

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 4, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

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

Former name, former address and former fiscal year, if changed since last report.

N/A

Indicate by check mark whether the registrant (1) 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

The number of shares of Common Stock, with \$.01 par value, outstanding on May 31, 2002 was 78,617,275.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ROSS STORES, INC. CONDENSED CONSOLIDATED BALANCE SHEETS

May 4, 2002	February 2, 2002	May 5, 2001
	(\$000)	
(Unaudited)	(Note A)	(Unaudited)

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	72,630	\$	40,351	\$	38,282
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Accounts receivable	24,464	20,540	20,658
Merchandise inventory	674,033	623,390	607,252
Prepaid expenses and other	26,940	30,710	21,992
	<u> </u>	<u> </u>	<u> </u>
Total Current Assets	798,067	714,991	688,184
PROPERTY AND EQUIPMENT			
Land and buildings	54,466	54,432	55,412
Fixtures and equipment	357,879	351,288	312,879
Leasehold improvements	211,856	209,086	193,949
Construction-in-progress	38,825	24,109	21,001
	<u> </u>	<u> </u>	<u> </u>
	663,026	638,915	583,241
Less accumulated depreciation and amortization	318,403	307,365	276,909
	<u> </u>	<u> </u>	<u> </u>
	344,623	331,550	306,332
Deferred income taxes and other long-term assets	38,984	36,184	40,110
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ 1,181,674	\$ 1,082,725	\$ 1,034,626

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 362,315	\$ 314,530	\$ 278,125
Accrued expenses and other	106,282	92,760	81,474
Accrued payroll and benefits	67,369	70,413	47,542
Income taxes payable	30,568	11,885	21,577
Short-term debt	0	0	40,800
	<u> </u>	<u> </u>	<u> </u>
Total Current Liabilities	566,534	489,588	469,518

Long-term debt	0	0	50,000
Deferred income taxes and other long-term liabilities	51,321	48,682	41,371

STOCKHOLDERS' EQUITY

Common stock	786	790	798
Additional paid-in capital	300,244	289,734	236,969
Retained earnings	262,789	253,931	235,970
	<u> </u>	<u> </u>	<u> </u>
Total Stockholders' Equity	563,819	544,455	473,737

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,181,674	\$ 1,082,725	\$ 1,034,626
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See notes to condensed consolidated financial statements.

**ROSS STORES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS**

	Three Months Ended	
	May 4, 2002	May 5, 2001
Sales	\$ 819,611	\$ 674,359
Costs and Expenses		
Cost of goods sold and occupancy	556,030	464,529

(\$000, except per share data,
unaudited)

General, selling and administrative	172,221	139,237
Depreciation and amortization	12,861	11,999
Interest expense	224	1,655
	<u>741,336</u>	<u>617,420</u>
Earnings before taxes	78,275	56,939
Provision for taxes on earnings	30,606	22,263
Net earnings	<u>\$ 47,669</u>	<u>\$ 34,676</u>
Net earnings per share:		
Basic	\$.60	\$.43
Diluted	\$.59	\$.43
Weighted average shares outstanding:		
Basic	78,865	80,276
Diluted	80,585	81,051
Stores open at end of period	<u>470</u>	<u>419</u>

See notes to condensed consolidated financial statements.

ROSS STORES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	May 4, 2002	May 5, 2001
	(\$000, unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 47,669	\$ 34,676
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	12,861	11,999
Other amortization	3,082	2,826
Change in assets and liabilities:		
Merchandise inventory	(50,643)	(47,687)
Other current assets—net	(154)	(8,300)
Accounts payable	51,536	21,410
Other current liabilities—net	33,211	13,676
Other	(3,050)	1,585
Net cash provided by operating activities	<u>94,512</u>	<u>30,185</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(27,260)	(21,322)
Net cash used in investing activities	<u>(27,260)</u>	<u>(21,322)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing under lines of credit	0	6,800
Proceeds from long-term debt	0	20,000
Issuance of common stock related to stock plans	10,841	2,119
Repurchase of common stock	(42,075)	(33,240)
Dividends paid	(3,739)	(3,414)

Net cash used in financing activities	(34,973)	(7,735)
NET INCREASE IN CASH AND CASH EQUIVALENTS	32,279	1,128
Cash and cash equivalents:		
Beginning of year	40,351	37,154
End of quarter	\$ 72,630	\$ 38,282

See notes to condensed consolidated financial statements.

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ROSS STORES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended May 4, 2002 and May 5, 2001
(Unaudited)

A. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared from the records of the company without audit and, in the opinion of management, include all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position at May 4, 2002 and May 5, 2001; the results of operations for the three months ended May 4, 2002 and May 5, 2001; and changes in cash flows for the three months ended May 4, 2002 and May 5, 2001. The balance sheet at February 2, 2002, presented herein, has been derived from the audited financial statements of the company for the fiscal year then ended.

Accounting policies followed by the company are described in Note A to the audited consolidated financial statements for the fiscal year ended February 2, 2002. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted for purposes of the interim condensed consolidated financial statements. The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements, including notes thereto, for the year ended February 2, 2002.

