

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 AUGUST 1, 1998

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 94-1390387
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

8333 Central Avenue, Newark, 94560-3433
California (Zip Code)
(Address of principal executive
offices)

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

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

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 August 28, 1998 was 46,951,511.

2

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ROSS STORES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(\$000)	August 1, 1998	January 31, 1998	August 2, 1997
ASSETS	(Unaudited)	(Note A)	(Unaudited)
Current Assets			
Cash and cash equivalents	\$ 31,972	\$ 56,369	\$ 31,770

Accounts receivable	11,722	8,122	9,250
Merchandise inventory	468,952	418,825	427,114
Prepaid expenses and other	15,440	15,108	14,253
Total Current Assets	528,086	498,424	482,387
Property and Equipment			
Land and buildings (Note B)	48,748	24,115	24,115
Fixtures and equipment	197,679	190,186	180,521
Leasehold improvements	132,306	144,247	141,235
Construction-in-progress	32,856	25,763	10,196
	411,589	384,311	356,067
Less accumulated depreciation and amortization	177,271	179,590	164,458
	234,318	204,721	191,609
Other assets	40,318	34,808	30,191
	\$802,722	\$737,953	\$704,187
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable	\$212,249	\$201,998	\$196,444
Accrued expenses and other	96,068	82,290	78,226
Accrued payroll and benefits	29,699	39,458	33,944
Short-term debt	37,500		
Total Current Liabilities	375,516	323,746	308,614
Other liabilities	41,119	33,526	29,592
Stockholders' Equity			
Capital stock	472	479	496
Additional paid-in capital	200,688	195,562	170,803
Retained earnings	184,927	184,640	194,682
	386,087	380,681	365,981
	\$802,722	\$737,953	\$704,187

See notes to condensed consolidated financial statements.

3

ROSS STORES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(\$000 except per share data, unaudited)	Three Months Ended		Six Months Ended	
	August 1, 1998	August 2, 1997	August 1, 1998	August 2, 1997
Sales	\$536,975	\$490,679	\$1,021,251	\$933,520
Costs and Expenses				
Cost of goods sold and occupancy	371,996	341,109	708,812	650,622
General, selling and administrative	103,355	95,556	197,412	182,220
Depreciation and amortization	8,230	7,635	16,112	14,910
Interest expense (income)	265	(283)	130	(483)
	483,846	444,017	922,466	847,269
Earnings before taxes	53,129	46,662	98,785	86,251
Provision for taxes on earnings	20,720	18,664	38,526	34,500
Net earnings	\$ 32,409	\$ 27,998	\$ 60,259	\$ 51,751
Net earnings per share:				
Basic	\$.68	\$.56	\$ 1.26	\$ 1.04
Diluted	\$.67	\$.55	\$ 1.24	\$ 1.02

Weighted average shares outstanding:

Basic	47,455	49,791	47,652	49,594
Diluted	48,358	50,851	48,582	50,666
Stores open at end of period	339	318	339	318

See notes to condensed consolidated financial statements.

4

ROSS STORES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$000, unaudited)	Six Months Ended	
	August 1, 1998	August 2, 1997
Cash Flows From Operating Activities		
Net earnings	\$ 60,259	\$ 51,751
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization of property and equipment	16,112	14,910
Other amortization	4,663	4,060
Change in assets and liabilities:		
Merchandise inventory	(50,127)	(53,425)
Other current assets - net	(3,931)	(2,382)
Accounts payable	12,886	14,563
Other current liabilities - net	6,668	(8,694)
Other	3,172	1,276
Net cash provided by operating activities	<u>49,702</u>	<u>22,059</u>
Cash Flows From Investing Activities		
Additions to property and equipment	(49,825)	(19,202)
Net cash used in investing activities	<u>(49,825)</u>	<u>(19,202)</u>
Cash Flows From Financing Activities		
Borrowing under lines of credit	37,500	4,600
Repayment of long-term debt	(63)	(59)
Issuance of common stock related to stock plans	6,347	5,693
Repurchase of common stock	(62,825)	(21,642)
Dividends paid	(5,233)	(4,456)
Net cash used in financing activities	<u>(24,274)</u>	<u>(15,864)</u>
Net Decrease In Cash	<u>(24,397)</u>	<u>(13,007)</u>
Cash and cash equivalents:		
Beginning of year	56,369	44,777
End of quarter	<u>\$ 31,972</u>	<u>\$ 31,770</u>
Interest Paid	\$ 307	\$ 83
Income Taxes Paid	\$ 21,947	\$ 45,671

See notes to condensed consolidated financial statements.

