 35% | 35% | 35% |
| Increased income taxes resulting from state income taxes, net of federal benefit | 5% | 5% | 5% |
| | <u>40%</u> | <u>40%</u> | <u>40%</u> |

The components of the net deferred tax assets at year-end are as follows:

| (\$000) | 1997 | 1996 |
|------------------------------|-----------------|-----------------|
| DEFERRED TAX ASSETS | | |
| California franchise taxes | \$2,324 | \$2,031 |
| Straight-line rent | 4,457 | 4,135 |
| Deferred compensation | 9,724 | 5,986 |
| Reserve for uninsured losses | 1,525 | 1,323 |
| Employee benefits | 5,794 | 6,011 |
| Other | 553 | 3,234 |
| | <u>24,377</u> | <u>22,720</u> |
| DEFERRED TAX LIABILITIES | | |
| Depreciation | (15,347) | (14,789) |
| Prepaid expenses | (1,974) | (2,794) |
| Supplies | (1,617) | (1,535) |
| Other | (144) | (39) |
| | <u>(19,082)</u> | <u>(19,157)</u> |
| NET DEFERRED TAX ASSETS | \$5,295 | \$3,563 |

Note E: Employee Benefit Plans

The company has available to certain employees a profit sharing retirement plan. Under the plan, employee and company contributions and accumulated plan earnings qualify for favorable tax treatment under Section 401(k) of the Internal Revenue Code. In 1987, the company adopted an Incentive Compensation Program, which provides cash awards to key management employees based on the company's and the individual's performance. In 1991, the company began offering an Executive Supplemental Retirement Plan, which allows eligible employees to purchase individual life insurance policies and/or annuity contracts. In 1993, the company made available to management a Nonqualified Deferred Compensation Plan, which allows management to make payroll contributions on a pre-tax basis in addition to the 401(k) Plan. This plan does not qualify under Section 401(k) of the Internal Revenue Code.

Note F: Stockholders' Equity

Preferred Stock. The company has four million shares of preferred stock authorized, with a par value of \$.01 per share. No preferred stock has been issued or outstanding during the past three years.

Common Stock. The company's Board of Directors has approved repurchase programs over the past several years that resulted in the buyback of 3.0 million shares at an average price of \$32.72 in 1997, 4.5 million shares at an average price of \$17.93 in 1996 and 1.5 million shares at an average price of \$8.03 in 1995. In January 1998, the company's Board of Directors authorized an expansion and continuation of these repurchase programs for additional shares of the company's common stock totaling \$110 million.

Dividends. The company's Board of Directors declared cash dividends of \$.055 per common share in January 1998; \$.045 per common share in January, May, August and November 1997; and \$.035 per common share in January, May, August and November 1996.

Stock-Based Compensation Plans. At January 31, 1998, the company had four stock-based compensation plans which are described below. Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation," establishes a fair value method of accounting for stock options and other equity instruments. Had compensation cost for these stock option and stock purchase plans been determined based on the fair value at the grant dates for awards under those plans consistent with the methods of SFAS 123, the company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

| (\$000, except per share data) | | 1997 | 1996 | 1995 |
|--------------------------------|-------------|-----------|----------|----------|
| Net Income | As reported | \$117,474 | \$80,905 | \$43,272 |
| | Pro forma | \$114,109 | \$79,011 | \$42,480 |
| Basic earnings per share | As reported | \$2.40 | \$1.62 | \$.88 |
| | Pro forma | \$2.33 | \$1.58 | \$.87 |
| Diluted earnings per share | As reported | \$2.35 | \$1.58 | \$.87 |
| | Pro forma | \$2.29 | \$1.54 | \$.86 |

The impact of outstanding non-vested stock options granted prior to 1995 has been excluded from the pro forma calculation; accordingly, the 1997, 1996 and 1995 pro forma adjustments are not indicative of future period pro forma adjustments, when the calculation will apply to all applicable stock options.

1992 Stock Option Plan. The company's 1992 Stock Option Plan allows for the granting of incentive and non-qualified stock options. Stock options are to be granted at prices not less than the fair market value of the common shares on the date the option is granted, expire ten years from the date of grant and normally vest over a period not exceeding four years from the date of grant. Options under the plan are exercisable upon grant, subject to the company's conditional right to repurchase unvested shares.

Outside Directors Stock Option Plan. The company's Outside Directors Stock Option Plan provides for the automatic grant of stock options at pre-established times and for fixed numbers of shares to each non-employee director. Stock options are to be granted at exercise prices not less than the fair market value of the common shares on the date the option is granted, expire ten years from the date of grant and normally vest over a period not exceeding three years from the date of the grant.

A summary of the activity under the company's two option plans for 1997, 1996 and 1995 is presented below:

| (000) | Number of Shares | Weighted Average Exercise Price |
|--------------------------------|---------------------|--|
| Outstanding and exercisable at | | |
| January 28, 1995 | 5,710 | \$ 7.41 |
| Granted | 1,534 | \$ 6.19 |
| Exercised | (967) | \$ 4.84 |
| Forfeited | (278) | \$ 7.87 |
| Outstanding and exercisable at | | |
| February 3, 1996 | 5,999 | \$ 7.49 |
| Granted | 1,286 | \$15.07 |
| Exercised | (3,904) | \$ 7.95 |
| Forfeited | (148) | \$ 9.01 |
| Outstanding and exercisable at | | |
| February 1, 1997 | 3,233 | \$ 9.89 |
| Granted | 1,025 | \$26.65 |
| Exercised | (1,155) | \$ 9.00 |
| Forfeited | (249) | \$11.03 |
| Outstanding and exercisable at | | |
| January 31, 1998 | 2,854 | \$16.17 |

At year-end 1997, 1996 and 1995, there were 1.5 million, 2.3 million and 3.3 million shares, respectively, available for future issuance under these plans.

