

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 October 31, 2015

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.)

5130 Hacienda Drive, Dublin, California

(Address of principal executive offices)

94568-7579

(Zip Code)

Registrant's telephone number, including area code

(925) 965-4400

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of Common Stock, with \$.01 par value, outstanding on November 17, 2015 was 405,005,042.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Condensed Consolidated Statements of Earnings

(\$000, except stores and per share data, unaudited)	Three Months Ended		Nine Months Ended	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
Sales	\$ 2,782,855	\$ 2,598,820	\$ 8,689,273	\$ 8,008,979
Costs and Expenses				
Cost of goods sold	2,003,347	1,882,185	6,190,282	5,734,387
Selling, general and administrative	443,354	410,002	1,287,878	1,185,029
Interest expense, net	4,427	777	8,082	577
Total costs and expenses	2,451,128	2,292,964	7,486,242	6,919,993
Earnings before taxes	331,727	305,856	1,203,031	1,088,986
Provision for taxes on earnings	116,071	113,136	446,531	412,792
Net earnings	\$ 215,656	\$ 192,720	\$ 756,500	\$ 676,194
Earnings per share				
Basic	\$ 0.54	\$ 0.47	\$ 1.87	\$ 1.63
Diluted	\$ 0.53	\$ 0.46	\$ 1.85	\$ 1.61
Weighted average shares outstanding (000)				
Basic	401,494	411,732	404,636	414,920
Diluted	404,504	415,929	407,888	419,483
Dividends				
Cash dividends declared per share	\$ 0.1175	\$ 0.1000	\$ 0.3525	\$ 0.3000
Stores open at end of period	1,448	1,366	1,448	1,366

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

Condensed Consolidated Statements of Comprehensive Income

	Three Months Ended		Nine Months Ended	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
(\$000, unaudited)				
Net earnings	\$ 215,656	\$ 192,720	\$ 756,500	\$ 676,194
Other comprehensive (loss) income:				
Change in unrealized loss on investments, net of tax	(10)	(18)	(117)	(65)
Comprehensive income	\$ 215,646	\$ 192,702	\$ 756,383	\$ 676,129

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

Condensed Consolidated Balance Sheets

(\$000, unaudited)	October 31, 2015	January 31, 2015	November 1, 2014
Assets			
Current Assets			
Cash and cash equivalents	\$ 485,703	\$ 696,608	\$ 571,578
Short-term investments	1,413	500	—
Accounts receivable	81,324	73,278	75,895
Merchandise inventory	1,700,834	1,372,675	1,495,013
Prepaid expenses and other	156,130	106,778	143,665
Deferred income taxes	9,186	12,951	16,342
Total current assets	2,434,590	2,262,790	2,302,493
Property and Equipment			
Land and buildings	1,085,367	952,428	951,774
Fixtures and equipment	2,179,860	1,933,383	1,892,552
Leasehold improvements	908,749	854,572	834,318
Construction-in-progress	66,137	293,715	228,476
	4,240,113	4,034,098	3,907,120
Less accumulated depreciation and amortization	1,932,448	1,760,346	1,705,500
Property and equipment, net	2,307,665	2,273,752	2,201,620
Long-term investments	2,190	3,110	3,634
Other long-term assets	159,326	160,669	159,127
Total assets	\$ 4,903,771	\$ 4,700,321	\$ 4,666,874
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable	\$ 1,053,013	\$ 1,000,700	\$ 1,131,717
Accrued expenses and other	417,156	385,325	395,126
Accrued payroll and benefits	279,310	256,141	240,081
Income taxes payable	—	17,202	—
Total current liabilities	1,749,479	1,659,368	1,766,924
Long-term debt	395,909	395,562	395,971
Other long-term liabilities	284,799	279,500	278,254
Deferred income taxes	79,502	86,681	38,429
Commitments and contingencies			
Stockholders' Equity			
Common stock	4,053	4,149	4,176
Additional paid-in capital	1,095,568	1,013,607	1,001,688
Treasury stock	(227,676)	(160,600)	(160,237)
Accumulated other comprehensive income	213	330	324
Retained earnings	1,521,924	1,421,724	1,341,345
Total stockholders' equity	2,394,082	2,279,210	2,187,296
Total liabilities and stockholders' equity	\$ 4,903,771	\$ 4,700,321	\$ 4,666,874

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

Condensed Consolidated Statements of Cash Flows

(\$000, unaudited)	Nine Months Ended	
	October 31, 2015	November 1, 2014
Cash Flows From Operating Activities		
Net earnings	\$ 756,500	\$ 676,194
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	202,174	170,321
Stock-based compensation	45,573	38,776
Deferred income taxes	(3,414)	(26,557)
Tax benefit from equity issuance	39,486	30,648
Excess tax benefit from stock-based compensation	(39,406)	(30,073)
Change in assets and liabilities:		
Merchandise inventory	(328,159)	(237,858)
Other current assets	(57,271)	(53,561)
Accounts payable	73,715	353,184
Other current liabilities	65,802	67,769
Other long-term, net	7,027	(6,861)
Net cash provided by operating activities	762,027	981,982
Cash Flows From Investing Activities		
Additions to property and equipment	(285,560)	(551,545)
Increase in restricted cash and investments	(91)	(4,764)
Purchases of investments	(718)	—
Proceeds from investments	603	12,022
Net cash used in investing activities	(285,766)	(544,287)
Cash Flows From Financing Activities		
Excess tax benefit from stock-based compensation	39,406	30,073
Net proceeds from issuance of long-term debt	—	246,200
Issuance of common stock related to stock plans	15,647	18,405
Treasury stock purchased	(67,083)	(38,678)
Repurchase of common stock	(530,303)	(418,478)
Dividends paid	(144,833)	(126,807)
Net cash used in financing activities	(687,166)	(289,285)
Net (decrease) increase in cash and cash equivalents	(210,905)	148,410
Cash and cash equivalents:		
Beginning of period	696,608	423,168
End of period	\$ 485,703	\$ 571,578
Supplemental Cash Flow Disclosures		
Interest paid	\$ 13,201	\$ 4,834
Income taxes paid	\$ 465,548	\$ 461,108

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

Notes to Condensed Consolidated Financial Statements

Three and Nine Months Ended October 31, 2015 and November 1, 2014
(Unaudited)

Note A: Summary of Significant Accounting Policies

Basis of presentation. The accompanying unaudited interim condensed consolidated financial statements have been prepared from the records of Ross Stores, Inc. and subsidiaries (the "Company") without audit and, in the opinion of management, include all adjustments (consisting of only normal, recurring adjustments) necessary to present fairly the Company's financial position as of October 31, 2015 and November 1, 2014, the results of operations and comprehensive income for the three and nine month periods ended October 31, 2015 and November 1, 2014, and cash flows for the nine month periods ended October 31, 2015 and November 1, 2014. The Condensed Consolidated Balance Sheet as of January 31, 2015, presented herein, has been derived from the Company's audited consolidated financial statements 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 January 31, 2015. Certain information and disclosures normally included in the notes to annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted for purposes of these 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, contained in the Company's Annual Report on Form 10-K for the year ended January 31, 2015.