5

ROSS STORES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and Six Months Ended August 1, 1998 and August 2, 1997

(Unaudited)

NOTE 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 August 1, 1998 and August 2, 1997; the interim results of operations for the three and six months ended August 1, 1998 and August 2, 1997; and changes in cash flows for the six months then ended. The balance sheet at January 31, 1998, 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 January 31, 1998. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted for purposes of the condensed consolidated interim financial statements. The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements, including notes thereto, for the year ended January 31, 1998.

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

The condensed consolidated financial statements at August 1, 1998 and August 2, 1997, and for the three and six months then ended have been reviewed, prior to filing, by the registrant's independent auditors whose report covering their review of the financial statements is included in this report on page 6.

NOTE B - PURCHASE OF CENTRAL OFFICE AND WEST COAST DISTRIBUTION CENTER

The company exercised its right to purchase its West Coast distribution center and central office, both of which are located in Newark, California. This transaction was closed on June 3, 1998 with funding provided by cash generated by operations and bank borrowings under the company's existing credit agreement.

6

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. (the "Company") as of August 1, 1998 and August 2, 1997, and the related condensed consolidated statements of earnings for the three-month and six-month periods then ended and the related condensed consolidated statements of cash flows for the six-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 generally accepted auditing standards, 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 generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Ross Stores, Inc. as of January 31, 1998, 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 17, 1998, 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, 1998 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Deloitte & Touche LLP

San Francisco, California
August 21, 1998

7

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 vary significantly 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 That May Affect Future Performance" below. The following discussion should be read in conjunction with the condensed financial statements and notes thereto included elsewhere in this Form 10-Q and in the Company's 1997 Form 10-K. All information is based on the Company's fiscal calendar.

RESULTS OF OPERATIONS

PERCENTAGE OF SALES

	Three Months Ended		Six Months Ended	
	August 1, 1998	August 2, 1997	August 1, 1998	August 2, 1997
SALES				
Sales (\$000)	\$536,975	\$490,679	\$1,021,251	\$933,520
Sales growth	9.4%	21.0%	9.4%	20.2%
Comparable store sales growth	4%	12%	4%	12%
COSTS AND EXPENSES				
Cost of goods sold and occupancy	69.3%	69.5%	69.4%	69.7%
General, selling and administrative	19.2%	19.5%	19.3%	19.5%
Depreciation and amortization	1.5%	1.6%	1.6%	1.6%
Interest expense (income)	0.0%	(0.1)%	0.0%	(0.1)%
NET EARNINGS	6.0%	5.7%	5.9%	5.5%

Sales

The results of operations for the three and six months ended August 1, 1998, over the same period last year, reflect a greater number of open stores during the current period and positive comparable store sales.

Costs and Expenses

The decreases from the prior year in cost of goods sold and occupancy as a percentage of sales for the three and six month periods were primarily due to leverage on occupancy costs realized from the comparable store sales gain of 4%.

General, selling and administrative expenses as a percentage of sales

also declined from the comparable quarter in the prior year and the comparable six-month period. This improvement was due to the company's continued focus on strict expense controls combined with leverage on store expenses realized from the comparable store sales gain of 4%, lower advertising costs, and lower costs related to the company's incentive compensation plan, partially offset by slightly higher distribution costs and by costs associated with the company's year 2000 remediation efforts.

8

Net earnings for the three months ended August 1, 1998 totaled \$32.4 million, or \$.67 per share, compared to net earnings of \$28.0 million, or \$.55 per share, for the three months ended August 2, 1997.

Taxes on Earnings

The company paid \$21.9 million in income taxes in the first six months of 1998, compared to \$45.7 million in the first six months of 1997. This \$23.8 million decrease in income taxes paid in the first six months of 1998 compared to the same period in the prior year is attributable principally to the timing of tax deductions taken by the company primarily related to the company's stock option plans. The company's effective tax rate for the second quarter of 1998 was 39%, compared to 40% in the same period in 1997. The rate for both periods reflects the applicable statutory tax rates.

LIQUIDITY AND CAPITAL RESOURCES

The primary uses of cash, other than for operating expenses, during the first six months of fiscal 1998 were for (i) the repurchase of the company's common stock, (ii) the purchase of inventory, (iii) the purchase of the company's Newark, California distribution center and corporate headquarters and (iv) capital expenditures for new stores, improvements to existing locations and improvements in management information systems.

Total consolidated inventories were up 10% at the end of the second quarter from the same quarter last year driven by (i) a planned increase in packaway inventories and (ii) a larger number of open stores (339) over the prior year (318).

In January 1998, the company announced a \$110 million common stock repurchase program. For the six months ended August 1, 1998, the company spent \$62.8 million to repurchase 1,464,700 shares of common stock compared to the \$21.6 million spent for 789,000 shares of common stock for the six months ended August 2, 1997.