The weighted average fair values per share of options granted during 1997, 1996 and 1995 were \$7.98, \$4.72 and \$1.89, respectively. For determining pro forma earnings per share, the fair values for each option granted were estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions for 1997, 1996 and 1995, respectively: (i) dividend yield of 0.6%, 0.8% and 1.1%, (ii) expected volatility of 43.0%, 43.8% and 43.2%, (iii) risk-free interest rate of 6.2%, 5.9% and 6.7% and (iv) expected life of 3.3 years, 3.4 years and 3.3 years. The company's calculations are based on a multiple option approach, and forfeitures are recognized as they occur.

The following table summarizes information about stock options outstanding and exercisable at January 31, 1998:

| Range of Exercise Prices | Number of Shares (000) | Weighted Average | |
|--------------------------|------------------------------|---|-------------------|
| | | Remaining Contractual Life (Years) | Exercise Price |
| \$2.88 to \$5.88 | 572 | 5.93 | \$ 5.39 |
| \$5.94 to \$13.00 | 481 | 6.39 | \$ 8.95 |
| \$13.44 to \$13.56 | 598 | 8.13 | \$13.56 |
| \$13.63 to \$25.69 | 304 | 8.74 | \$21.14 |
| \$25.88 to \$25.88 | 742 | 9.13 | \$25.88 |
| \$26.19 to \$40.31 | 157 | 9.46 | \$32.02 |
| Totals | 2,854 | 7.78 | \$16.17 |

Employee Stock Purchase Plan. Under the Employee Stock Purchase Plan, eligible full-time employees can choose to have up to 10% of their annual base earnings withheld to purchase the company's common stock. The purchase price of the stock is 85% of the lower of the beginning of the offering period or end of the offering period market price. During 1997, 1996 and 1995, employees purchased approximately 86,000, 155,000 and 261,000 shares, respectively, of the company's common stock under the plan at weighted average per-share prices of \$21.79, \$8.89 and \$8.96, respectively. Through January 31, 1998, approximately 1,523,000 shares had been issued under this plan and 477,000 shares remained available for future issuance.

The weighted average fair values of the 1997, 1996 and 1995 awards were \$8.20, \$6.72 and \$3.02 per share, respectively. For determining pro forma earnings per share, the fair value of the employees' purchase rights was estimated using the Black-Scholes option pricing model using the following assumptions for 1997, 1996 and 1995, respectively: (i) dividend yield of 0.6%, 0.8% and 1.7%, (ii) expected volatility of 43.1%, 48.1% and 34.8%, (iii) risk-free interest rate of 5.6%, 5.5% and 5.9%, and (iv) expected life of 1.0 year, 1.0 year and 1.0 year.

Restricted Stock Plan. The company's Restricted Stock Plan provides for stock awards to officers and certain key employees. All awards under the plan entitle the participant to full dividend and voting rights. Unvested shares are restricted as to disposition and subject to forfeiture under certain circumstances. Upon issuance of restricted shares, unearned compensation is charged to stockholders' equity for the cost of restricted stock and recognized as amortization expense ratably over the vesting period of generally two to five years. At year-end 1997, 1996 and 1995, the unamortized compensation expense was \$9.4 million, \$7.1 million and \$4.1 million, respectively. A summary of restricted stock award activity follows:

| Restricted Stock Plan (000) | 1997 | 1996 | 1995 |
|--|--------------|--------------|--------------|
| Shares available for grant beginning of year | 2,872 | 1,431 | 451 |
| New shares authorized | | 2,000 | 1,600 |
| Restricted shares granted | (390) | (559) | (666) |
| Restricted shares forfeited | 48 | | 46 |
| Awards available for grant at end of year | <u>2,530</u> | <u>2,872</u> | <u>1,431</u> |
| | ===== | ===== | ===== |
| Weighted average market value per share on grant date | \$26.55 | \$15.46 | \$6.31 |
| | ===== | ===== | ===== |

Note G: Legal Proceedings

The company is party to various legal proceedings arising from normal business activities. In the opinion of management, resolution of these matters will not have a material adverse effect on the company's consolidated financial statements taken as a whole.

Note H: Quarterly Financial Data (Unaudited)

| (\$000, except per share data) | 13 Weeks Ended May 3, 1997 | 13 Weeks Ended August 2, 1997 | 13 Weeks Ended November 1, 1997 | 13 Weeks Ended January 31, 1998 | 52 Weeks Ended January 31, 1998 |
|---|-------------------------------------|--|--|--|--|
| Sales | \$442,841 | \$490,679 | \$482,875 | \$572,297 | \$1,988,692 |
| Gross margin, after occupancy | 133,328 | 149,570 | 147,910 | 169,786 | 600,594 |
| Net earnings | 23,753 | 27,998 | 25,055 | 40,668 | 117,474 |
| Net earnings per diluted share | .47 | .55 | .50 | .83 | 2.35 |
| Dividends declared per share on common stock | | .045 | .045 | .10<F1> | .19 |
| Closing stock price(3) | | | | | |
| High | \$29.25 | \$34.06 | \$38.00 | \$41.81 | \$41.81 |
| Low | \$20.19 | \$26.50 | \$29.00 | \$32.50 | \$20.19 |

| (\$000, except per share data) | 13 Weeks Ended May 4, 1996 | 13 Weeks Ended August 3, 1996 | 13 Weeks Ended November 2, 1996 | 13 Weeks Ended February 1, 1997 | 52 Weeks Ended February 1, 1997 |
|---|-------------------------------------|--|---------------------------------------|--|--|
| Sales | \$370,948 | \$405,656 | \$403,383 | \$509,823 | \$1,689,810 |
| Gross margin, after occupancy | 106,890 | 120,038 | 119,586 | 149,160 | 495,674 |
| Net earnings | 13,936 | 18,649 | 16,354 | 31,966 | 80,905 |
| Net earnings per diluted share | .27 | .36 | .32 | .63 | 1.58 |
| Dividends declared per share on common stock | | .035 | .035 | .08<F2> | .15 |
| Closing stock price<F3> | | | | | |
| High | \$17.44 | \$20.81 | \$21.31 | \$26.19 | \$26.19 |
| Low | \$9.94 | \$14.50 | \$16.87 | \$20.44 | \$9.94 |