The results of operations for the three-month period herein presented are not necessarily indicative of the results to be expected for the full year.

The condensed consolidated financial statements at May 4, 2002 and May 5, 2001, and for the three months then ended have been reviewed, prior to filing, by the registrant's independent accountants whose report covering their review of the financial statements is included in this report on page 7.

B. RECENTLY ISSUED ACCOUNTING STANDARDS

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") SFAS No. 141, "Business Combinations" (effective July 1, 2001) and SFAS No. 142, "Goodwill and Other Intangible Assets" (effective for the company on February 3, 2002). SFAS No. 141 prohibits pooling-of-interests accounting for acquisitions. SFAS No. 142 specifies that goodwill and certain intangible assets will no longer be amortized but instead will be subject to periodic impairment testing. The adoption of the new standards did not have a material impact on the company's financial position or results of operations. As of February 2, 2002, goodwill was \$2.9 million, and this amount will no longer be amortized. Amortization expense of goodwill during the three months ended May 5, 2001 was \$31,000.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and the accounting and reporting provisions of Accounting Principals Board ("APB") Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business. SFAS No. 144 became effective for the company on February 3, 2002. Adoption of this standard did not have a material effect on the company's financial position or results of operations.

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C. EARNINGS PER SHARE (EPS)

SFAS No. 128, "Earnings Per Share," requires earnings per share to be computed and reported as both basic EPS and diluted EPS. Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income by the sum of the weighted average number of common shares and dilutive common stock equivalents (stock awards and stock options) outstanding during the period. Dilutive EPS reflects the potential dilution that could occur if options to issue common stock were exercised into common stock. There were 195,011 shares at May 4, 2002 and 3,381,783 shares at May 5, 2001 that could potentially dilute basic EPS in the future that were excluded from the calculation of diluted EPS because their effect would have been anti-dilutive (options exercise price exceeds average stock price) in the periods presented.

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 Dilutive Stock Options	Diluted EPS
May 4, 2002			
Shares	78,865	1,720	80,585
Amount	\$.60	\$ (.01)	\$.59
May 5, 2001			
Shares	80,276	775	81,051
Amount	\$.43	\$.00	\$.43

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INDEPENDENT ACCOUNTANTS' REPORT

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

We have reviewed the accompanying condensed consolidated balance sheets of Ross Stores, Inc. and subsidiaries (the "Company") as of May 4, 2002 and May 5, 2001, and the related condensed consolidated statements of earnings and cash flows for the three-month periods then ended. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Ross Stores, Inc. as of February 2, 2002, and the related consolidated statements of earnings, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 12, 2002, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of February 2, 2002 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/Deloitte & Touche LLP
San Francisco, California
May 21, 2002

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This section and other parts of this Form 10-Q contain forward-looking statements that involve risks and uncertainties. The company's actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in the subsection entitled "Forward-Looking Statements and Factors Affecting Future Performance" below. The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto included elsewhere in this Form 10-Q and the consolidated financial statements in the company's 2001 Form 10-K. All information is based on the company's fiscal calendar.

RESULTS OF OPERATIONS

PERCENTAGES OF SALES

	Three Months Ended	
	May 4, 2002	May 5, 2001
SALES		
Sales (\$000)	\$ 819,611	\$ 674,359
Sales growth	21.5%	6.5%
Comparable store sales increase (decrease)	10%	(3%)

Cost of goods sold and occupancy	67.8%	68.9%
General, selling and administrative	21.0%	20.7%
Depreciation and amortization	1.6%	1.8%
Interest expense	0.0%	0.2%
EARNINGS BEFORE TAXES	9.6%	8.4%
PROVISION FOR TAXES ON EARNINGS	3.7%	3.3%
NET EARNINGS	5.8%	5.1%

Stores. Total stores open as of May 4, 2002, and May 5, 2001 were 470 and 419, respectively.

	May 4, 2002	May 5, 2001
Stores at the beginning of the period	452	409
Stores opened in the period	20	11
Stores closed in the period	(2)	(1)
Stores at the end of the period	470	419

Sales. The 22% total sales increase for the three months ended May 4, 2002 over the prior year reflects a 10% gain in comparable store sales, the opening of 18 net new stores, and the three month impact of the stores opened in 2001. The 7% total sales increase for the three months ended May 5, 2001 over the prior year reflects the opening of 10 net new stores and the three months impact of the stores opened in 2000, partially offset by a 3% decrease in comparable store sales. The company anticipates that the competitive climate for apparel and off-price retailers will continue in 2002. Management expects to address that challenge by continuing to effectively execute and refine the company's existing strategies. Although these efforts along with the company's ongoing store expansion program contributed to sales and earnings gains for the three-month period ended May 4, 2002, 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 decrease in the cost of goods sold and occupancy expense ratio for the three months ended May 4, 2002 compared to the same period in the prior year resulted mainly from lower markdowns as a percent of sales combined with leverage on occupancy costs realized from the increase in comparable store sales, partially offset by a lower initial mark-up. There can be no assurance that the gross profit margins realized for the three-month period ended May 4, 2002 will continue in the future.