The company exercised its right to purchase its Newark, California distribution center and corporate headquarters for \$24.6 million. The company closed this transaction on June 3, 1998 with funding provided by internally generated cash and bank borrowings under its existing credit agreement.

The increase in interest expense in the second quarter of fiscal 1998 compared to the comparable period in the prior year reflects increased short-term borrowings to finance operations and the June 1998 real estate purchase.

The company believes it can fund its operating cash requirements and capital needs on a short-term and long-term basis and complete the current stock repurchase program through internally generated cash, trade credit, established bank lines and lease financing.

9

YEAR 2000 MATTERS

The year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Certain information technology systems and their associated software ("IT Systems"), and certain equipment that utilizes programmable logic chips

to control aspects of their operation ("embedded chip equipment"), may recognize "00" as a year other than the year 2000. Some IT Systems and embedded chip equipment of the company and of third parties who do business with the company contain two-digit programming to define a year. The year 2000 issue could result, at the company and elsewhere, in system failures or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions or to engage in other normal business activities.

Readiness for Year 2000

The company is addressing the year 2000 issue, including efforts relating to IT Systems and embedded chip equipment used within the company, efforts to assess issues the company faces if third parties who do business with the company are not prepared for the year 2000, and contingency planning. In 1997 the company created a corporation-wide year 2000 project team representing all business and staff units with the goal of achieving an uninterrupted transition into the year 2000. For IT Systems and embedded chip equipment used within the company, the company has divided its year 2000 efforts into four phases: (i) identification and inventorying of IT Systems and embedded chip equipment with potential year 2000 problems; (ii) assessment of scope of year 2000 issues for, and assigning priorities to, each item based on its importance to the company's operations; (iii) remediation of year 2000 issues in accordance with assigned priorities, by correction, upgrade, replacement or retirement; (iv) testing for and validation of year 2000 compliance. Because the company uses a variety of IT Systems, internally-developed and third-party provided software and embedded chip equipment, depending upon business function and location, various aspects of the company's year 2000 efforts are in different phases and are proceeding in parallel.

The company's operations are also dependent on the year 2000 readiness of third parties who do business with the company. In particular, the company's IT Systems interact with commercial electronic transaction processing systems to handle customer credit card purchases and other point of sale transactions, and the company is dependent on third-party suppliers of such infrastructure elements as, but not limited to, telephone service, electric power, water and banking facilities. The company does not depend to any significant degree on any single merchandise vendor or upon electronic transaction processing with individual vendors for merchandise purchases. The company has begun to identify and initiate formal communications with key third parties and suppliers and with significant merchandise vendors to determine the extent to which the company will be vulnerable to such parties' failure to resolve their own year 2000 issues. Although the company has not been put on notice that any known third party problem will not be resolved, the company has limited information and no assurance of additional information concerning the year 2000 readiness of third parties. The resulting risks to the company's business are very difficult to assess. Where commercially reasonable to do so, the company intends to assess its risks with respect to failure by third parties to be year 2000 compliant and to seek to mitigate those risks. The company is at an early stage in those efforts.

The company is using both internal and external resources to identify, correct, upgrade or replace and test internally deployed IT Systems and embedded chip equipment for year 2000 compliance.

Costs

The company estimates that its internally-deployed IT Systems and embedded chip equipment will be year 2000 compliant by mid-1999. Aggregate costs for work related to year 2000 efforts in fiscal 1998 and 1999 currently are anticipated to total approximately \$12.0 million, including about \$6.0 million for capital investments in IT Systems and embedded chip equipment, and are expected to be funded through operating cash flows. Operating costs related to year 2000 compliance

10

projects will be incurred over several quarters and will be expensed as incurred. They include \$732,000 in costs reported in fiscal 1998 first quarter results. In the second quarter of fiscal 1998, the company incurred \$1.1 million in expenses related to year 2000 compliance, with an estimated \$2.2 million expected in the second half of fiscal 1998 and approximately \$2.0 million expected in fiscal 1999. Approximately \$4.0 million of the expected capital outlay will be incurred in fiscal 1998,

with another \$2.0 million in capital expenditures expected in fiscal 1999.

Risks

The company intends and expects to implement the changes necessary to address the year 2000 issue for IT Systems and embedded chip equipment used within the company. The company presently believes that, with modifications to existing software, conversions to new software, and appropriate remediation of embedded chip equipment, the year 2000 issue is not reasonably likely to pose significant operational problems for the company's IT Systems and embedded chip equipment as so modified and converted. However, if unforeseen difficulties arise or such modifications, conversions and replacements are not completed timely, or if the company's vendors' or suppliers' systems are not modified to become year 2000 compliant, the year 2000 issue may have a material impact on the results of operations and financial condition of the company.