<FN>

<F1> Includes \$.045 per share dividend declared November 1997 and \$.055 per share dividend declared January 1998.

<F2> Includes \$.035 per share dividend declared November 1996 and \$.045 per share dividend declared in January 1997.

<F3> Ross Stores, Inc. common stock trades on the Nasdaq National Market tier of The Nasdaq Stock Market(SM) under the symbol ROST.

</FN>

Board of Directors and Stockholders
Ross Stores, Inc.
Newark, California

We have audited the accompanying consolidated balance sheets of Ross Stores, Inc. and subsidiaries (the "Company") as of January 31, 1998 and February 1, 1997, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended January 31, 1998. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, such consolidated financial statements present fairly, in all material respects, the financial position of the company as of January 31, 1998 and February 1, 1997, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 1998 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
San Francisco, California
March 17, 1998

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required by this item is incorporated herein by reference to the sections entitled (i) "Executive Officers of the Registrant" at the end of Part I of this report; (ii) "Information Regarding Nominees and Incumbent Directors" of the Ross Stores, Inc. Proxy Statement for the Annual Meeting of Stockholders to be held on Thursday, May 28, 1998 (the "Proxy Statement"); and (iii) "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to the sections of the Proxy Statement entitled (i) "Compensation Committee Interlocks and Insider Participation"; (ii) "Compensation of Directors"; (iii) "Employment Contracts, Termination of Employment and Change-in-Control Arrangements"; and (iv) the following tables, and their footnotes, Summary Compensation, Option Grants in Last Fiscal Year and Aggregated Option Exercises and Year-End Values.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated herein by reference to the section of the Proxy Statement entitled "Stock Ownership of Certain Beneficial Owners and Management".

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated herein by reference to the sections of the Proxy Statement entitled (i) "Compensation of Directors" and (ii) "Certain Transactions".

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

- (a) The following financial statements, schedules and exhibits are filed as part of this report or are incorporated herein as indicated:

1. List of Financial Statements.

The following consolidated financial statements included herein as

Item 8:

Consolidated Balance Sheets at January 31, 1998 and February 1, 1997.

Consolidated Statements of Earnings for the years ended January 31, 1998, February 1, 1997 and February 3, 1996.

Consolidated Statements of Stockholders' Equity for the years ended January 31, 1998, February 1, 1997 and February 3, 1996.

Consolidated Statements of Cash Flows for the years ended January 31, 1998, February 1, 1997 and February 3, 1996.

Notes to Consolidated Financial Statements.
Independent Auditors' Report.

2. List of Financial Statement Schedules.

Schedules are omitted because they are not required, not applicable, or shown in the financial statements or notes thereto which are contained in this Report.

3. List of Exhibits (in accordance with Item 601 of Regulation S-K).

Incorporated herein by reference to the list of Exhibits contained in the Exhibit Index which begins on page 35 of this Report.

- (b) Reports on Form 8-K.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) 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.

ROSS STORES, INC.

(Registrant)

Date: April 22, 1998 By: /s/Michael Balmuth
Michael Balmuth
Vice Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|----------------|
| /s/Michael Balmuth Michael Balmuth | Vice Chairman and Chief Executive Officer | April 22, 1998 |
| /s/M. Wilmore Melvin A. Wilmore | President, Chief Operating Officer and Director | April 22, 1998 |
| /s/J. Call John G. Call | Senior Vice President, Chief Financial Officer, Principal Accounting Officer and Corporate Secretary | April 22, 1998 |
| /s/Norman A. Ferber Norman A. Ferber | Chairman of the Board | April 22, 1998 |
| /s/Stuart G. Moldaw Stuart G. Moldaw | Chairman Emeritus | April 22, 1998 |
| /s/G. Orban George P. Orban | Director | April 22, 1998 |
| /s/Philip Schlein Philip Schlein | Director | April 22, 1998 |
| /s/Donald H. Seiler Donald H. Seiler | Director | April 22, 1998 |
| /s/D. L. Weaver Donna L. Weaver | Director | April 22, 1998 |