The results of operations and comprehensive income for the three and nine month periods ended October 31, 2015 and November 1, 2014 presented herein are not necessarily indicative of the results to be expected for the full fiscal year.

Stock dividend. In March 2015, the Company's Board of Directors declared a two-for-one split of the Company's common stock issued in the form of a stock dividend. Stockholders of record as of April 22, 2015 were issued one additional share of common stock on June 11, 2015 for each share held. All share and per share amounts have been adjusted to reflect the stock split.

Restricted cash, cash equivalents, and investments. The Company has restricted cash, cash equivalents, and investments that serve as collateral for certain insurance obligations of the Company. These restricted funds are invested in bank deposits, money market mutual funds, U.S. Government and agency securities, and corporate securities and cannot be withdrawn from the Company's account without the prior written consent of the secured parties. The following table summarizes total restricted cash, cash equivalents, and investments which were included in Prepaid expenses and other and Other long-term assets in the Condensed Consolidated Balance Sheets as of October 31, 2015, January 31, 2015, and November 1, 2014:

Restricted Assets (\$000)	October 31, 2015	January 31, 2015	November 1, 2014
Prepaid expenses and other	\$ 19,721	\$ 19,713	\$ 22,104
Other long-term assets	56,130	56,107	54,117
Total	\$ 75,851	\$ 75,820	\$ 76,221

The classification between current and long-term is based on the timing of expected payments of the insurance obligations.

Property and equipment. As of October 31, 2015 and November 1, 2014, the Company had \$9.2 million and \$18.9 million, respectively, of property and equipment purchased but not yet paid. These purchases are included in Property and Equipment, Accounts payable, and Accrued expenses and other in the accompanying Condensed Consolidated Balance Sheets.

Sales mix. The Company's sales mix is shown below for the three and nine month periods ended October 31, 2015 and November 1, 2014:

	Three Months Ended		Nine Months Ended	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
Ladies	29%	29%	30%	30%
Home Accents and Bed and Bath	24%	25%	23%	23%
Men's	13%	12%	13%	13%
Shoes	13%	13%	13%	13%
Accessories, Lingerie, Fine Jewelry, and Fragrances	13%	13%	13%	13%
Children's	8%	8%	8%	8%
Total	100%	100%	100%	100%

Cash Dividends. Dividends included in the Condensed Consolidated Statements of Cash Flows reflect cash dividends paid during the periods shown. Dividends per share reported on the Condensed Consolidated Statements of Earnings reflect cash dividends declared during the periods shown.

The Company's Board of Directors declared cash dividends of \$0.1175 per common share in February, May, and August 2015, respectively, and \$0.1000 per common share in February, May, August, and November 2014, respectively.

In November 2015, the Company's Board of Directors declared a cash dividend of \$0.1175 per common share, payable on December 31, 2015.

Litigation, claims, and assessments. Like many retailers, the Company has been named in class action lawsuits, primarily in California, alleging violation of wage and hour laws and consumer protection laws. Class action litigation remains pending as of October 31, 2015.

The Company is also party to various other legal and regulatory proceedings arising in the normal course of business. Actions filed against the Company may include commercial, product and product safety, customer, intellectual property, and labor and employment-related claims, including lawsuits in which private plaintiffs or governmental agencies allege that the Company violated federal, state, and/or local laws. Actions against the Company are in various procedural stages. Many of these proceedings raise factual and legal issues and are subject to uncertainties.

In the opinion of management, the resolution of pending class action litigation and other currently pending legal and regulatory proceedings will not have a material adverse effect on the Company's financial condition, results of operations, or cash flows.

Recently issued and adopted accounting standards. In April 2015, the FASB issued Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). The standard amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of as an asset. ASU 2015-03 is effective for annual and interim reporting periods after December 15, 2015, with early adoption permitted. The Company early adopted ASU 2015-03 retrospectively in its first fiscal quarter ended May 2, 2015. As a result of the retrospective adoption, the Company reclassified unamortized debt issuance costs of \$2.8 million and \$2.4 million as of January 31, 2015 and November 1, 2014, respectively, from Other long-term assets to a reduction in Long-term debt on the condensed consolidated balance sheets. Adoption of this standard did not impact results of operations, retained earnings, or cash flows in the current or previous interim and annual reporting periods.

Note B: Fair Value Measurements

The carrying value of cash and cash equivalents, short- and long-term investments, restricted cash and cash equivalents, restricted investments, accounts receivable, other long-term assets, accounts payable, and other long-term liabilities approximates their estimated fair value.

Accounting standards pertaining to fair value measurements establish a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. The inputs used to measure fair value include: Level 1, observable inputs such as quoted prices in active markets; Level 2, inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, unobservable inputs in which little or no market data exists. This fair value hierarchy requires the Company to develop its own assumptions and maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

There were no transfers between Level 1 and Level 2 categories during the three and nine month periods ended October 31, 2015. The fair value of the Company's financial instruments are as follows:

(\$000)	October 31, 2015	January 31, 2015	November 1, 2014
Cash and cash equivalents			
Level 1	\$ 485,703	\$ 696,608	\$ 571,578
Investments			
Level 2	\$ 3,603	\$ 3,610	\$ 3,634
Restricted cash and cash equivalents			
Level 1	\$ 72,101	\$ 71,992	\$ 72,312
Restricted investments			
Level 1	\$ 3,750	\$ 3,828	\$ 3,798
Level 2	—	—	111

The underlying assets in the Company's non-qualified deferred compensation program as of October 31, 2015, January 31, 2015, and November 1, 2014 (included in Other long-term assets and in Other long-term liabilities) primarily consist of participant-directed money market, stable value, stock, and bond funds. The fair value measurement for funds with quoted market prices in active markets (Level 1) and for funds without quoted market prices in active markets (Level 2) are as follows:

(\$000)	October 31, 2015	January 31, 2015	November 1, 2014
Level 1	\$ 80,116	\$ 81,926	\$ 81,455
Level 2	12,996	12,128	12,715
Total	\$ 93,112	\$ 94,054	\$ 94,170

Note C: Stock-Based Compensation

Stock-based compensation. For the three and nine month periods ended October 31, 2015 and November 1, 2014, the Company recognized stock-based compensation expense as follows:

(\$000)	Three Months Ended		Nine Months Ended	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
Restricted stock	\$ 9,449	\$ 9,202	\$ 27,417	\$ 25,704
Performance awards	5,553	3,891	16,195	11,376
Employee stock purchase plan	690	588	1,961	1,696
Total	\$ 15,692	\$ 13,681	\$ 45,573	\$ 38,776

Total stock-based compensation recognized in the Company's Condensed Consolidated Statements of Earnings for the three and nine month periods ended October 31, 2015 and November 1, 2014 is as follows:

Statements of Earnings Classification (\$000)	Three Months Ended		Nine Months Ended	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
Cost of goods sold	\$ 7,342	\$ 6,740	\$ 21,824	\$ 20,003
Selling, general and administrative	8,350	6,941	23,749	18,773
Total	\$ 15,692	\$ 13,681	\$ 45,573	\$ 38,776

Restricted stock. The Company grants shares of restricted stock or restricted stock units to directors, officers, and key employees. The market value of shares of restricted stock and of the stock underlying restricted stock units at the date of grant is amortized to expense over the vesting period of generally three to five years.