General, Selling and Administrative Expense. The increase in general, selling and administrative expenses as a percentage of sales for the three months ended May 4, 2002, compared to the same period in the prior year, primarily were due to an increase in incentive plan costs, partially offset by leverage on other fixed and variable costs realized from the increase in comparable store sales.

Depreciation and Amortization. Depreciation and amortization expense as a percentage of sales for the three months ended May 4, 2002, compared to the same period in the prior year, decreased primarily due to leverage on higher sales.

Interest Expense. The decrease in interest expense as a percentage of sales for the three months ended May 4, 2002, compared to the same period in the prior year, is mainly due to lower average borrowings.

Taxes on Earnings. The company's effective tax rate for the three-month periods ended May 4, 2002 and May 5, 2001 was 39%, which represents the applicable federal and state statutory rates reduced by the federal benefit received for state taxes. During 2002, the company expects its effective tax rate to remain at approximately 39%.

Net Earnings. The increase in net earnings as a percentage of sales for the three months ended May 4, 2002, compared to the same period in the prior year, is primarily due to the improvement in gross margin and occupancy expense leverage realized from the increase in comparable store sales growth.

Stockholders Equity. In March 2002, the Board of Directors approved an increase in the number of shares of Common Stock authorized for issuance by the company from 170,000,000 to 300,000,000 shares.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

	Three Months Ended	
	May 4, 2002	May 5, 2001
	(\$ in 000s)	
Cash flows from Operating Activities	\$ 94,512	\$ 30,185
Cash flows from Investing Activities	(27,260)	(21,322)

Cash flows from Financing Activities	(34,973)	(7,735)
Net increase	\$ 32,279	\$ 1,128

For the three months ended May 4, 2002, the primary uses of cash, other than for operating expenditures, were for merchandise inventory, the repurchase in the open market of \$42 million of the company's common stock, property and equipment to open 20 new stores and quarterly cash dividend payments. For the three months ended May 4, 2002, cash flows increased due to a higher accounts payable balance as a percent of inventory, an increase in accrued expenses, payroll and income taxes payable and increased issuances of common stock related to the company's stock plans. For the three months ended May 5, 2001, the primary uses of cash, other than for operating expenditures, were for merchandise inventory, the repurchase in the open market of \$33 million of the company's common

stock, property and equipment to open 11 new stores and relocate one existing store and quarterly cash dividend payments. During the three month periods ended May 4, 2002 and May 5, 2001, the company spent approximately \$27 million and \$21 million, respectively, for capital expenditures, net of leased equipment, that included fixtures and leasehold improvements to open new stores and relocate existing stores; purchase previously leased equipment; update management information systems; and various other expenditures for existing stores and the central office.

Working capital was \$232 million as of May 4, 2002, compared to \$219 million as of May 5, 2001. As of May 4, 2002 and May 5, 2001, the company's current ratios were 1.4:1 and 1.5:1, 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 clearance markdowns.

For the three months ended May 4, 2002, liquidity and capital requirements were provided by cash flows from operations, bank credit facilities and trade credit. The company's store sites, certain warehouses and buying offices are leased and, except for certain leasehold improvements and equipment, do not represent long-term capital investments. The company also leases a distribution center in South Carolina and plans to lease the land and building for a distribution center in Southern California currently under construction, under operating leases commonly referred to as synthetic leases. During the third quarter of 2003, the company expects the Southern California facility to become fully operational; at that time, the company plans to transfer its primary west coast distribution capabilities from its Newark, California distribution center to the new Southern California facility. The company owns its distribution center and corporate headquarters in Newark, California, and its distribution center in Carlisle, Pennsylvania. Short-term trade credit represents a significant source of financing for investments in merchandise inventory. Trade credit arises from customary payment terms and 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.

Dividends. At May 23, 2002, a quarterly cash dividend payment of \$.0475 per common share was declared by the company's Board of Directors, payable on or about July 1, 2002. In May 2001, the Board of Directors declared quarterly cash dividends of \$.0425 per common share.

Stock Repurchase Program. In February 2002, the company announced that the Board of Directors authorized a new stock repurchase program of up to \$300.0 million over two years. During the three months ended May 4, 2002, the company repurchased approximately 1.1 million shares for an aggregate purchase price of approximately \$42.1 million.

FORWARD-LOOKING STATEMENTS AND FACTORS AFFECTING FUTURE PERFORMANCE

In this report and from time to time the company may make 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 position. The words "expect," "anticipate," "estimate," "believe," "looking ahead," "forecast," "plan" 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, these forward-looking statements are subject to 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 a general deterioration in economic trends, ongoing competitive pressures in the apparel industry, obtaining acceptable store locations, the availability of dependable energy resources at reasonable costs, the company's ability to continue to purchase attractive name-brand merchandise at desirable discounts, the company's ability to successfully open its new distribution center in Southern California in a timely and cost effective manner, the company's ability to successfully extend its geographic reach, unseasonable weather trends, changes in the level of consumer spending on or preferences in apparel or home-related merchandise, the company's ability to execute the two-year \$300.0 million repurchase program in 2002 at purchase prices that result in accretion to earnings per share in line with its plan and greater than planned costs. In addition, the company's corporate headquarters, one of its distribution centers and 37% of its stores are located in California. Therefore, a downturn in the California economy or a major natural disaster there could significantly affect 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 historically 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. If intensified price competition, lower than anticipated consumer demand or other factors were to occur during the third and fourth quarters, and in particular during the fourth quarter, the company's fiscal year results could be adversely affected.