INDEX TO EXHIBITS

| Exhibit Number | Exhibit |
|-------------------|---|
| 3.1 | Certificate of Incorporation, as amended, incorporated by reference to Exhibit 3.1 to the Registration Statement on Form 8-B (the "Form 8-B") filed September 1, 1989 by Ross Stores, Inc., a Delaware corporation ("Ross Stores"). |
| 3.2 | Amended By-laws, dated August 25, 1994, incorporated by reference to Exhibit 3.2 to the Form 10-Q filed by Ross Stores for its quarter ended July 30, 1994. |
| 10.1 | Agreement of Lease, dated November 24, 1986, for Ross Stores' corporate headquarters and distribution center in Newark, CA, incorporated by reference to Exhibit 10.5 to the Form 8-B. |
| 10.2 | Credit Agreement, dated September 15, 1997, among Ross Stores, Bank of America, National Trust and Savings Association ("Bank of America") as Agent and the other financial institutions party thereto, incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores for its quarter ended November 1, 1997. |
| 10.3 | Letter of Credit Agreement, dated September 15, 1997, between Ross Stores and Bank of America, incorporated by reference to Exhibit 10.3 to the Form 10-Q filed by Ross Stores for its quarter ended November 1, 1997. |
| 10.4 | Amendment to Credit Agreement, dated as of October 7, 1997 between Ross Stores and Bank of America, incorporated by reference to Exhibit 10.4 to the Form 10-Q filed by Ross Stores for its quarter ended November 1, 1997. |
| 10.5 | Second Amendment to Credit Agreement, dated as of January 30, 1998 between Ross Stores and Bank of America. |

MANAGEMENT CONTRACTS AND COMPENSATORY PLANS (EXHIBITS 10.6 - 10.34)

| | |
|-------|--|
| 10.6 | Amended and Restated 1992 Stock Option Plan, incorporated by reference to the appendix to the Proxy Statement filed by Ross Stores on April 24, 1998 for its Annual Stockholders Meeting to be held May 28, 1998. |
| 10.7 | Third Amended and Restated Ross Stores Employee Stock Purchase Plan, incorporated by reference to the appendix to the Proxy Statement filed by Ross Stores on April 24, 1995 for its Annual Stockholders Meeting held May 25, 1995. |
| 10.8 | Third Amended and Restated Ross Stores 1988 Restricted Stock Plan, incorporated by reference to the appendix to the Proxy Statement filed by Ross Stores on April 24, 1996 for its Annual Stockholders Meeting held May 30, 1996 ("1996 Proxy Statement"). |
| 10.9 | 1991 Outside Directors Stock Option Plan, incorporated by reference to the appendix to the 1996 Proxy Statement. |
| 10.10 | Ross Stores Executive Medical Plan, incorporated by reference to Exhibit 10.13 to the 1993 Form 10-K filed by Ross Stores for its year ended January 29, 1994 ("1993 Form 10-K"). |
| 10.11 | Third Amended and Restated Ross Stores Executive Supplemental Retirement Plan, incorporated by reference to Exhibit 10.14 to the 1993 Form 10-K. |
| 10.12 | Ross Stores Non-Qualified Deferred Compensation Plan, incorporated by reference to Exhibit 10.15 to the 1993 Form 10-K. |

- 10.13 Ross Stores Incentive Compensation Plan, incorporated by reference to the appendix to the 1996 Proxy Statement.
- 10.14 Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber, effective as of June 1, 1995, incorporated by reference to Exhibit 10.17 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.
- 10.15 Amendment to Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber, entered into July 29, 1996, incorporated by reference to Exhibit 10.17 to the Form 10-Q filed by Ross Stores for its quarter ended August 3, 1996.
- 10.16 Amendment to Amended Restated Employment Agreement between Ross Stores and Norman A. Ferber effective as of March 20, 1997, incorporated by reference to Exhibit 10.19 to the Form 10-Q filed by Ross Stores for its quarter ended May 3, 1997.
- 10.17 Third Amendment to Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber, effective as of April 15, 1997, incorporated by reference to Exhibit 10.20 to the Form 10-Q filed by Ross Stores for its quarter ended May 3, 1997.
- 10.18 Fourth Amendment to Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber, effective as of November 20, 1997.
- 10.19 Employment Agreement between Ross Stores and Melvin A. Wilmore, effective as of March 15, 1994, incorporated by reference to Exhibit 10.20 to the Form 10-Q filed by Ross Stores for its quarter ended April 30, 1994.
- 10.20 Amendment to Employment and Stock Grant Agreement by and between Ross Stores and Melvin A. Wilmore, effective as of March 16, 1995, incorporated by reference to Exhibit 10.20 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.
- 10.21 Second Amendment to Employment Agreement by and between Ross Stores and Melvin A. Wilmore, effective as of June 1, 1995, incorporated by reference to Exhibit 10.21 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.
- 10.22 Third Amendment to Employment Agreement by and between Ross Stores and Melvin A. Wilmore, entered into July 29, 1996, incorporated by reference to Exhibit 10.22 to the Form 10-Q filed by Ross Stores for its quarter ended August 3, 1996.
- 10.23 Fourth Amendment to Employment Agreement by and between Ross Stores and Melvin A. Wilmore, entered into May 19, 1997, incorporated by reference to Exhibit 10.25 to the Form 10-Q filed by Ross Stores for its quarter ended August 2, 1997.
- 10.24 Employment Agreement between Ross Stores and Michael Balmuth, effective as of February 1, 1995, incorporated by reference to Exhibit 10.15 to the Form 10-Q filed by Ross Stores for its quarter ended April 29, 1995.
- 10.25 Amendment to Employment Agreement between Ross Stores and Michael Balmuth, effective as of June 1, 1995, incorporated by reference to Exhibit 10.24 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.
- 10.26 Second Amendment to Employment Agreement between Ross Stores and Michael Balmuth, entered July 29, 1996, incorporated by reference to Exhibit 10.26 to the Form 10-Q filed by Ross Stores for its quarter ended August 3, 1996.
- 10.27 Third Amendment to Employment Agreement between Ross Stores and Michael Balmuth, entered into May 19, 1997, incorporated by reference to Exhibit 10.29 to the Form 10-Q filed by Ross Stores for its quarter

ended August 2, 1997.