During the three and nine month periods ended October 31, 2015 and November 1, 2014, shares purchased by the Company for tax withholding totaled 71,893 and 1,278,796 and 28,774 and 1,060,026, respectively, and are considered treasury shares which are available for reissuance.

Performance shares. The Company has a performance share award program for senior executives. A performance share award represents a right to receive shares of restricted stock or restricted stock units on a specified settlement date based on the Company's attainment of a profitability-based performance goal during the performance period, which is the Company's fiscal year. If attained, the restricted stock or units then vest over a service period, generally two to three years from the date the performance award was granted. The release of shares related to restricted stock units earned are deferred generally for one year from the date earned.

As of October 31, 2015, shares related to unvested restricted stock and performance share awards totaled 5.9 million shares. A summary of restricted stock and performance share award activity for the nine month period ended October 31, 2015 is presented below:

(000, except per share data)	Number of shares	Weighted average grant date fair value
Unvested at January 31, 2015	6,982	\$ 24.01
Awarded	1,965	51.81
Released	(2,649)	17.05
Forfeited	(360)	30.14
Unvested at October 31, 2015	5,938	\$ 34.32

The unamortized compensation expense at October 31, 2015 was \$105.1 million which is expected to be recognized over a weighted-average remaining period of 2.0 years. The unamortized compensation expense at November 1, 2014 was \$98.3 million, which was expected to be recognized over a weighted-average remaining period of 2.0 years.

Employee stock purchase plan. Under the Employee Stock Purchase Plan ("ESPP"), eligible employees participating in the quarterly offering period can choose to spend up to the lesser of 10% of their annual base earnings or the IRS annual share purchase limit of \$25,000 in aggregate market value to purchase the Company's common stock each year. The purchase price of the stock is 85% of the closing market price on the date of purchase. Purchases occur on the last trading day of each calendar quarter. The Company recognizes expense for ESPP purchase rights equal to the value of the 15% discount given on the purchase date.

Stock option activity. A summary of the stock option activity for the nine month period ended October 31, 2015 is presented below:

(000, except per share data)	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at January 31, 2015	1,038	\$ 7.05		
Granted	—	—		
Exercised	(657)	6.92		
Forfeited	—	—		
Outstanding at October 31, 2015, all vested	381	\$ 7.27	0.72	\$ 16,485

No stock options were granted during the nine month periods ended October 31, 2015 and November 1, 2014.

The following table summarizes information about the weighted average remaining contractual life (in years) and the weighted average exercise prices for stock options both outstanding and exercisable as of October 31, 2015 (number of shares in thousands):

Exercise price range	Options outstanding and exercisable		
	Number of shares	Remaining life	Exercise price
\$ 6.08 to \$ 6.86	15	0.49	\$ 6.32
6.89 to 6.89	76	0.54	6.89
6.95 to 6.95	156	0.37	6.95
7.04 to 7.66	37	0.46	7.30
8.19 to 8.19	97	1.56	8.19
\$ 6.08 to \$ 8.19	381	0.72	\$ 7.27

Note D: Earnings Per Share

The Company computes and reports both basic earnings per share ("EPS") and diluted EPS. Basic EPS is computed by dividing net earnings by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net earnings by the sum of the weighted average number of common shares and dilutive common stock equivalents outstanding during the period. Diluted EPS reflects the total potential dilution that could occur from outstanding equity plan awards, including unexercised stock options, and unvested shares of both performance and non-performance based awards of restricted stock and restricted stock units.

For the three and nine month periods ended October 31, 2015, approximately 28,400 and 8,600 weighted average shares, respectively, were excluded from the calculation of diluted EPS because their effect would have been anti-dilutive for those periods presented. For the three and nine month periods ended November 1, 2014, approximately 3,700 and 11,500 weighted average shares, respectively, were excluded from the calculation of diluted EPS because their effect would have been anti-dilutive for those periods presented.

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

Shares in (000s)	Three Months Ended			Nine Months Ended		
	Basic EPS	Effect of dilutive common stock equivalents	Diluted EPS	Basic EPS	Effect of dilutive common stock equivalents	Diluted EPS
October 31, 2015						
Shares	401,494	3,010	404,504	404,636	3,252	407,888
Amount	\$ 0.54	\$ (0.01)	\$ 0.53	\$ 1.87	\$ (0.02)	\$ 1.85
November 1, 2014						
Shares	411,732	4,197	415,929	414,920	4,563	419,483
Amount	\$ 0.47	\$ (0.01)	\$ 0.46	\$ 1.63	\$ (0.02)	\$ 1.61

Note E: Debt

Senior notes. Unsecured senior debt, net of unamortized discounts and debt issuance costs, consisted of the following:

(\$000)	October 31, 2015	January 31, 2015	November 1, 2014
6.38% Series A Senior Notes due 2018	\$ 84,898	\$ 84,873	\$ 84,865
6.53% Series B Senior Notes due 2021	64,877	64,861	64,856
3.375% Senior Notes due 2024	246,134	245,828	246,250
Total	\$ 395,909	\$ 395,562	\$ 395,971

In September 2014, the Company issued unsecured 3.375% Senior Notes due September 2024 (the "2024 Notes") with an aggregate principal amount of \$250 million. Interest on the 2024 Notes is payable semi-annually.

As of October 31, 2015, the Company also had outstanding two other series of unsecured senior notes in the aggregate principal amount of \$150 million, held by various institutional investors. The Series A notes totaling \$85 million are due in December 2018 and bear interest at a rate of 6.38%. The Series B notes totaling \$65 million are due in December 2021 and bear interest at a rate of 6.53%. Borrowings under these senior notes are subject to certain financial covenants, including interest coverage and other financial ratios. As of October 31, 2015, the Company was in compliance with these covenants.

As of October 31, 2015, January 31, 2015, and November 1, 2014, total unamortized discount and debt issuance costs were \$4.1 million, \$4.4 million, and \$4.0 million, respectively, and were classified as a reduction of Long-term debt.