The company is presently unable to assess the likelihood that the company will experience significant operational problems due to unresolved year 2000 problems of third parties who do business with the company. There can be no assurance that other entities will achieve timely year 2000 compliance; if they do not, year 2000 problems could have a material impact on the company's operations. Similarly, there can be no assurance that the company can timely mitigate its risks related to a supplier's failure to resolve its year 2000 issues. If such mitigation is not achievable, year 2000 problems could have a material impact on the company's operations.

The company's estimates of the costs of achieving year 2000 compliance and the date by which year 2000 compliance will be achieved are based on management's best estimates, which were derived using numerous assumptions about future events including the continued availability of certain resources, third party modification plans and other factors. However, there can be no assurance that these estimates will be achieved, and actual results could differ materially from these estimates. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in year 2000 remediation work, the ability to locate and correct all relevant computer codes, the success achieved by the company's suppliers in reaching year 2000-readiness, the timely availability of necessary replacement items and similar uncertainties.

Contingency Plans

The company presently believes that the most reasonably likely worst-case scenarios that the company might confront with respect to year 2000 issues have to do with the possible failure in one or more geographic regions of third party systems over which the company has no control, such as, but not limited to, power and telephone service. For example, if such services were to fail, it could be necessary for the company to temporarily close stores in the affected geographic areas. The company has in place a business resumption plan that addresses recovery from various kinds of disasters, including recovery from significant interruptions to data flows and distribution capabilities at the company's major data systems centers and major distribution centers. The company is using that plan as a starting point for developing specific year 2000 contingency plans, which the company expects to complete by approximately the first quarter of fiscal year 1999. However, there can be no assurance that the company will be able to complete its contingency planning on that schedule.

11

FORWARD LOOKING STATEMENTS AND FACTORS THAT MAY AFFECT FUTURE PERFORMANCE

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

The company's continued success depends, in part, upon its ability to increase sales at existing locations, to open new stores and to operate stores on a profitable basis. There can be no assurance that the

company's existing strategies and store expansion program will result in a continuation of revenue and profit growth. Future economic and industry trends that could potentially impact revenue and profitability remain difficult to predict.

As a result, the forward looking statements that are contained herein are subject to certain risks and uncertainties that could cause the company's actual results to differ materially from historical results or current expectations. These factors include, without limitation, ongoing competitive pressures in the apparel industry, obtaining acceptable store locations, the company's ability to continue to purchase attractive name brand merchandise at desirable discounts, the company's ability to successfully implement its merchandise diversification strategy, the company's ability to successfully expand its geographic reach, unseasonable weather trends, changes in the level of consumer spending on or preferences in apparel or home-related merchandise and greater than planned costs, including those that could be related to necessary modifications to or replacements of the company's IT Systems and embedded chip equipment to enable them to process information with dates or date ranges spanning the year 2000 and beyond. If unforeseen difficulties arise or such modifications and replacements are not completed timely, or if the company's vendors' or suppliers' IT Systems, software and embedded chip equipment are not modified to become year 2000 compliant, the year 2000 issue may have a material impact on the operations of the company. In addition, the company's corporate headquarters, one distribution center and 44% of its stores are located in California. Therefore, a downturn in the California economy or a major natural disaster could significantly impact the company's operating results and financial condition.

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

PART II. OTHER INFORMATION

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

At the Annual Meeting of Stockholders held on May 28, 1998 (the "1998 Annual Meeting"), the stockholders of the company voted on and approved the following proposals:

Proposal 1 to elect three Class III Directors for a three-year term.

Proposal 2 to amend the 1992 Stock Option Plan to increase the share reserve by 2,300,000 shares of common stock.

Proposal 3 to amend the company's certificate of incorporation to increase the number of shares of common stock authorized for issuance from 100,000,000 shares to 170,000,000 shares.

12

Proposal 4 to ratify the appointment of Deloitte & Touche LLP as the company's certified public accountants for the fiscal year ending January 30, 1999.

INFORMATION ON THE BOARD OF DIRECTORS

The following directors were elected at the 1998 Annual Meeting to serve three-year terms expiring in 2001 as Class III Directors:

Norman A. Ferber, Philip Schlein and Melvin A. Wilmore

The following directors are continuing to serve their three-year terms of office:

Incumbent Class I Directors whose terms expire in 1999:

Stuart G. Moldaw, Donald H. Seiler and George P. Orban

Incumbent Class II Directors whose terms expire in 2000:
Michael Balmuth and Donna L. Weaver

1998 ANNUAL MEETING ELECTION RESULTS

PROPOSAL 1: ELECTION OF DIRECTORS

Director	In Favor	Withheld	Broker Non-Votes
Norman A. Ferber	42,334,568	624,981	n/a
Philip Schlein	42,433,274	526,275	n/a
Melvin A. Wilmore	42,333,483	626,066	n/a