Exhibit

Number Exhibit

- 10.28 Employment Agreement between Ross Stores and Barry S. Gluck, effective as of March 1, 1996, incorporated by reference to Exhibit 10.23 to the Form 10-Q filed by Ross Stores for its quarter ended May 4, 1996.
- 10.29 First Amendment to Employment Agreement between Ross Stores and Barry S. Gluck, dated September 1, 1996, incorporated by reference to Exhibit 10.28 to the Form 10-Q filed by Ross Stores for its quarter ended October 2, 1996.
- 10.30 Employment Agreement between Ross Stores and Irene A. Jamieson, effective as of March 1, 1996, incorporated by reference to Exhibit 10.24 to the Form 10-Q filed by Ross Stores for its quarter ended May 4, 1996.
- 10.31 First Amendment to Employment Agreement between Ross Stores and Irene A. Jamieson, dated September 1, 1996, incorporated by reference to Exhibit 10.30 to the Form 10-Q filed by Ross Stores for its quarter ended October 2, 1996.
- 10.32 Employment Agreement between Ross Stores and Barbara Levy, effective as of March 1, 1996, incorporated by reference to Exhibit 10.25 to the Form 10-Q filed by Ross Stores for its quarter ended May 4, 1996.
- 10.33 First Amendment to Employment Agreement between Ross Stores and Barbara Levy, dated September 1, 1996, incorporated by reference to Exhibit 10.32 to the Form 10-Q filed by Ross Stores for its quarter ended October 2, 1996.
- 10.34 Consulting Agreement between Ross Stores and Stuart Moldaw, effective as of April 1, 1997, incorporated by reference to Exhibit 10.34 to the Form 10-Q filed by Ross Stores for its quarter ended May 3, 1997.
- 23 Independent Auditors' Consent.
- 27 Financial Data Schedules (submitted for SEC use only).

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WAIVER AND FIRST AMENDMENT TO CREDIT AGREEMENT

This Waiver and Amendment, dated as of January 31, 1998, is entered into by and among ROSS STORES, INC. (the "Company"), BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as agent for itself and the Banks (the "Agent"), and the several financial institutions party to the Credit Agreement (collectively, the "Banks").

RECITALS

A. The Company, Banks, and Agent are parties to a Credit Agreement dated as of September 15, 1997 (the "Credit Agreement") pursuant to which the Agent and the Banks have extended certain credit facilities to the Company.

B. The Company has requested the waiver of certain terms of the Credit Agreement to permit the formation and capitalization of the new Subsidiaries listed on Exhibit A (the "Subsidiaries").

C. The Banks are willing to provide such waiver, subject to the terms and conditions of this Waiver and Amendment.

AGREEMENT

1. Defined Terms. Unless otherwise defined herein, capitalized terms used herein shall have the meanings, if any, assigned to them in the Credit Agreement.

2. Waiver. The Banks hereby consent to the formation and capitalization of the Subsidiaries, substantially in accordance with the plan previously provided to the Banks, and agree that the formation and capitalization of the Subsidiaries and the execution by such Subsidiaries of the guaranties required by this Waiver and Amendment, shall not be considered in calculating compliance with section 7.04 of the Credit Agreement.

3. Amendment to Credit Agreement. Section 8.01 of the Credit Agreement, "Event of Default," is hereby amended by adding the following subparagraph:

(n) Guarantor Defaults. Any Person executing a guaranty of the Company's obligations under this Agreement (each a "Guarantor") fails in any material respect to perform or observe any term, covenant or agreement in the Guaranties; or any such guaranty is for any reason partially (including with respect to future advances) or wholly revoked or invalidated, or otherwise ceases to be in full force and effect, or any Guarantor or any other Person contests in any manner the validity or enforceability thereof or denies that it has any further liability or obligation thereunder.

4. Effective Date. This Waiver and Amendment will become effective (the "Effective Date") on the later of the date of this Waiver and Amendment and the date that each of the following conditions is satisfied, or waived by the Agents and the Banks

(a) The Agent has received from the Company and each of the Banks a duly executed original (or, if elected by the Agent, an executed facsimile copy) of this Waiver and Amendment.

(b) The Agent has received a Guaranty, in form and substance acceptable to the Agent and the Banks, executed by each Subsidiary. The Guaranty shall constitute a "Loan Document," as defined in the Credit Agreement.

(c) The Agent has received evidence, in form and substance acceptable to the Agent, of the due formation of each Subsidiary and of the due authorization of the execution of the Guaranty.

(d) All representations and warranties contained herein are true and correct as of the Effective Date.

5. Balance Sheets. The Company shall, no later than 90 days after the date of this Waiver and Amendment, provide to the Banks through the Agent balance sheets for each of the Subsidiaries, dated as of the Effective Date.

6. Representations and Warranties. The Company hereby represents and warrants to the Agent and the Banks as follows:

(a) No Default or Event of Default has occurred and is continuing.

(b) The execution, delivery and performance by the Company of this Waiver and Amendment have been duly authorized by all necessary corporate and other action and do not and will not require any registration with, consent or approval of, notice to or action by, any Person (including any Governmental Authority) in order to be effective and enforceable. The Credit Agreement as amended by this Waiver and Amendment constitutes the legal, valid and binding obligations of the Company, enforceable against it in accordance with its respective terms, without defense, counterclaim or offset.

(c) All representations and warranties of the Company contained in the Credit Agreement are true and correct.

(d) The Company is entering into this Waiver and Amendment on the basis of its own investigation and for its own reasons, without reliance upon the Agent and the Banks or any other Person.

7. Miscellaneous.

(a) Except as herein expressly amended, all terms, covenants and provisions of the Credit Agreement are and shall remain in full force and effect and all references therein to such Credit Agreement shall henceforth refer to the Credit Agreement as amended by this Waiver and Amendment. This Waiver and Amendment shall be deemed incorporated into, and a part of, the Credit Agreement.