The 2024 Notes, Series A, and Series B senior notes are all subject to prepayment penalties for early payment of principal.

The aggregate fair value of the long-term debt was approximately \$423 million, \$442 million, and \$426 million as of October 31, 2015, January 31, 2015, and November 1, 2014, respectively. The fair values are estimated by obtaining comparable market quotes which are considered to be Level 1 inputs under the fair value measurements and disclosures guidance.

Interest expense for the three and nine month periods ended October 31, 2015 and November 1, 2014 consisted of the following:

(\$000)	Three Months Ended		Nine Months Ended	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
Interest expense on long-term debt	\$ 4,642	\$ 3,488	\$ 13,926	\$ 8,348
Other interest expense	303	304	947	948
Capitalized interest	(406)	(2,894)	(6,408)	(8,396)
Interest income	(112)	(121)	(383)	(323)
Interest expense, net	\$ 4,427	\$ 777	\$ 8,082	\$ 577

Revolving credit facility. The Company's \$600 million unsecured revolving credit facility expires in June 2017 and contains a \$300 million sublimit for issuance of standby letters of credit. Interest on this facility is based on LIBOR plus an applicable margin (currently 100 basis points) and is payable quarterly and upon maturity. As of October 31, 2015 the Company had no borrowings or standby letters of credit outstanding under this facility and the \$600 million credit facility remains in place and available.

The revolving credit facility is subject to certain financial covenants, including interest coverage and other financial ratios. In addition, the interest rates under the revolving credit facility may vary depending on actual interest coverage ratios achieved. As of October 31, 2015, the Company was in compliance with these covenants.

Note F: Taxes on Earnings

As of October 31, 2015, January 31, 2015, and November 1, 2014, the reserves for unrecognized tax benefits were \$103.4 million, \$101.7 million, and \$101.1 million inclusive of \$20.3 million, \$23.6 million, and \$23.4 million of related interest and penalties, respectively. The Company accounts for interest and penalties related to unrecognized tax benefits as a part of its provision for taxes on earnings. If recognized, \$52.1 million would impact the Company's effective tax rate. The difference between the total amount of unrecognized tax benefits and the amounts that would impact the effective tax rate relates to amounts attributable to deferred income tax assets and liabilities. These amounts are net of federal and state income taxes.

The Company believes it is reasonably possible that certain federal and state tax matters may be concluded or statutes of limitations may lapse during the next twelve months. Accordingly, the total amount of unrecognized tax benefits may decrease, reducing the provision for taxes on earnings by up to \$10.1 million.

The Company is open to audit by the Internal Revenue Service under the statute of limitations for fiscal years 2012 through 2014. The Company's state income tax returns are generally open to audit under the various statutes of limitations for fiscal years 2010 through 2014. Certain state tax returns are currently under audit by state tax authorities. The Company does not expect the results of these audits to have a material impact on the consolidated financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Ross Stores, Inc.
Dublin, California

We have reviewed the accompanying condensed consolidated balance sheets of Ross Stores, Inc. and subsidiaries (the "Company") as of October 31, 2015 and November 1, 2014, and the related condensed consolidated statements of earnings and comprehensive income for the three-month and nine-month periods ended October 31, 2015 and November 1, 2014, and of cash flows for the nine-month periods ended October 31, 2015 and November 1, 2014. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), 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 interim 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 the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Ross Stores, Inc. and subsidiaries as of January 31, 2015, and the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 31, 2015, 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 January 31, 2015, 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
December 9, 2015

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. Our 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 Part II, Item 1A (Risk Factors) below. The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the consolidated financial statements and notes thereto in our Annual Report on Form 10-K for 2014. All information is based on our fiscal calendar.

Overview

Ross Stores, Inc. operates two brands of off-price retail apparel and home fashion stores -- Ross Dress for Less® ("Ross") and dd's DISCOUNTS®. Ross is the largest off-price apparel and home fashion chain in the United States with 1,276 locations in 34 states, the District of Columbia and Guam as of October 31, 2015. Ross offers first-quality, in-season, name brand and designer apparel, accessories, footwear, and home fashions for the entire family at savings of 20% to 60% off department and specialty store regular prices every day. We also operate 172 dd's DISCOUNTS stores in 15 states that feature a more moderately-priced assortment of first-quality, in-season, name brand apparel, accessories, footwear, and home fashions for the entire family at savings of 20% to 70% off moderate department and discount store regular prices every day.

Results of Operations

The following table summarizes the financial results for the three and nine month periods ended October 31, 2015 and November 1, 2014:

	Three Months Ended		Nine Months Ended	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
Sales				
Sales (millions)	\$ 2,783	\$ 2,599	\$ 8,689	\$ 8,009
Sales growth	7.1%	8.4%	8.5%	6.9%
Comparable store sales growth	3%	4%	4%	2%
Costs and expenses (as a percent of sales)				
Cost of goods sold	72.0%	72.4%	71.2%	71.6%
Selling, general and administrative	15.9%	15.8%	14.8%	14.8%
Interest expense, net	0.2%	0.0%	0.1%	0.0%
Earnings before taxes (as a percent of sales)				
	11.9%	11.8%	13.9%	13.6%
Net earnings (as a percent of sales)				
	7.7%	7.4%	8.7%	8.4%

All share and per share amounts have been adjusted for the two-for-one stock split effective June 11, 2015.

Stores. Our expansion strategy is to open additional stores based on market penetration, local demographic characteristics, competition, expected store profitability, and the ability to leverage overhead expenses. We continually evaluate opportunistic real estate acquisitions and opportunities for potential new store locations. We also evaluate our current store locations and determine store closures based on similar criteria.

Store Count	Three Months Ended		Nine Months Ended	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
Beginning of the period	1,424	1,338	1,362	1,276
Opened in the period	26	28	90	95
Closed in the period	(2)	—	(4)	(5)
End of the period	1,448	1,366	1,448	1,366

Sales. Sales for the three month period ended October 31, 2015 increased \$184 million, or 7.1%, compared to the three month period ended November 1, 2014, due to the opening of 82 net new stores between November 1, 2014 and October 31, 2015 and a 3% increase in "comparable" store sales (defined as stores that have been open for more than 14 complete months).

Sales for the nine month period ended October 31, 2015 increased \$680 million, or 8.5%, compared to the nine month period ended November 1, 2014, due to the opening of 82 net new stores between November 1, 2014 and October 31, 2015 and a 4% increase in comparable store sales.