PROPOSAL 2: INCREASE SHARE RESERVE OF THE
1992 STOCK OPTION PLAN

For	Against	Abstain	Broker Non-Votes
24,685,313	17,849,563	424,672	1

PROPOSAL 3: INCREASE THE NUMBER OF AUTHORIZED
SHARES OF COMMON STOCK

For	Against	Abstain	Broker Non-Votes
40,009,818	2,352,465	410,874	186,392

13

PROPOSAL 4: RATIFICATION OF APPOINTMENT OF DELOITTE &
TOUCHE LLP AS INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

For	Against	Abstain	Broker Non-Votes
42,908,322	24,582	26,644	1

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

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

(b) Reports on Form 8-K

None.

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: September 14, 1998 /s/John G. Call
John G. Call, Senior Vice President,

Chief Financial Officer, Corporate Secretary
and Principal Accounting Officer

INDEX TO EXHIBITS

14

Exhibit Number	Exhibit
3.1	First Restated Certificate of Incorporation, dated May 28, 1998, filed with the Delaware Secretary of State on June 4, 1998 by Ross Stores, Inc., a Delaware corporation ("Ross Stores"), incorporated by reference to Exhibit 3.1 to the Form 10-Q filed by Ross Stores for its quarter ended May 2, 1998.
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	Amended and Restated 1992 Stock Option Plan.
10.2	Fifth Amendment to Employment Agreement by and between Ross Stores and Melvin A. Wilmore, effective as of June 29, 1998.
15	Letter re: Unaudited Interim Financial Information
27	Financial Data Schedule (submitted for SEC use only)

ROSS STORES, INC.

SECOND AMENDED AND RESTATED
1992 STOCK OPTION PLAN

Introduction. On February 24, 1984, the Ross Stores, Inc. 1984 Stock Option Plan (the "Initial Plan") was adopted. The Initial Plan has been amended from time to time. On March 16, 1992, the Initial Plan was amended and restated in its entirety and renamed the Ross Stores, Inc. 1992 Stock Option Plan (the "1992 Plan"), and has been subsequently amended from time to time, once in the form of an amendment and restatement. The 1992 Plan is hereby amended and restated in its entirety (the "Plan"), effective as of the date of the 1998 Annual Meeting of the Stockholders of Ross Stores, Inc.

1. Purpose.

(a) The purpose of the Plan is to provide a means by which selected employees and directors of and consultants to Ross Stores, Inc. (the "Company") and its Affiliates, may be given an opportunity to benefit from increases in value of the stock of the Company through the granting of incentive stock options and nonqualified stock options.

(b) The Company, by means of the Plan, seeks to retain the services of persons who are now employees or directors of or consultants to the Company or its Affiliates, to secure and retain the services of new employees, directors and consultants, and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

2. Administration.

(a) The Plan shall be administered by the Board of Directors (the "Board") unless and until the Board delegates administration to a Committee as provided in subparagraph 2(c).

(b) The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time which of the persons eligible under the Plan shall be granted an option under the Plan (an "Option"); when and how each Option shall be granted; whether an Option will be an incentive stock option as defined in section 422 of the Internal Revenue Code of 1986, as amended (the "Code") or a nonqualified stock option; the provisions of each Option granted (which need not be identical), including the time or times such Option may be exercised in whole or in part; and the number of shares for which an Option shall be granted to each such person.

2

(ii) To construe and interpret the Plan and Options granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any option agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iii) To amend the Plan as provided in paragraph 12.

(iv) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company, which are not in conflict with the provisions of the Plan.

(c) The Board may delegate administration of the Plan

to a committee composed of two (2) or more members (the "Committee"), all of the members of which Committee may be, in the discretion of the Board, Non-Employee Directors and/or Outside Directors. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee of two (2) or more directors (who may or may not be Outside Directors or Non-Employee Directors) any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or such a subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revest in the Board the administration of the Plan. Notwithstanding anything in this paragraph 2 to the contrary, the Board or the Committee may delegate to a committee of one (1) or more members of the Board the authority to grant Options to eligible persons who: (1) are not then subject to Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and/or (2) are either (i) not then Covered Employees and are not expected to be Covered Employees at the time of recognition of income resulting from such Option, or (ii) not persons with respect to whom the Company wishes to comply with section 162(m) of the Code.

(d) "Affiliate" means any parent corporation or subsidiary corporation, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f) respectively, of the Code.

(e) "Covered Employee" means the chief executive officer and the four (4) other highest compensated officers of the Company for whom total compensation is required to be reported to stockholders under the Exchange Act, as determined for purposes of Section 162(m) of the Code.