The factors underlying any forecasts or forward-looking statements are dynamic and subject to change. As a result, any forecasts or forward-looking statements speak only as of the date they are given and do not necessarily reflect the company's outlook at any other point in time. The company does not undertake to update these forward-looking statements.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The company is exposed to market risks, which primarily includes changes in interest rates. The company does not engage in financial transactions for trading or speculative purposes. Interest that is payable on the company's credit facilities is based on variable interest rates and is, therefore, affected by changes in market interest rates. In addition, lease payments under the company's synthetic lease agreements are determined based on variable interest rates and are, therefore, affected by changes in market interest rates. These lease payments will begin upon completion of construction of each new distribution center. As of May 4, 2002, the company did not have any long-term debt outstanding. The company does not currently use derivative financial instruments in its investment portfolio.

PART II—OTHER INFORMATION

ITEM 4. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Incorporated herein by reference to the list of Exhibits contained in the Exhibit Index that begins on page 14 of this Report.

(b) Reports on Form 8-K

None.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed by the undersigned thereunto duly authorized.

ROSS STORES, INC.
Registrant

Date: June 14, 2002

/s/J. Call

John G. Call,
*Senior Vice President,
Chief Financial Officer,
Principal Accounting Officer and
Corporate Secretary*

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INDEX TO EXHIBITS

Exhibit Number	Exhibit
3.1	Amendment of Certificate of Incorporation dated June 5, 2002 and Corrected First Restated Certificate of Incorporation.
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	Consulting Agreement between Stuart G. Moldaw and Ross Stores, Inc. effective April 1, 2002.
15	Letter re: Unaudited Interim Financial Information.

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**CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
ROSS STORES, INC.**

Ross Stores, Inc., a Delaware corporation (the "Corporation"), hereby certifies:

1. That the Corporation's Board of Directors has duly adopted the following resolution:

RESOLVED, that Article Fourth, subsection A of the Certificate of Incorporation is hereby amended to read in full as follows:

A. *Capitalization.* The total number of shares of all classes of stock which the Corporation shall have authority to issue is three hundred four million (304,000,000), consisting of:

- (1) four million (4,000,000) shares of Preferred Stock, par value one cent (\$.01) per share (the "Preferred Stock"); and
- (2) three hundred million (300,000,000) shares of Common Stock, par value one cent (\$.01) per share (the "Common Stock").

2. That the proposed amendment has been duly adopted in accordance with the provisions of Section 242 of the General Corporation law of the State of Delaware.

The Corporation has caused this Certificate of Amendment of Certificate of Incorporation to be signed by its duly authorized officer, this 5th day of June 2002.

ROSS STORES, INC.

By: /S/ JOHN G. CALL

John G. Call
*Senior Vice President, Chief Financial
Officer and Corporate Secretary*

**CORRECTED FIRST RESTATED CERTIFICATE OF INCORPORATION
OF
ROSS STORES, INC.
FILED IN THE OFFICE OF
THE SECRETARY OF STATE OF DELAWARE
ON JUNE 4, 1998**

ROSS STORES, INC., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,
DOES HEREBY CERTIFY:

1. The name of the corporation is ROSS STORES, INC.
2. That a First Restated Certificate of Incorporation of Ross Stores, Inc. (the "Restated Certificate") was filed by the Secretary of State of Delaware on June 4, 1998 and that said Restated Certificate requires correction as permitted by Section 103 of the General Corporation Law of the State of Delaware.
3. The inaccuracy or defect of said Restated Certificate to be corrected is as follows:

Paragraph (2), Section A of Article FOURTH is deleted and replaced in its entirety by the following:

"(2) one hundred seventy million (170,000,000) shares of Common Stock, par value one cent (\$.01) per share (the "Common Stock")."

**CORRECTED FIRST RESTATED
CERTIFICATE OF INCORPORATION
OF
ROSS STORES, INC.**

Pursuant to Sections 242 and 245
of the General Corporation Law of
the State of Delaware

Pursuant to Section 242 of the General Corporation Law of the State of Delaware, Susan L. Thomer, Director, Corporate Affairs and Assistant Secretary of Ross Stores, Inc. (hereinafter called the "Corporation"), organized and existing under the General Corporation Law of the State of Delaware (originally incorporated pursuant to a Certificate of Incorporation filed with the Delaware Secretary of State on March 29, 1989), in

accordance with the provisions of Section 103 thereof, DOES HEREBY CERTIFY:

That (a) the Board of Directors on March 19, 1998 duly adopted by resolution pursuant to Sections 242 and 245 of the General Corporation Law of the State of Delaware proposing that this First Restated Certificate of Incorporation (the "Restated Certificate") be approved and declaring the adoption of such Restated Certificate to be advisable; and (b) the stockholders of the Corporation duly approved the amendment reflected in this Restated Certificate at the Corporation's 1998 Annual Stockholders Meeting in accordance with Section 242 of the General Corporation Law of the State of Delaware. In accordance therewith, the Certificate of Incorporation of the Corporation is hereby amended and restated in its entirety so that the same shall read as follows:

FIRST: The name of the corporation is Ross Stores, Inc.