Our sales mix for the three and nine month periods ended October 31, 2015 and November 1, 2014 is shown below:

	Three Months Ended		Nine Months Ended	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
Ladies	29%	29%	30%	30%
Home Accents and Bed and Bath	24%	25%	23%	23%
Men's	13%	12%	13%	13%
Shoes	13%	13%	13%	13%
Accessories, Lingerie, Fine Jewelry, and Fragrances	13%	13%	13%	13%
Children's	8%	8%	8%	8%
Total	100%	100%	100%	100%

We intend to address the competitive climate for off-price apparel and home goods by pursuing and refining our existing strategies and by continuing to strengthen our organization, diversify our merchandise mix, and improve regional and local merchandise offerings. Although our strategies and store expansion program contributed to sales gains for the three and nine month periods ended October 31, 2015, we cannot be sure that they will result in a continuation of sales growth or in an increase in net earnings.

Cost of goods sold. Cost of goods sold for the three and nine month periods ended October 31, 2015 increased \$121 million and \$456 million compared to the same periods in the prior year, mainly due to increased sales from the opening of 82 net new stores and a 3% and 4% increase in comparable store sales, respectively.

Cost of goods sold as a percentage of sales for the three month period ended October 31, 2015 decreased approximately 45 basis points from the same period in the prior year, benefiting from a 45 basis point increase in merchandise margin and a five basis point improvement each in freight and buying costs. These improvements were partially offset by a 10 basis point increase in distribution expenses related to recent infrastructure investments that were partially offset by the favorable timing of packaway-related costs.

Cost of goods sold as a percentage of sales for the nine month period ended October 31, 2015 decreased approximately 35 basis points from the same period in the prior year primarily due to a 45 basis point increase in merchandise margin and five basis points of leverage on occupancy costs. These improvements were partially offset by 10 and five basis point increases in distribution and freight costs, respectively.

We cannot be sure that the gross profit margins realized for the three and nine month periods ended October 31, 2015 will continue in the future.

Selling, general and administrative expenses. For the three and nine month periods ended October 31, 2015, selling, general and administrative expenses ("SG&A") increased \$33 million and \$103 million compared to the same periods in the prior year, mainly due to increased store operating costs reflecting the opening of 82 net new stores between November 1, 2014 and October 31, 2015.

Selling, general and administrative expenses as a percentage of sales for the three month period ended October 31, 2015 increased 15 basis points compared to the same period in the prior year due in part to higher wages. Selling, general and administrative expenses as a percentage of sales for the nine month period ended October 31, 2015 increased five basis points compared to the same period in the prior year due in part to higher wages and the unfavorable comparison resulting from a settlement of a legal matter in the second quarter of fiscal 2014.

Interest expense, net. Net interest expense as a percentage of sales for the three and nine month periods ended October 31, 2015 increased compared to the same periods in the prior year primarily due to the issuance of our 2024 Notes in the third quarter of fiscal 2014.

Interest expense for the three and nine month periods ended October 31, 2015 and November 1, 2014 consists of the following:

(\$000)	Three Months Ended		Nine Months Ended	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
Interest expense on long-term debt	\$ 4,642	\$ 3,488	\$ 13,926	\$ 8,348
Other interest expense	303	304	947	948
Capitalized interest	(406)	(2,894)	(6,408)	(8,396)
Interest income	(112)	(121)	(383)	(323)
Interest expense, net	\$ 4,427	\$ 777	\$ 8,082	\$ 577

Taxes on earnings. Our effective tax rate for the three month periods ended October 31, 2015 and November 1, 2014 was approximately 35% and 37%, respectively. Our effective tax rate for the nine month periods ended October 31, 2015 and November 1, 2014, was approximately 37% and 38%, respectively. Our effective tax rate represents the applicable combined federal and state statutory rates reduced by the federal benefit of state taxes deductible on federal returns. The effective rate is impacted by changes in law, location of new stores, level of earnings, and the resolution of tax positions with various taxing authorities. We anticipate that our effective tax rate for fiscal 2015 will be between 37% and 38%.

Net earnings. Net earnings as a percentage of sales for the three and nine month periods ended October 31, 2015 was higher compared to the same period in the prior year primarily due to lower cost of goods sold as a percentage of sales.

Earnings per share. Diluted earnings per share for the three and nine month periods ended October 31, 2015 was \$0.53 and \$1.85, respectively, compared to \$0.46 and \$1.61, respectively, for the three and nine month periods ended November 1, 2014. The increases in diluted earnings per share for both the three and nine month periods ended October 31, 2015 are attributable to an increase in net earnings and a 3% reduction in weighted average diluted shares outstanding due to the stock repurchase program.

Financial Condition

Liquidity and Capital Resources

Our primary sources of funds for our business activities are cash flows from operations and short-term trade credit. Our primary ongoing cash requirements are for merchandise inventory purchases, payroll, rent, taxes, and capital expenditures in connection with new and existing stores, and investments in distribution centers, information systems, and buying and corporate offices. We also use cash to repurchase stock under our stock repurchase program and to pay dividends.

(\$000)	Nine Months Ended	
	October 31, 2015	November 1, 2014
Cash provided by operating activities	\$ 762,027	\$ 981,982
Cash used in investing activities	(285,766)	(544,287)
Cash used in financing activities	(687,166)	(289,285)
Net (decrease) increase in cash and cash equivalents	\$ (210,905)	\$ 148,410

Operating Activities

Net cash provided by operating activities was \$762.0 million and \$982.0 million for the nine month periods ended October 31, 2015 and November 1, 2014, respectively, and was primarily driven by net earnings excluding non-cash expenses for depreciation and amortization. Our primary source of operating cash flow is the sale of our merchandise inventory. We regularly review the age and condition of our merchandise and are able to maintain current merchandise inventory in our stores through replenishment processes and liquidation of slower-moving merchandise through clearance markdowns.

The decrease in cash flow from operating activities for the nine month period ended October 31, 2015, compared to the same period in the prior year was primarily driven by an increase in and the timing of packaway receipts versus last year, partially offset by higher earnings. The increase in packaway inventory was driven by opportunistic buys available in the marketplace. The increase in packaway levels and the timing of related payments resulted in lower accounts payable leverage (defined as accounts payable divided by merchandise inventory) which was 62%, 73%, and 76% as of October 31, 2015, January 31, 2015, and November 1, 2014, respectively.

As a regular part of our business, packaway inventory levels will vary over time based on availability of compelling opportunities in the marketplace. Packaway merchandise is purchased with the intent that it will be stored in our warehouses until a later date. The timing of the release of packaway inventory to our stores is principally driven by the product mix and seasonality of the merchandise, and its relation to our store merchandise assortment plans. As such, the aging of packaway varies by merchandise category and seasonality of purchases, but typically packaway remains in storage less than six months. We expect to continue to take advantage of packaway inventory opportunities to deliver bargains to our customers.

Changes in packaway inventory levels impact our operating cash flow. As of October 31, 2015, packaway inventory was 48% of total inventory compared to 45% at the end of fiscal 2014. As of November 1, 2014, packaway inventory was 42% of total inventory compared to 49% at the end of fiscal 2013.