(f) "Non-Employee Director" means a Director who either (i) is not a current employee or officer of the Company or its parent or subsidiary, does not receive compensation (directly or indirectly) from the Company or its parent or subsidiary for services rendered as a consultant or in any capacity other than as a director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act ("Regulation S-K")), does not possess an interest in any other

3

transaction as to which disclosure would be required under Item 404(a) of Regulation S-K, and is not engaged in a business relationship as to which disclosure would be required under Item 404(b) of Regulation S-K; or (ii) is otherwise considered a "non-employee director" for purposes of Rule 16b-3.

(g) "Outside Director" means a director who either (i) is not a current employee of the Company or an "affiliated corporation" (as defined in the Treasury regulations promulgated under section 162(m) of the Code), is not a former employee of the Company or an "affiliated corporation" receiving compensation for prior services (other than benefits under a tax-qualified pension plan), was not an officer of the Company or an "affiliated corporation" at any time, and is not currently receiving direct or indirect remuneration from the Company or an "affiliated corporation" for services in any capacity other than as a director, or (ii) is otherwise considered an "outside director" for purposes of section 162(m) of the Code.

(h) "Securities Act" means the Securities Act of 1933, as amended.

3. Eligibility.

(a) The Options may be granted only to employees

(including officers and directors), persons who become employees within thirty (30) days of the date of grant of an Option and consultants of the Company. The Board shall, in the Board's sole discretion, determine which persons shall be granted Options (an "Optionee"). Incentive stock options may be granted only to employees. Nonqualified stock options may be granted only to employees, directors and consultants. A Non-Employee Director shall not be eligible to receive the grant of an Option, even if providing consulting services to the Company.

(b) To the extent that the aggregate fair market value (determined at the time of grant) of stock with respect to which incentive stock options are exercisable for the first time by any Optionee during any calendar year (under all plans of the Company and its Affiliates) exceeds one hundred thousand dollars (\$100,000), the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as nonqualified stock options.

(c) Subject to the provisions of paragraph 7 relating to adjustments upon changes in stock, no person shall be eligible to be granted Options covering more than that number of shares equal to two percent (2%) of the Company's outstanding common stock on April 10, 1995, the record date for the Company's 1995 Annual Meeting of Stockholders (or four hundred ninety-two thousand six hundred fifty-five (492,655) shares of the Company's common stock during any calendar year.

4. Shares Subject to the Plan. The maximum number of shares which may be issued under the Plan shall be seventeen million five hundred thousand (17,500,000) shares of the Company's authorized but unissued common stock or treasury stock, subject to the provisions of paragraph 7 relating to adjustments upon changes in stock. In the event that any outstanding Option for any reason expires or is terminated and/or shares subject to repurchase are repurchased by the Company, the shares of common stock allocable to the unexercised portion of such Option, or so repurchased, may again be subjected to an Option.

4

5. Time for Granting Options. All Options shall be granted, if at all, within ten (10) years from March 16, 1992.

6. Terms, Conditions and Form of Options. Subject to the provisions of the Plan, the Board shall determine for each Option (which need not be identical) the number of shares for which the Option shall be granted, the option price of the Option, the exercisability of the Option, whether the Option is a nonqualified stock option or an incentive stock option, and all other terms and conditions of the Option not inconsistent with this paragraph 6. All Options shall be separately designated incentive stock options or nonqualified stock options at the time of grant, and a separate certificate or certificates will be issued for shares purchased on exercise of each type of Option. Options granted pursuant to the Plan shall be evidenced by written agreements specifying the number of shares covered thereby, in such form as the Board shall from time to time establish, and shall comply with and be subject to the following terms and conditions:

(a) The exercise price shall be not less than one hundred percent (100%) of the fair market value, as determined by the Board, of the stock of the Company subject to the Option on the date the Option is granted, except that the exercise price for an incentive stock option granted to any person who owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any of its Affiliates (a "Ten Percent Owner Optionee") shall be not less than one hundred ten percent (110%) of the fair market value of the stock of the Company subject to the incentive stock on the date the incentive stock option is granted. Notwithstanding the foregoing, an Option (whether an incentive stock option or a

nonqualified stock option) may be granted with an exercise price (other than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another Option in a manner satisfying the provisions of Section 424(a) of the Code.

(b) Exercise Period of Options. The Board shall have the power to set the time or times within which each Option shall be exercisable or the event or events upon the occurrence of which all or a portion of each Option shall be exercisable and the term of each Option; provided, however, that no incentive stock option shall be exercisable after the expiration of ten (10) years from the date such Option is granted, no nonqualified stock option shall be exercisable after the expiration of ten (10) years and one (1) month from the date such Option is granted, and provided further that no Option which is an incentive stock option granted to a Ten Percent Owner Optionee shall be exercisable after the expiration of five (5) years from the date such Option is granted.