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SECOND: The address of the registered office of the Corporation in the State of Delaware is Incorporating Services Ltd., 410 South State Street, in the City of Dover, County of Kent. The name of the registered agent at that address is Incorporating Services, Ltd.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of Delaware.

FOURTH:

A. *Capitalization.* The total number of shares of all classes of stock which the Corporation shall have authority to issue is three hundred four million (304,000,000), consisting of:

- (1) four million (4,000,000) shares of Preferred Stock, par value one cent (\$.01) per share (the "Preferred Stock"); and
- (2) three hundred million (300,000,000) shares of Common Stock, par value one cent (\$.01) per share (the "Common Stock").

B. *Series of Preferred Stock.* The Board of Directors is authorized, subject to any limitations prescribed by law, to provide for the issuance of the shares of Preferred Stock in series, and by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences, and rights of the shares of each such series and any qualifications, limitation or restrictions thereof. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the certificate or certificates establishing the series of Preferred Stock.

FIFTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitations and regulation of the powers of the Corporation and of its directors and stockholders:

A. *Powers of Directors.* The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authority expressly conferred upon them by Statute or by this Certificate of Incorporation or the Bylaws of the Corporation, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

B. *Ballot Unnecessary.* The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

C. *Stockholders Must Meet To Act.* Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

D. *Call of Special Meeting of Stockholders.* Special meetings of stockholders of the Corporation may be called only (1) by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption) or (2) by the holders of not less than ten percent (10%) of all of the shares entitled to cast votes at the meeting. The procedure for calling a special meeting of stockholders will be as set forth in this Certificate of Incorporation or the Bylaws.

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SIXTH:

A. *Number of Directors.* The number of directors shall initially be nine and, thereafter, shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption).

B. *Classification of Directors.* The directors shall be divided into three classes, as nearly equal in number as reasonably possible, with the term of office of the first class to expire at the 1990 annual meeting of stockholders, the term of office of the second class to expire at the 1991 annual meeting of stockholders and the term of office of the third class to expire at the 1992 annual meeting of stockholders. At each annual meeting of stockholders following such initial classification and election, directors shall be elected to succeed those directors whose terms expire for a term of office to expire at the third succeeding annual meeting of stockholders after their election. All directors shall hold office until the expiration of the term for which elected, and until their respective successors are elected, except in the case of the death, resignation, or removal of any director.

C. *Filling Vacancies on the Board.* Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly

created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, removal from office, disqualification or other cause may be filled only by a majority vote of the directors then in office, though less than a quorum, and directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been elected expires. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

D. *Removal of Directors.* Subject to the rights of the holders of any series of Preferred Stock then outstanding, any directors, or the entire Board of Directors, may be removed from office at any time, with or without cause, by the affirmative vote of the holders of at least a majority of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

SEVENTH: Power To Amend Bylaws. The Board of Directors is expressly empowered to adopt, amend or repeal Bylaws of the Corporation. Any adoption, amendment or repeal of Bylaws of the Corporation by the Board of Directors shall require the approval of a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any resolution providing for adoption, amendment or repeal is presented to the Board). The stockholders shall also have power to adopt, amend or repeal the Bylaws of the Corporation. In addition to any vote of the holders of any class or series of stock of this Corporation required by law or by this Certificate of Incorporation, the affirmative vote of the holders of at least $66\frac{2}{3}$ percent of the combined voting power of the outstanding shares of stock of all classes and series of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provisions of the Bylaws of the Corporation.

EIGHTH: The vote of the stockholders of the Corporation which shall be required to approve any Business Combination (as hereinafter defined) shall be as set forth in this Article EIGHTH.

A. *Vote Required for Certain Business Combinations.* In addition to any affirmative vote required by law, any other provision of this Certificate of Incorporation or otherwise, and except as otherwise expressly provided in paragraph (2) of this Article EIGHTH, none of the following transactions shall be consummated unless and until such transaction shall have been approved by (i) the affirmative vote of the holders of at least $66\frac{2}{3}$ percent of the combined voting power of the

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outstanding shares of stock of all classes and series of the Corporation entitled to vote generally in the election of directors ("Capital Stock") and (ii) the affirmative vote of the holders of at least that percent of the Capital Stock equal to the sum of the percent of the Capital Stock held by an Interested Stockholder (as hereinafter defined) plus one share more than one half of the Capital Stock other than shares held by such Interested Stockholder:

(1) any merger or consolidation of the Corporation or any material Subsidiary (as hereinafter defined) with or into (i) any corporation which is an Interested Stockholder or (ii) any other corporation which is or after such merger or consolidation would be an Interested Stockholder; or

(2) any sale, License (as hereinafter defined), lease, exchange, mortgage, pledge, transfer or other disposition (whether in one transaction or a series of transactions) to or with any Interested Stockholder of any material asset or assets of the Corporation; or