Investing Activities

Net cash used in investing activities was \$285.8 million and \$544.3 million for the nine month periods ended October 31, 2015 and November 1, 2014, respectively. The decrease in cash used for investing activities for the nine month period ended October 31, 2015, compared to the nine month period ended November 1, 2014 was primarily due to a reduction in our capital expenditures.

Our capital expenditures were \$285.6 million and \$551.5 million for the nine month periods ended October 31, 2015 and November 1, 2014, respectively. Our capital expenditures include costs to build or expand distribution centers, open new stores and improve existing stores, and for various other expenditures related to our information technology systems, buying, and corporate offices. The decrease in capital expenditures for the nine month period ended October 31,

2015 compared to the nine month period ended November 1, 2014 was primarily due to the purchase in September 2014 of our New York buying office.

We are currently forecasting approximately \$375 million in capital expenditures for fiscal year 2015 to fund costs for fixtures and leasehold improvements to open new Ross and dd's DISCOUNTS stores, the upgrade or relocation of existing stores, investments in information technology systems, and for various other expenditures related to our stores, distribution centers, buying and corporate offices. Our planned capital expenditures of \$375 million for fiscal year 2015 decreased from the amount of our most recent forecast of \$400 million primarily due to the timing of certain projects. We expect to primarily fund capital expenditures with available cash and cash flows from operations.

We had purchases of investments of \$0.7 million for the nine month period ended October 31, 2015 and no purchases of investments for the nine month period ended November 1, 2014. We had proceeds from investments of \$0.6 million and \$12.0 million for the nine month periods ended October 31, 2015 and November 1, 2014, respectively.

Financing Activities

Net cash used in financing activities was \$687.2 million and \$289.3 million for the nine month periods ended October 31, 2015 and November 1, 2014, respectively. For the nine month periods ended October 31, 2015 and November 1, 2014, our liquidity and capital requirements were provided by available cash and cash flows from operations.

In September 2014, we issued \$250 million of unsecured 3.375% Senior Notes due September 2024 and used most of the net proceeds of approximately \$246 million to purchase our New York buying office building for \$222 million.

We repurchased 10.4 million and 11.9 million shares of common stock for aggregate purchase prices of approximately \$530.3 million and \$418.5 million during the nine month periods ended October 31, 2015, and November 1, 2014, respectively. We also acquired 1.3 million and 1.1 million shares of treasury stock through our employee equity compensation programs, for aggregate purchase prices of approximately \$67.1 million and \$38.7 million during the nine month periods ended October 31, 2015 and November 1, 2014, respectively. In February 2015, our Board of Directors approved a new two-year \$1.4 billion stock repurchase program for fiscal 2015 and 2016.

For the nine month periods ended October 31, 2015 and November 1, 2014, we paid cash dividends of \$144.8 million and \$126.8 million, respectively.

Short-term trade credit represents a significant source of financing for merchandise inventory. Trade credit arises from customary payment terms and trade practices with our vendors. We regularly review the adequacy of credit available to us from all sources and expect to be able to maintain adequate trade credit, bank lines, and other credit sources to meet our capital and liquidity requirements, including lease payment obligations in 2015.

Our existing \$600 million unsecured revolving credit facility expires in June 2017 and contains a \$300 million sublimit for issuance of standby letters of credit. Interest on this facility is based on LIBOR plus an applicable margin (currently 100 basis points) and is payable quarterly and upon maturity. As of October 31, 2015 we had no borrowings or standby letters of credit outstanding on this facility and our \$600 million credit facility remains in place and available.

We estimate that existing cash balances, cash flows from operations, bank credit lines, and trade credit are adequate to meet our operating cash needs and to fund our planned capital investments, common stock repurchases, and quarterly dividend payments for at least the next twelve months.

Contractual Obligations

The table below presents our significant contractual obligations as of October 31, 2015:

(\$000)	Less than one year	1 - 3 years	3 - 5 years	After 5 years	Total ¹
Senior notes	\$ —	\$ —	\$ 85,000	\$ 315,000	\$ 400,000
Interest payment obligations	18,105	36,210	27,398	39,586	121,299
Operating leases (rent obligations)	456,146	878,629	594,299	517,065	2,446,139
New York buying office ground lease ²	6,418	12,835	12,835	954,172	986,260
Purchase obligations	1,920,523	11,011	—	—	1,931,534
Total contractual obligations	\$ 2,401,192	\$ 938,685	\$ 719,532	\$ 1,825,823	\$ 5,885,232

¹We have a \$103.4 million liability for unrecognized tax benefits that is included in Other long-term liabilities on our interim Condensed Consolidated Balance Sheet. This liability is excluded from the schedule above as the timing of payments cannot be reasonably estimated.

²Our New York buying office building is subject to a 99-year ground lease.

Senior notes. In September 2014, we issued unsecured 3.375% Senior Notes due September 2024 with an aggregate principal amount of \$250 million. Interest on the 2024 Notes is payable semi-annually.

At October 31, 2015 we also had outstanding two other series of unsecured senior notes in the aggregate principal amount of \$150 million, held by various institutional investors. The Series A notes totaling \$85 million are due in December 2018 and bear interest at a rate of 6.38%. The Series B notes totaling \$65 million are due in December 2021 and bear interest at a rate of 6.53%. Borrowings under these senior notes are subject to certain financial covenants, including interest coverage and other financial ratios. As of October 31, 2015, we were in compliance with these covenants.

The 2024 Notes, Series A, and Series B senior notes are all subject to prepayment penalties for early payment of principal.

Off-Balance Sheet Arrangements

Operating leases. We currently lease all but three of our store locations, three warehouse facilities, and a buying office. In addition, we have a ground lease related to our New York buying office. Except for certain leasehold improvements and equipment, these leased locations do not represent long-term capital investments.

Two of our leased warehouses are in Carlisle, Pennsylvania with leases expiring in 2016 and 2017. The third warehouse lease is in Fort Mill, South Carolina, with a lease expiring in 2019. The leases for the two Carlisle, Pennsylvania warehouses contain renewal provisions.

We currently lease approximately 68,000 square feet of office space for our Los Angeles buying office. The lease term for this facility expires in 2017 and contains renewal provisions.

Purchase obligations. As of October 31, 2015 we had purchase obligations of approximately \$1,932 million. These purchase obligations primarily consist of merchandise inventory purchase orders, commitments related to construction projects, store fixtures and supplies, and information technology services, transportation, and maintenance contracts.

Commercial Credit Facilities

The table below presents our significant available commercial credit facilities at October 31, 2015:

(\$000)	Amount of Commitment Expiration Per Period				Total amount committed
	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years	
Revolving credit facility	\$ —	\$ 600,000	\$ —	\$ —	\$ 600,000
Total commercial commitments	\$ —	\$ 600,000	\$ —	\$ —	\$ 600,000

For additional information relating to this credit facility, refer to Note E of Notes to Condensed Consolidated Financial Statements.