(b) This Waiver and Amendment shall be binding upon and inure to the benefit of the parties hereto and thereto and their respective successors and assigns. No third party beneficiaries are intended in connection with this Waiver and Amendment.

(c) This Waiver and Amendment shall be governed by and construed in accordance with the law of the State of California.

(d) This Waiver and Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. Each of the parties hereto understands and agrees that this document (and any other document required herein) may be delivered by any party thereto either in the form of an executed original or an executed original sent by facsimile transmission to be followed promptly by mailing of a hard copy original, and that receipt by the Agent of a facsimile transmitted document purportedly bearing the signature of a Bank or the Company shall bind such Bank or the Company, respectively, with the same force and effect as the delivery of a hard copy original. Any failure by the Agent to receive the hard copy executed original of such document shall not diminish the binding effect of receipt of the facsimile transmitted executed original of such document of the party whose hard copy page was not received by the Agent.

(e) This Waiver and Amendment, together with the Credit Agreement, contains the entire and exclusive agreement of the parties hereto with reference to the matters discussed herein and therein. This Waiver and Amendment supersedes all prior drafts and communications with respect thereto. This Waiver and Amendment may not be amended except in accordance with the provisions of the Credit Agreement.

(f) If any term or provision of this Waiver and Amendment shall be deemed prohibited by or invalid under any applicable law, such provision shall be invalidated without affecting the remaining provisions of this Waiver and Amendment or the Credit Agreement, respectively.

(g) The Company covenants to pay to or reimburse the Agent, upon demand, for all costs and expenses (including allocated costs of in-house counsel) incurred in connection with the development, preparation, negotiation, execution and delivery of this Waiver and Amendment, including without limitation appraisal, audit, search and filing fees incurred in connection therewith.

8. Correction of Error. On the signature page of the original Credit Agreement, one of the Banks was incorrectly described as NationsBank, N.A. The correct name of the Bank is NationsBank of Texas, N.A.

ROSS STORES, INC.

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Agent

By:/s/John Call

By: /s/Christine E. Cordi
Christine E. Cordi
Vice President

Title: Senior Vice President

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as a Bank

WELLS FARGO BANK, N.A.
as a Bank

By:/s/Hagop V. Bouldoukian
Hagop V. Bouldoukian
Vice President

By: /s/ Frieda Youlios

Printed Name Frieda Youlios
Title Vice President

By: /s/ Mark Haberecht

Printed Name Mark Haberecht
Title Assistant Vice President

BANQUE NATIONALE DE PARIS,
as a Bank

NATIONSBANK OF TEXAS, N. A.,
as a Bank

By: /s/Katherine Wolfe

By: /s/ Brad DeSpain
Brad DeSpain
Senior Vice President

Printed Name Katherine Wolfe
Title Vice President

By: /s/ Debra Wright
Debra Wright
Vice President

THE BANK OF NEW YORK,
as a Bank

By: /s/William A. Kerr
William A. Kerr
Senior Vice President

EXHIBIT A
SUBSIDIARIES

Texflo, Inc., a California corporation
Ross Stores Texas, L.P., a Texas limited partnership
Ross Florida Dress For Less, L.C., a Florida limited liability company
Ross Stores Resources, Inc., a California corporation
Ross Stores Administration Company, a California corporation
Ross Stores Asset Management Company, a California corporation
Ross Stores Asset I Company, a California corporation
Ross Stores Asset II Company, a California corporation

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FOURTH AMENDMENT TO
AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS FOURTH AMENDMENT TO AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Amendment") is made and entered into this 20th day of November 1997, by and between ROSS STORES, INC. (The "Company") and NORMAN A. FERBER (the "Executive").

A. The Company and the Executive have previously entered into an Amended and Restated Employment Agreement as of June 1, 1995, which has subsequently been amended on July 29, 1996, March 20, 1997 and April 15, 1997 (as amended, the "Agreement").

B. It is now the intention of the Company and the Executive to further amend the Agreement.

Accordingly, the Company and the Executive hereby agree as follows:

A. Paragraph 2 of the Agreement is hereby amended to provide that the Executive shall continue to serve as Chairman of the Board of the Company at the will of the Board through January 31, 1999.

B. Paragraph 3 of the Agreement is hereby amended to provide that the Executive shall continue to be retained as a consultant by the Company through January 31, 1999, which date shall be the "Consultancy Termination Date".

C. Paragraph 5(a) of the Agreement is hereby amended to provide that the Executive shall be paid a consulting fee of \$83,333.33 per month for his services as a consultant from February 1, 1998 through January 31, 1999. Notwithstanding the provisions of Paragraph 5(b) of the Agreement, the Executive shall not be entitled to any bonus for performance during the period from February 1, 1998 through January 31, 1999, but shall continue to be entitled to all other benefits and payments provided in the Agreement.

D. Paragraph 5(e) of the Agreement is hereby amended to change "the summer of 1997" in the last sentence thereof to "the summer of 1998."

E. Except as amended by this Amendment, the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Fourth Amendment to the Amended and Restated Employment Agreement as of the date and year first above written.

ROSS STORES, INC.

EXECUTIVE

By:/s/Michael Balmuth
Vice-Chairman & CEO

By:/s/Norman A. Ferber

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INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 333-06119, 33-61373, 33-51916, 33-51896, 33-51898, 33-41415, 33-41413 and 33-29600 of Ross Stores, Inc. on Form S-8 of our report dated March 17, 1998, appearing in this Annual Report on Form 10-K of Ross Stores, Inc. for the year ended January 31, 1998.