(3) the issuance or transfer by the Corporation or any Subsidiary (whether in one transaction or a series of transactions) to an Interested Stockholder of any securities of the Corporation or any Subsidiary in exchange for cash, securities or other property (or a combination thereof) having an aggregate fair market value of \$5,000,000 million or more; or

(4) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation or any material Subsidiary; or

(5) any reclassification of any securities of the Corporation (including any reverse stock split), any recapitalization of the Corporation, any merger or consolidation of the Corporation with or into any of its Subsidiaries, or any other transaction (whether or not with or involving any Interested Stockholder), which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of stock or series thereof of the Corporation or of any Subsidiary directly or indirectly Beneficially Owned (as hereinafter defined) by any Interested Stockholder or as a result of which the stockholders of the Corporation would cease to be stockholders of a corporation having, as part of its certificate of incorporation, provisions to the same effect as this Article EIGHTH and the provisions of Article ELEVENTH hereof relating to amendments or changes to this Article EIGHTH.

The terms "Business Combination" as used in this Article EIGHTH shall mean any transaction or proposed transaction which is referred to in any one or more of the foregoing subparagraphs (1) through (5) of this paragraph A of this Article EIGHTH.

B. *Exception if Disinterested Directors Approve.* The provisions of Paragraph A of this Article EIGHTH shall not be applicable to any particular Business Combination, and such Business Combination shall require only such vote, if any, as is required by law and other Articles hereof or any agreement between the Corporation and any national securities exchange or otherwise if such Business Combination shall have been approved by a majority of the Disinterested Directors (as hereinafter defined) or, in the case of a License, approved by a majority of the Disinterested Directors or a committee of Disinterested Directors designated by the Board of Directors.

C. *Certain Definitions.* For the purpose of this Article EIGHTH:

(1) An "Affiliate" of a person shall mean any person who, directly or indirectly, controls, is controlled by or is under common control with such person.

(1) An "Associate" shall mean:

(i) with respect to a corporation or association, any officer or director thereof or of a subsidiary thereof;

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(ii) with respect to a partnership, any general partner thereof or any limited partner thereof having a 10 percent ownership interest in such partnership;

(iii) with respect to a business trust, any officer or trustee thereof or of any subsidiary thereof;

(iv) with respect to any other trust or an estate, any trustee, executor or similar fiduciary and any person who has a substantial interest as a beneficiary of such trust or estate;

(v) with respect to a natural person, the spouses and children thereof and any other relative thereof or of the spouse thereof who has the same home; and

(vi) any Affiliate of any such person.

(3) A person shall be a "Beneficial Owner" of, or have "Beneficial Ownership" of or "Beneficially Own," any Capital Stock over which such person or any of its Affiliates or Associates, directly or indirectly, through any contract, arrangement, understanding or relationship, has or shares or, upon the exercise of any conversion right, exchange right, warrant, option or similar interest (whether or not then exercisable), would have or share either

(i) voting power (including the power to vote or to direct the voting) of such security or

(ii) investment power (including the power to dispose or direct the disposition) of such security. For the purposes of determining whether a person is an Interested Stockholder, the number of shares of Capital Stock deemed to be outstanding shall include any shares Beneficially Owned by such person even though not actually outstanding, but shall not include any other shares of Capital Stock which are not outstanding but which may be issuable to other persons pursuant to any agreement, arrangement, or understanding, or upon exercise of any conversion right, exchange right, warrant, option or similar interest.

(4) "Disinterested Director" shall mean any member of the Board of Directors of the Corporation who is not an Affiliate or Associate of, and was not directly or indirectly a nominee of, any Interested Stockholder involved in such Business Combination or any Affiliate or Associate of such Interested Stockholder and who (i) was a member of the Board of Directors on May 25, 1989; or (ii) was a member of the Board of Directors prior to the time that such Interested Stockholder became an Interested Stockholder; or (iii) was a member of the Board of Directors nominated by a majority of the Disinterested Directors on the Board of Directors at the time of his or her nomination to fill a vacancy on the Board of Directors created by the death, resignation or removal of a Disinterested Director. Any reference to "Disinterested Directors" shall refer to a single Disinterested Director if there is only one. Any reference to an approval, designation or determination by a majority of the Disinterested Directors shall mean such approval, designation or determination by a committee of the Board of Directors comprised of all Disinterested Directors and exercising its authority as a committee of the Board to the extent permissible by law.

(5) "Interested Stockholder" shall mean any person, other than the Corporation, any Subsidiary or any employee benefit plan of the Corporation or any Subsidiary, who or which:

(i) is the Beneficial Owner, directly or indirectly, of shares of Capital Stock which are entitled to cast 5 percent or more of the total votes which all the then outstanding shares of Capital Stock are entitled to cast in the election of directors or is an Affiliate or Associate of any such person; and

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(ii) acts with any other person as a partnership, limited partnership, syndicate, or other group for the purpose of acquiring, holding or disposing of securities of the Corporation, and such group is the Beneficial Owner, directly or indirectly, of shares of Capital Stock which are entitled to cast 5 percent or more of the total votes which all of the then outstanding shares of Capital Stock are entitled to cast in the election of directors;

and any reference to a particular Interested Stockholder involved in a Business Combination shall also refer to any Affiliate or Associate thereof, any predecessor thereto and any other person acting as a member of a partnership, limited partnership, syndicate or group with such particular Interested Stockholder within the meaning of the foregoing clause (ii) of this subparagraph (5).