Revolving credit facility. Our existing \$600 million unsecured revolving credit facility expires in June 2017 and contains a \$300 million sublimit for issuance of standby letters of credit. Interest on this facility is based on LIBOR plus an applicable margin (currently 100 basis points) and is payable quarterly and upon maturity. As of October 31, 2015 we had no borrowings outstanding or standby letters of credit issued under this facility.

Our revolving credit facility has covenant restrictions requiring us to maintain certain interest coverage and other financial ratios. In addition, the interest rates under the revolving credit facility may vary depending on actual interest coverage ratios achieved. As of October 31, 2015 we were in compliance with these covenants.

Standby letters of credit and collateral trust. We use standby letters of credit outside of our revolving credit facility in addition to a funded trust to collateralize our insurance obligations. As of October 31, 2015 and November 1, 2014, we had \$19.5 million and \$22.0 million, respectively, in standby letters of credit outstanding and \$56.4 million and \$54.2 million, respectively, in a collateral trust. The standby letters of credit are collateralized by restricted cash and the collateral trust consists of restricted cash, cash equivalents, and investments.

Trade letters of credit. We had \$34.0 million and \$35.0 million in trade letters of credit outstanding at October 31, 2015 and November 1, 2014, respectively.

Dividends. In November 2015, our Board of Directors declared a cash dividend of \$0.1175 per common share, payable on December 31, 2015.

Effects of inflation or deflation. We do not consider the effects of inflation or deflation to be material to our financial position and results of operations.

Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of our condensed consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts. These estimates and assumptions are evaluated on an ongoing basis and are based on historical experience and on various other factors that management believes to be reasonable. Actual results may differ significantly from these estimates. During the third quarter of fiscal 2015, there have been no significant changes to the policies discussed in our Annual Report on Form 10-K for the year ended January 31, 2015.

Recently issued and adopted accounting standards. In April 2015, the FASB issued Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). The standard amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of as an asset. ASU 2015-03 is effective for annual and interim reporting periods after December 15, 2015, with early adoption permitted. We early adopted ASU 2015-03 retrospectively in our first fiscal quarter ended May 2, 2015. As a result of the retrospective adoption, we reclassified unamortized debt issuance costs of \$2.8 million and \$2.4 million as of January 31, 2015 and November 1, 2014, respectively, from Other long-term assets to a reduction in Long-term debt on the condensed consolidated balance sheets. Adoption of this standard did not impact results of operations, retained earnings, or cash flows in the current or previous interim and annual reporting periods.

Forward-Looking Statements

This report may contain a number of forward-looking statements regarding, without limitation, planned store growth, new markets, expected sales, projected earnings levels, capital expenditures, and other matters. These forward-looking statements reflect our then current beliefs, projections, and estimates with respect to future events and our projected financial performance, operations, and competitive position. The words “plan,” “expect,” “target,” “anticipate,” “estimate,” “believe,” “forecast,” “projected,” “guidance,” “looking ahead” and similar expressions identify forward-looking statements.

Future economic and industry trends that could potentially impact revenue, profitability, and growth remain difficult to predict. As a result, our forward-looking statements are subject to risks and uncertainties which could cause our actual results to differ materially from those forward-looking statements and our previous expectations and projections. Refer to Part II, Item 1A in this Quarterly Report on Form 10-Q for a more complete discussion of risk factors for Ross and dd's DISCOUNTS. The factors underlying our forecasts 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 our outlook at any other point in time. We disclaim any obligation to update or revise these forward-looking statements.

Other risk factors are detailed in our filings with the Securities and Exchange Commission including, without limitation, our Annual Report on Form 10-K for 2014.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks, which primarily include changes in interest rates. We do not engage in financial transactions for trading or speculative purposes.

We occasionally use forward contracts to hedge against fluctuations in foreign currency prices. We had no outstanding forward contracts as of October 31, 2015.

Interest that is payable on our revolving credit facility is based on variable interest rates and is, therefore, affected by changes in market interest rates. As of October 31, 2015, we had no borrowings outstanding under our revolving credit facility.

We have two outstanding series of unsecured notes held by institutional investors: Series A Senior Notes due December 2018 for \$85 million accrues interest at 6.38% and Series B Senior Notes due December 2021 for \$65 million accrues interest at 6.53%. The amount outstanding under these notes as of October 31, 2015 was \$150 million. We also have unsecured 3.375% Senior Notes due September 2024 with an aggregate principal amount of \$250 million. Interest that is payable on our senior notes is based on fixed interest rates, and is therefore unaffected by changes in market interest rates.

Interest is receivable on our short- and long-term investments. Changes in interest rates may impact interest income recognized in the future, or the fair value of our investment portfolio.

A hypothetical 100 basis point increase or decrease in prevailing market interest rates would not have a material impact on our consolidated financial position, results of operations, cash flows, or the fair values of our short- and long-term investments as of and for the three month period ended October 31, 2015. We do not consider the potential losses in future earnings and cash flows from reasonably possible, near-term changes in interest rates to be material.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our “disclosure controls and procedures” (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at that reasonable assurance level as of the end of the period covered by this report.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events.

Quarterly Evaluation of Changes in Internal Control Over Financial Reporting

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of our internal control over financial reporting to determine whether any change occurred during the third fiscal quarter of 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, our management concluded that there was no such change during the 2015 third fiscal quarter.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The matters under the caption “Litigation, claims, and assessments” in Note A of Notes to Condensed Consolidated Financial Statements are incorporated herein by reference.

ITEM 1A. RISK FACTORS

Our Quarterly Report on Form 10-Q for our third fiscal quarter of 2015, and information we provide in our press releases, and other investor communications, including those on our corporate website, may contain forward-looking statements with respect to anticipated future events and our projected growth, financial performance, operations, and competitive position that are subject to risks and uncertainties that could cause our actual results to differ materially from those forward-looking statements and our prior expectations and projections. Refer to Management's Discussion and Analysis for a more complete identification and discussion of "Forward-Looking Statements."

We are subject to the economic and industry risks that affect large, multi-store retailers operating in the United States. We must continually and efficiently obtain and distribute a supply of merchandise our customers value throughout a large and growing network of stores and distribution centers around the country. The continued success and growth of our business depends in part upon our ability to increase sales and improve efficiencies at our existing store locations, open new stores, operate existing and new stores on a profitable basis, and maintain or reduce our costs.

We are also subject to various operational risks as we attempt to execute on our off-price retail merchandising and growth strategies. We must effectively manage all operating costs of the business, the largest of which are payroll and benefit costs for store and distribution center employees. Further, in order to support planned store growth, we must also add capacity to our existing distribution centers, find new distribution center sites, and build out planned additional distribution centers timely and cost effectively. Our existing strategies and store, buying organization, and distribution center expansion programs may not result in a continuation of our anticipated revenue or profit growth.