Deloitte & Touche LLP
San Francisco, California
April 22, 1998

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF EARNINGS FOR THE TWELVE MONTHS ENDED JANUARY 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

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<CIK> 0000745732

<NAME> ROSS STORES, INC.

<MULTIPLIER> 1,000

| <PERIOD-TYPE> | 12-MOS | |
|------------------------------|---|-------------|
| <FISCAL-YEAR-END> | | JAN-31-1998 |
| <PERIOD-START> | | FEB-02-1997 |
| <PERIOD-END> | | JAN-31-1998 |
| <CASH> | | 56,369 |
| <SECURITIES> | | 0 |
| <RECEIVABLES> | | 8,122 |
| <ALLOWANCES> | | 0 |
| <INVENTORY> | | 418,825 |
| <CURRENT-ASSETS> | | 498,424 |
| <PP | | 384,311 |
| <DEPRECIATION> | | 179,590 |
| <TOTAL-ASSETS> | | 737,953 |
| <CURRENT-LIABILITIES> | | 323,746 |
| <BONDS> | | 0 |
| <PREFERRED-MANDATORY> | | 0 |
| <PREFERRED> | | 0 |
| <COMMON> | | 479 |
| <OTHER-SE> | | 380,202 |
| <TOTAL-LIABILITY-AND-EQUITY> | | 737,953 |
| <SALES> | | 1,988,692 |
| <TOTAL-REVENUES> | | 1,988,692 |
| <CGS> | | 1,388,098 |
| <TOTAL-COSTS> | | 1,792,903 |
| <OTHER-EXPENSES> | | 0 |
| <LOSS-PROVISION> | | 0 |
| <INTEREST-EXPENSE> | | (265) |
| <INCOME-PRETAX> | | 195,789 |
| <INCOME-TAX> | | 78,315 |
| <INCOME-CONTINUING> | | 117,474 |
| <DISCONTINUED> | | 0 |
| <EXTRAORDINARY> | | 0 |
| <CHANGES> | | 0 |
| <NET-INCOME> | | 117,474 |
| <EPS-PRIMARY> | | 2.40<F1> |
| <EPS-DILUTED> | | 2.35 |
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| <PERIOD-TYPE> | 3-MOS | 3-MOS | 3-MOS |
|------------------------------|-------------|-------------|-------------|
| <FISCAL-YEAR-END> | JAN-31-1998 | JAN-31-1998 | JAN-31-1998 |
| <PERIOD-START> | FEB-02-1997 | MAY-04-1997 | AUG-03-1997 |
| <PERIOD-END> | MAY-03-1997 | AUG-02-1997 | NOV-01-1997 |
| <CASH> | 26,879 | 31,770 | 21,737 |
| <SECURITIES> | 0 | 0 | 0 |
| <RECEIVABLES> | 9,583 | 9,250 | 9,720 |
| <ALLOWANCES> | 0 | 0 | 0 |
| <INVENTORY> | 409,014 | 427,114 | 467,947 |
| <CURRENT-ASSETS> | 458,881 | 482,387 | 513,922 |
| <PP | 351,239 | 356,067 | 362,098 |
| <DEPRECIATION> | 157,806 | 164,458 | 171,779 |
| <TOTAL-ASSETS> | 683,156 | 704,187 | 737,043 |
| <CURRENT-LIABILITIES> | 305,149 | 308,614 | 351,033 |
| <BONDS> | 0 | 0 | 0 |
| <PREFERRED-MANDATORY> | 0 | 0 | 0 |
| <PREFERRED> | 0 | 0 | 0 |
| <COMMON> | 496 | 496 | 479 |
| <OTHER-SE> | 348,155 | 365,485 | 328,442 |
| <TOTAL-LIABILITY-AND-EQUITY> | 683,156 | 704,187 | 737,043 |
| <SALES> | 442,841 | 490,679 | 482,875 |
| <TOTAL-REVENUES> | 442,841 | 490,679 | 482,875 |
| <CGS> | 309,513 | 341,109 | 334,965 |
| <TOTAL-COSTS> | 403,252 | 444,017 | 441,117 |
| <OTHER-EXPENSES> | 0 | 0 | 0 |
| <LOSS-PROVISION> | 0 | 0 | 0 |
| <INTEREST-EXPENSE> | (200) | (283) | 206 |
| <INCOME-PRETAX> | 39,589 | 46,662 | 41,758 |
| <INCOME-TAX> | 15,836 | 18,664 | 16,703 |
| <INCOME-CONTINUING> | 23,753 | 27,998 | 25,055 |
| <DISCONTINUED> | 0 | 0 | 0 |
| <EXTRAORDINARY> | 0 | 0 | 0 |
| <CHANGES> | 0 | 0 | 0 |
| <NET-INCOME> | 23,753 | 27,998 | 25,055 |
| <EPS-PRIMARY> | .48<F1> | .56<F1> | .51<F1> |
| <EPS-DILUTED> | .47 | .55 | .50 |

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONDENSED CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF EARNINGS FOR
THE TWELVE MONTHS ENDED FEBRUARY 1, 1997 AND IS QUALIFIED IN ITS
ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

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<NAME> ROSS STORES, INC.