(6) "License" shall mean a material license which is not granted in standard commercial transactions and is not generally available to commercial customers of the Corporation.

(7) A "person" shall mean any individual, firm, corporation (which shall include a business trust), partnership, joint venture, trust or estate, association or other entity.

(8) "Subsidiary" shall mean any corporation or partnership of which a majority of any class of its equity securities is owned, directly or indirectly, by the Corporation.

D. *Disinterested Directors Determine Applicability.* A majority of the Disinterested Directors shall have the power and duty to determine, on the basis of information known to them after reasonable inquiry, all facts necessary to determine compliance with this Article EIGHTH, including, without limitation (i) whether a person is an Interested Stockholder, (ii) the number of shares of Capital Stock Beneficially Owned by any person, (iii) whether a person is an Affiliate or Associate of another person, (iv) whether the requirements of paragraph B of this Article EIGHTH have been met with respect to any Business Combination, and (v) whether two or more transactions constitute a "series of transactions" for purposes of paragraph A of this Article EIGHTH. The good faith determination of a majority of the Disinterested Directors on such matters shall be conclusive and binding for all purposes of this Article EIGHTH.

E. Nothing contained in this Article EIGHTH shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

NINTH: Board Discretion Regarding Certain Transactions. The Board of Directors of the Corporation (the "Board"), when evaluating any offer of another party, (a) to make a tender or exchange offer for any Capital Stock of the Corporation (as defined in Article EIGHTH) or (b) to effect any merger, consolidation, or sale of all or substantially all of the assets of the Corporation, shall, in connection with the exercise of its judgment in determining what is in the best interests of the Corporation as a whole, be authorized to give due consideration to such factors as the Board determines to be relevant, including, without limitation:

(i) the interests of the Corporation's stockholders;

(ii) whether the proposed transaction might violate federal or state laws;

(iii) not only the consideration being offered in the proposed transaction, in relation to the then current market price for the outstanding capital stock of the Corporation, but also to the market price for the capital stock of the Corporation over a period of years, the estimated price that might be achieved in a negotiated sale of the Corporation as a whole or in part or through orderly liquidation, the premiums over market price for the securities of other corporations in similar transactions, current political, economic and other factors bearing on securities prices and the Corporation's financial condition and future prospects; and

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(iv) the social, legal and economic effects upon employees, suppliers, customers and others having similar relationships with the Corporation, and the communities in which the Corporation conducts its business.

In connection with any such evaluation, the Board is authorized to conduct such investigations and to engage in such legal proceedings as the Board may determine.

TENTH: Elimination of Monetary Liability. The liability of the directors of the Corporation for monetary damages shall be eliminated to the fullest extent permissible under Delaware law.

Any repeal or modification of the foregoing provisions of this Article TENTH by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

ELEVENTH: Future Amendments. The Corporation reserves the right to amend or repeal any provision contained in this Certificate of Incorporation in the manner prescribed by the laws of the State of Delaware and all rights conferred upon stockholders are granted subject to this reservation; *provided, however,* that, notwithstanding any other provision of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any vote of the holders of any class or series of the stock of this Corporation required by law or by this Certificate of Incorporation, the affirmative vote of the holders of at least $66\frac{2}{3}$ percent of the combined voting power of the outstanding shares of stock of all classes and series of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend, repeal or adopt any provision inconsistent with Article FIFTH (except Section D thereof), SIXTH (except Section D thereof), SEVENTH, EIGHTH, NINTH, TENTH or this Article ELEVENTH.

IN WITNESS WHEREOF, the Corporation has caused this Corrected First Restated Certificate of Incorporation to be signed by its Assistant Secretary this 17th day of March, 1999, to be effective as of the original date of filing of the Restated Certificate.

ROSS STORES, INC., a Delaware corporation

/S/ SUSAN L. THORNER

Susan L. Thomer

Director, Corporate Affairs and Assistant Secretary

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[CERTIFICATE OF AMENDMENT OF CERTIFICATE OF INCORPORATION OF ROSS STORES, INC.
CORRECTED FIRST RESTATED CERTIFICATE OF INCORPORATION OF ROSS STORES, INC. FILED IN THE OFFICE OF THE
SECRETARY OF STATE OF DELAWARE ON JUNE 4, 1998](#)

**CONSULTING AGREEMENT
BETWEEN
ROSS STORES, INC.
AND STUART G. MOLDAW**

This Agreement is made as of April 1, 2002 (the "*Effective Date*") through March 31, 2005 (the "*Completion Date*"), by and between Ross Stores, Inc., a Delaware corporation ("*Ross*") and Stuart G. Moldaw ("*Consultant*"). This Agreement amends and restates the prior agreement, dated April 1, 1997, and any subsequent written or oral modifications or amendments.

RECITAL

Consultant desires to perform, and Ross desires to have Consultant perform, consulting services as an independent contractor to Ross.