Our financial condition, results of operations, cash flows, and the performance of our common stock may be adversely affected by a number of risk factors. Risks and uncertainties that apply to both Ross and dd's DISCOUNTS include, without limitation, the following:

- Competitive pressures in the apparel and home-related merchandise retailing industry are high.
- Unexpected changes may occur in the level of consumer spending on or preferences for apparel or home-related merchandise.
- We depend on the market availability, quantity, and quality of attractive brand name merchandise at desirable discounts, and on the ability of our buyers to purchase merchandise to enable us to offer customers a wide assortment of merchandise at competitive prices.
- We are subject to impacts from the macro-economic environment, financial and credit markets, and geopolitical conditions that affect consumer confidence and consumer disposable income.
- We must continually attract, train, and retain associates with the retail talent necessary to execute our off-price retail strategies.
- Unseasonable weather may affect shopping patterns and consumer demand for seasonal apparel and other merchandise.
- Data security breaches, including cyber-attacks on our transaction processing and computer information systems, could result in theft or unauthorized disclosure of customer, credit card, employee, or other private and valuable information that we handle in the ordinary course of our business. A breach of our data security, or our failure or delay in detecting and mitigating a loss of personal or business information, could result in damage to our reputation, loss of customer confidence, violation (or alleged violation) of applicable laws, and expose us to civil claims, litigation and regulatory action, and to unanticipated costs and disruption of our operations.
- Disruptions in our supply chain or in our information systems could impact our ability to process sales and to distribute merchandise to our stores in a timely and cost-effective manner.
- Issues involving the quality, safety, or authenticity of products we sell could increase our costs and/or adversely impact our sales.
- In order to achieve our planned gross margins, we must effectively manage our inventories, markdowns, and inventory shortage.
- We may experience volatility in revenues and earnings.
- An adverse outcome in various legal, regulatory, or tax matters could negatively impact our business.
- A natural or man-made disaster in California or in another region where we have a concentration of stores or a distribution center could harm our business.
- Our labor costs may increase as a result of industry trends and minimum wage requirements.
- To achieve growth, we need to expand in existing markets and enter new geographic markets where we are less well known.
- We need to obtain acceptable new store sites with favorable demographics to achieve our planned growth.
- Damage to our corporate reputation or brands could adversely affect our sales and operating results.
- We are subject to risks associated with importing merchandise from other countries.
- To support our continuing operations, our new store and distribution center growth plans, and our stock repurchase and dividend programs, we must maintain sufficient liquidity.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Information regarding shares of common stock we repurchased during the third quarter of fiscal 2015 is as follows:

Period	Total number of shares (or units) purchased^{1,2}	Average price paid per share (or unit)¹	Total number of shares (or units) purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs (\$000)³
August (8/02/2015 - 8/29/2015)	909,114	\$51.74	876,339	\$1,003,000
September (8/30/2015 - 10/03/2015)	1,525,231	\$48.93	1,486,113	\$930,300
October (10/04/2015 - 10/31/2015)	1,221,961	\$49.60	1,221,961	\$869,700
Total	<u>3,656,306</u>	<u>\$49.85</u>	<u>3,584,413</u>	

¹All share and per share amounts have been adjusted for the two-for-one stock split effective June 11, 2015.

²We acquired 71,893 shares of treasury stock during the quarter ended October 31, 2015. Treasury stock includes shares acquired from employees for tax withholding purposes related to vesting of restricted stock grants. All remaining shares were repurchased under our publicly announced stock repurchase program.

³In February 2015 our Board of Directors approved a new two-year \$1.4 billion stock repurchase program for fiscal 2015 and 2016.

ITEM 6. EXHIBITS

Incorporated herein by reference to the list of exhibits contained in the Index to Exhibits within this Report.

SIGNATURES

Pursuant to the requirements 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: December 9, 2015

By: /s/Michael J. Hartshorn

Michael J. Hartshorn

Group Senior Vice President, Chief Financial Officer, and Principal
Accounting Officer

INDEX TO EXHIBITS

Exhibit Number	Exhibit
3.1	Certificate of Incorporation of Ross Stores, Inc. as amended (Corrected First Restated Certificate of Incorporation, dated March 17, 1999, together with amendments thereto through Amendment of Certificate of Incorporation dated May 29, 2015) incorporated by reference to Exhibit 3.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended August 1, 2015.
3.2	Amended and Restated Bylaws of Ross Stores, Inc. as amended, January 23, 2013, incorporated by reference to Exhibit 3.3 to the Form 10-K filed by Ross Stores, Inc. for the year ended February 2, 2013.
15	Letter re: Unaudited Interim Financial Information from Deloitte & Touche LLP dated December 9, 2015.
31.1	Certification of Chief Executive Officer Pursuant to Sarbanes-Oxley Act Section 302(a).
31.2	Certification of Chief Financial Officer Pursuant to Sarbanes-Oxley Act Section 302(a).
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

EXHIBIT 15

December 9, 2015

Ross Stores, Inc.
Dublin, California

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of Ross Stores, Inc. and subsidiaries for the periods ended October 31, 2015, and November 1, 2014, as indicated in our report dated December 9, 2015; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended October 31, 2015, is incorporated by reference in Registration Statements No. 33-61373, No. 333-06119, No. 333-34988, No. 333-51478, No. 333-56831, No. 333-115836, and No. 333-151116 on Form S-8, and No. 333-198738 on Form S-3.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statements 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

EXHIBIT 31.1

Ross Stores, Inc.
Certification of Chief Executive Officer
Pursuant to Sarbanes-Oxley Act Section 302(a)

I, Barbara Rentler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ross Stores, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 9, 2015

/s/Barbara Rentler

Barbara Rentler

Chief Executive Officer

EXHIBIT 31.2

Ross Stores, Inc.
Certification of Chief Financial Officer
Pursuant to Sarbanes-Oxley Act Section 302(a)

I, Michael J. Hartshorn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ross Stores, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 9, 2015

/s/Michael J. Hartshorn

Michael J. Hartshorn

Group Senior Vice President, Chief Financial Officer, and Principal Accounting Officer

EXHIBIT 32.1

Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Ross Stores, Inc. (the "Company") on Form 10-Q for the quarter ended October 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Barbara Rentler, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 9, 2015

/s/Barbara Rentler

Barbara Rentler

Chief Executive Officer

EXHIBIT 32.2

Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Ross Stores, Inc. (the "Company") on Form 10-Q for the quarter ended October 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael J. Hartshorn, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 9, 2015

/s/Michael J. Hartshorn

Michael J. Hartshorn

Group Senior Vice President, Chief Financial Officer, and Principal
Accounting Officer