(c) Payment of Option Price. Payment of the exercise price for the number of shares being purchased pursuant to any Option shall be made to the extent permitted by applicable statutes and regulations, either (i) in cash or by check or (ii) at the discretion of the Board, at the time of the grant of the Option, under one of the following alternatives:

5

(i) Provided that at the time of exercise the common stock is publicly traded pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board which, prior to the issuance of common stock, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds;

(ii) Provided that at the time of exercise the common stock is publicly traded, by delivery of already-owned shares of common stock, held for the period required to avoid a charge to the Company's reported earnings, and owned free and clear of any liens, claims, encumbrances or security interests, which common stock shall be valued at its fair market value on the date of exercise;

(iii) Pursuant to a deferred payment alternative, provided that, at any time that the Company is incorporated in Delaware, payment of the Common Stock's "par value" (as defined in the Delaware General Corporation Law) shall not be made by deferred payment, the principal shall be due and payable not more than four (4) years after the Option is granted, interest shall be payable at least annually and be at least equal to the minimum interest rate to avoid imputed interest pursuant to all applicable sections of the Code, and the Board shall have the authority from time to time to permit the Optionee to secure any promissory note used to exercise an Option with collateral other than the Company's common stock.

(iv) In any other form of legal consideration that may be acceptable to the Board; or

(v) By any combination of the above methods.

Notwithstanding the foregoing, in the event the Company at any time becomes subject to the regulations promulgated by the Board of Governors of the Federal Reserve System affecting the extension of credit in connection with the Company's securities, any promissory note shall not initially exceed the maximum loan value of the collateral as defined by applicable regulations and the Optionee shall prepay, at the request of the Company, any promissory note to the extent necessary to permit the Company to comply with applicable regulations. The Company reserves, at any and all times, the right, in the Company's sole and absolute discretion, to establish, decline to approve and/or terminate any

program and/or procedures for the exercise of Options by means of an assignment of the proceeds of a sale of some or all of the shares of stock to be acquired upon such exercise.

(d) Option Transferability. An incentive stock option shall not be transferable except by will or by the laws of descent and distribution, and shall be exercisable during the lifetime of the person to whom the incentive stock option is granted only by such person. A nonqualified stock option may be transferable to the extent expressly provided in the option agreement provided, however, that if the Option agreement does not specifically provide for transferability, then such nonqualified stock option shall not be transferable except by will or by the laws of descent and distribution or pursuant to a domestic relations order, and shall be exercisable during the lifetime of the person to whom the nonqualified stock option is granted only by such person or any transferee pursuant to a domestic relations order. Notwithstanding the

6

foregoing, the person to whom the Option is granted may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the person to whom such Option was granted, shall thereafter be entitled to exercise the Option, or as the Board or Committee shall determine in its discretion.

(e) Early Exercise. The Option may, but need not, include a provision whereby the Optionee may elect at any time before such Optionee terminates service with the Company to exercise the Option as to any part or all of the shares subject to the Option prior to the full vesting of the Option. Any unvested shares so purchased shall be subject to a repurchase right in favor of the Company or any other restriction the Board determines appropriate.

(f) Standard Option Terms.

(i) Incentive Stock Options. Unless otherwise provided for by the Board at the time an Option is granted, an Option designated by the Board as an "Incentive Stock Option" shall comply with and be subject to the terms and conditions set forth in the form of Incentive Stock Option Agreement.

(ii) Nonqualified Stock Options. Unless otherwise provided for by the Board at the time an Option is granted, an Option designated by the Board as a "Nonqualified Stock Option" shall comply with and be subject to the terms and conditions set forth in the form of Nonqualified Stock Option Agreement.

(iii) Authority to Vary Terms. The Board shall have the authority from time to time to vary the terms of the option agreements either in connection with the grant of an individual Option or in connection with the authorization of a new standard form or forms; provided, however, that the terms and conditions of such option agreements shall be in accordance with the terms of the Plan. Such authority shall include, but not by way of limitation, the authority to grant Options which are not immediately exercisable; provided, however, that in the event of (1) a merger in which the Company is not the surviving corporation, (2) the sale or exchange by the stockholders of the Company of all or substantially all of the stock of the Company where the stockholders before such sale or exchange do not retain, directly or indirectly, at least a majority of the beneficial interest in the voting stock of the Company, or (3) the sale or exchange of all or substantially all of the Company's assets (other than a sale or transfer to a subsidiary of the Company as defined in section 424(f) of the Code), any outstanding Options which are not immediately exercisable under their terms, shall become fully exercisable prior to consummation of such merger or sale of assets at such time as the Board shall determine; or the surviving or acquiring corporation, as a condition precedent to consummation of such merger or sale of

assets shall assume the outstanding Options or issue substitute Options.