<MULTIPLIER> 1,000

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12-MOS

<FISCAL-YEAR-END>

FEB-01-1997

<PERIOD-START>

FEB-04-1996

<PERIOD-END>

FEB-01-1997

<CASH>

44,777

<SECURITIES>

0

<RECEIVABLES>

7,832

<ALLOWANCES>

0

<INVENTORY>

373,689

<CURRENT-ASSETS>

439,587

<PP

348,703

<DEPRECIATION>

156,056

<TOTAL-ASSETS>

659,478

<CURRENT-LIABILITIES>

304,785

<BONDS>

0

<PREFERRED-MANDATORY>

0

<PREFERRED>

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<COMMON>

493

<OTHER-SE>

328,350

<TOTAL-LIABILITY-AND-EQUITY>

659,478

<SALES>

1,689,810

<TOTAL-REVENUES>

1,689,810

<CGS>

1,194,136

<TOTAL-COSTS>

1,554,969

<OTHER-EXPENSES>

0

<LOSS-PROVISION>

0

<INTEREST-EXPENSE>

(360)

<INCOME-PRETAX>

134,841

<INCOME-TAX>

53,936

<INCOME-CONTINUING>

80,905

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0

<EXTRAORDINARY>

0

<CHANGES>

0

<NET-INCOME>

80,905

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<EPS-DILUTED>

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 <MULTIPLIER> 1,000

| <PERIOD-TYPE> | 3-MOS | 3-MOS | 3-MOS |
|---|-------------|-------------|-------------|
| <FISCAL-YEAR-END> | FEB-01-1997 | FEB-01-1997 | FEB-01-1997 |
| <PERIOD-START> | FEB-04-1996 | MAY-05-1996 | AUG-04-1996 |
| <PERIOD-END> | MAY-04-1996 | AUG-03-1996 | NOV-02-1996 |
| <CASH> | 35,036 | 35,080 | 25,305 |
| <SECURITIES> | 0 | 0 | 0 |
| <RECEIVABLES> | 11,555 | 9,153 | 11,618 |
| <ALLOWANCES> | 0 | 0 | 0 |
| <INVENTORY> | 332,623 | 357,778 | 401,813 |
| <CURRENT-ASSETS> | 392,215 | 414,500 | 452,005 |
| <PP | 317,049 | 322,906 | 338,359 |
| <DEPRECIATION> | 137,674 | 144,685 | 152,468 |
| <TOTAL-ASSETS> | 593,897 | 615,194 | 660,378 |
| <CURRENT-LIABILITIES> | 243,611 | 265,530 | 308,347 |
| <BONDS> | 0 | 0 | 0 |
| <PREFERRED-MANDATORY> | 0 | 0 | 0 |
| <PREFERRED> | 0 | 0 | 0 |
| <COMMON> | 504 | 504 | 498 |
| <OTHER-SE> | 306,013 | 314,590 | 312,168 |
| <TOTAL-LIABILITY-AND-EQUITY> | 593,897 | 615,194 | 660,378 |
| <SALES> | 370,948 | 405,656 | 403,383 |
| <TOTAL-REVENUES> | 370,948 | 405,656 | 403,383 |
| <CGS> | 264,058 | 285,618 | 283,797 |
| <TOTAL-COSTS> | 347,722 | 374,575 | 376,126 |
| <OTHER-EXPENSES> | 0 | 0 | 0 |
| <LOSS-PROVISION> | 0 | 0 | 0 |
| <INTEREST-EXPENSE> | 184 | 31 | (77) |
| <INCOME-PRETAX> | 23,226 | 31,081 | 27,257 |
| <INCOME-TAX> | 9,2906 | 12,432 | 10,903 |
| <INCOME-CONTINUING> | 13,936 | 18,649 | 16,354 |
| <DISCONTINUED> | 0 | 0 | 0 |
| <EXTRAORDINARY> | 0 | 0 | 0 |
| <CHANGES> | 0 | 0 | 0 |
| <NET-INCOME> | 13,936 | 18,649 | 16,354 |
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| <EPS-DILUTED> | .27 | .36 | .32 |
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF EARNINGS FOR THE TWELVE MONTHS ENDED FEBRUARY 3, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

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<CIK> 0000745732

<NAME> ROSS STORES, INC.

<MULTIPLIER> 1,000

| | | |
|------------------------------|---|--|
| <PERIOD-TYPE> | 12-MOS | |
| <FISCAL-YEAR-END> | FEB-03-1996 | |
| <PERIOD-START> | JAN-29-1995 | |
| <PERIOD-END> | FEB-03-1996 | |
| <CASH> | 23,426 | |
| <SECURITIES> | 0 | |
| <RECEIVABLES> | 7,598 | |
| <ALLOWANCES> | 0 | |
| <INVENTORY> | 295,965 | |
| <CURRENT-ASSETS> | 340,463 | |
| <PP | 321,550 | |
| <DEPRECIATION> | 140,174 | |
| <TOTAL-ASSETS> | 541,152 | |
| <CURRENT-LIABILITIES> | 218,771 | |
| <BONDS> | 0 | |
| <PREFERRED-MANDATORY> | 0 | |
| <PREFERRED> | 0 | |
| <COMMON> | 492 | |
| <OTHER-SE> | 291,024 | |
| <TOTAL-LIABILITY-AND-EQUITY> | 541,152 | |
| <SALES> | 1,426,397 | |
| <TOTAL-REVENUES> | 1,426,397 | |
| <CGS> | 1,031,455 | |
| <TOTAL-COSTS> | 1,354,276 | |
| <OTHER-EXPENSES> | 0 | |
| <LOSS-PROVISION> | 0 | |
| <INTEREST-EXPENSE> | 2,737 | |
| <INCOME-PRETAX> | 72,121 | |
| <INCOME-TAX> | 28,849 | |
| <INCOME-CONTINUING> | 43,272 | |
| <DISCONTINUED> | 0 | |
| <EXTRAORDINARY> | 0 | |
| <CHANGES> | 0 | |
| <NET-INCOME> | 43,272 | |
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| <EPS-DILUTED> | .87 | |
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