NOW, THEREFORE, the parties agree as follows:

1. SERVICES

1.1 *Performance.* Consultant agrees to perform consulting services for Ross as deemed necessary.

1.2 *Payment.*

(a) Ross agrees to pay Consultant \$20,000 per calendar quarter, payable on the first day of each calendar quarter.

(b) Ross agrees to pay the salary and benefits for a Financial Administrator for the period in which consulting services are rendered.

(c) Pursuant to the terms of the certain Split-Dollar Agreement by and among Ross, Stuart G. Moldaw and Citicorp Trust South Dakota dated as of February 8, 1999, Ross agrees to pay a portion of the premiums of the Split-Dollar Life Insurance Policy No. VP60622150 with Pacific Life Insurance Company (the "*Policy*") through the Completion Date of this Agreement.

(d) Consultant and his spouse will be eligible to participate in Ross' medical plan and supplemental medical plan. Ross agrees to pay the annual premiums of the medical plans for consultant and his spouse.

2. RELATIONSHIP OF PARTIES

2.1 *Independent Contractor.* Consultant is an independent contractor and not an agent or employee of Ross. Consultant will perform consulting services specified by Ross, but Consultant will determine, in Consultant's sole discretion, the manner and means by which the services are accomplished, subject to the requirement that Consultant shall at all times comply with applicable law. Ross has no right or authority to control the manner or means by which the services are accomplished. Consultant may represent, perform services for, or be employed by such additional clients, persons or companies as Consultant sees fit.

2.2 *Employment Taxes and Benefits.* Consultant will report as self-employment income all compensation received by Consultant pursuant to this Agreement. Consultant will indemnify Ross and hold it harmless from and against all claims, damages, losses and expenses, including reasonable fees and expenses of attorneys and other professionals, relating to any obligation imposed by law on Ross to pay any withholding taxes, social security, unemployment or disability insurance, or similar items in connection with compensation received by Consultant pursuant to this Agreement. Consultant will not

be entitled to receive any vacation or illness payments, or to participate in any plans, arrangements, or distributions by Company pertaining to any bonus, stock option, profit sharing, insurance or similar benefits for Company's employees except as expressly provided in this Agreement.

3. TERMINATION

3.1 *Termination.* Either Ross or Consultant may terminate this Agreement at any time, for any reason or no reason, by giving 30 days' prior written notice to the other party.

3.2 *Confidential Information.* Consultant agrees during the term of his consultancy and thereafter to take all steps necessary to hold Ross' confidential information in strict confidence and not to disclose such confidential information. Upon the termination of this Agreement for any reason, Consultant will promptly notify Ross of all confidential information in Consultant's possession and, in accordance with Ross' instructions, will promptly deliver to Ross all such confidential information.

4. GENERAL

4.1 *Governing Law: Severability.* This Agreement will be governed by and construed in accordance with laws of the State of California excluding that body of law pertaining to conflict of laws. If any provision of this Agreement is for any reason found to be unenforceable, the remainder of this Agreement will continue in full force and effect.

4.2 *Successors and Assigns.* Neither this Agreement nor any of the rights or obligations of Consultant arising under this Agreement may be assigned or transferred without Ross' prior written consent. This Agreement will be for the benefit of Ross' successors and assigns, and will be

binding on Consultant's heirs and legal representatives.

4.3 *Notices.* Any notices under this Agreement will be sent by certified or registered mail, return receipt requested, to the address specified below or such other address as the party specifies in writing. Such notice will be effective upon its mailing as specified.

4.4 *Complete Understanding: Modification.* This Agreement, together with the Policy, constitutes the complete and exclusive understanding and agreement of the parties and supersedes all prior understandings and agreement, whether written or oral, with respect to the subject matter hereof. Any waiver, modification or amendment of any provision of this Agreement will be effective only if in writing and signed by the parties hereto.

IN WITNESS WHEREOF, the parties have signed this Agreement as of the Effective Date.

ROSS STORES, INC.

CONSULTANT

By:

Michael Balmuth
*Vice Chairman and
Chief Executive Officer*

Stuart G. Moldaw

Address:
8333 Central Avenue
Newark, CA 94560-3433

Address:
c/o Gymboree Corporation
700 Airport Blvd., Suite 200
Burlingame, CA 94010

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[CONSULTING AGREEMENT BETWEEN ROSS STORES, INC. AND STUART G. MOLDAW](#)

June 14, 2002

Ross Stores, Inc.
Newark, California

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim condensed consolidated financial statements of Ross Stores, Inc. for the three-month periods ended May 4, 2002, and May 5, 2001, as indicated in our reports dated May 21, 2002, and May 25, 2001, respectively; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our reports referred to above, which were included in your Quarterly Reports on Form 10-Q for the quarters ended May 4, 2002, and May 5, 2001, are incorporated by reference in Registration Statements Nos. 33-61373, 33-51916, 33-51896, 33-51898, 33-41415, 33-41413, 33-29600, 333-56831, 333-06119, 333-34988 and 333-51478 of Ross Stores, Inc. on Form S-8.

We also are aware that the aforementioned reports, pursuant to Rule 436(c) under the Securities Act of 1933, are not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

Yours truly,

/s/Deloitte & Touche LLP
San Francisco, California