7. Effect of Change in Stock Subject to Plan. Appropriate adjustments shall be made in the number and class of shares of stock subject to the Plan, the maximum number of shares subject to award to any person during any calendar year pursuant to subparagraph 3(c), and to any outstanding Options and in the exercise price of any outstanding Options in the event any change is made in the stock subject to the Plan, or subject to any

7

Option, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company). Such adjustments shall be made by the Board, the determination of which shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a "transaction not involving the receipt of consideration by the Company.")

8. Covenants Of The Company.

(a) During the terms of the Options, the Company shall keep available at all times the number of shares of stock required to satisfy such Options.

(b) The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Options and to issue and sell shares of common stock upon exercise of the Options; provided, however, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Options or any stock issued or issuable pursuant to any such Option. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell stock upon exercise of such Options unless and until such authority is obtained.

9. Use Of Proceeds From Stock.

Proceeds from the sale of stock pursuant to Options shall constitute general funds of the Company.

10. Miscellaneous.

(a) The Board shall have the power to accelerate the time at which an Option may first be exercised or the time during which an Option or any part thereof will vest, notwithstanding the provisions in the Option stating the time at which it may first be exercised or the time during which it will vest.

(b) No Optionee shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares subject to such Option unless and until such person has satisfied all requirements for exercise of the Option pursuant to its terms.

(c) Nothing in the Plan or any instrument executed or Option granted pursuant thereto shall confer upon any Optionee any right to continue in the employ of the Company or any Affiliate (or to continue acting as a director or consultant) or shall affect the right of the Company or any Affiliate to terminate the employment of any employee with or without cause, the right of the Board and/or the Company's stockholders to remove any director pursuant to the terms of the Company's Bylaws and the provisions of applicable laws, or the right to terminate

the relationship of any consultant pursuant to the terms of such consultant's agreement with the Company or Affiliate to which such consultant is providing services.

(d) The Company may require any Optionee, or any person to whom an Option is transferred pursuant to subsection 6(d), as a condition of exercising or acquiring stock under any Option, (1) to give written assurances satisfactory to the Company as to such person's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters, and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Option; and (2) to give written assurances satisfactory to the Company stating that such person is acquiring the stock subject to the Option for such person's own account and not with any present intention of selling or otherwise distributing the stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (i) the issuance of the shares upon the exercise or acquisition of stock under the Option has been registered under a then currently effective registration statement under the Securities Act, or (ii) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may require the holder of the Option to provide such other representations, written assurances or information which the Company shall determine is necessary, desirable or appropriate to comply with applicable securities and other laws as a condition of granting an Option to such person or permitting the holder of the Option to exercise such Option. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the stock.

(e) To the extent provided by the terms of an Option agreement, the Optionee may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of stock under an Option by any of the following means or by a combination of such means (in addition to the Company's right to withhold from any compensation paid to the Optionee by the Company): (1) tendering a cash payment; (2) authorizing the Company to withhold shares from the shares of the common stock otherwise issuable to the Optionee as a result of the exercise or acquisition of stock under the Option; or (3) delivering to the Company owned and unencumbered shares of the common stock of the Company.

11. Provision of Information. Each Optionee shall be given information concerning the Company equivalent to that information generally made available to the Company's common stockholders.

12. Amendment of The Plan.

(a) The Board at any time, and from time to time, may amend the Plan. However, except as provided in paragraph 7 relating to adjustments upon changes in stock, no amendment shall be effective unless approved by the stockholders of the Company to the extent

stockholder approval is necessary for the Plan to satisfy the requirements of Section 422 of the Code, Rule 16b-3 or any Nasdaq or securities exchange listing requirements.

(b) The Board may in its sole discretion submit any other amendment to the Plan for stockholder approval, including,

but not limited to, amendments to the Plan intended to satisfy the requirements of Section 162(m) of the Code and the regulations promulgated thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to certain executive officers.

(c) It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide eligible employees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to incentive stock options and/or to bring the Plan and/or incentive stock options granted under it into compliance therewith.

(d) Rights and obligations under any Option granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (i) the Company requests the consent of the Optionee and (ii) such person consents in writing.

(e) The Board at any time, and from time to time, may amend the terms of any one or more Options; provided, however, that the rights and obligations under any Option shall not be impaired by any such amendment unless (i) the Company requests the consent of the Optionee and (ii) such person consents in writing.

13. Termination Or Suspension Of The Plan.

(a) The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on March 15, 2002, which shall be within ten (10) years from the date the Plan is adopted by the Board or approved by the stockholders of the Company, whichever is earlier. No Options may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) Rights and obligations under any Option granted while the Plan is in effect shall not be impaired by suspension or termination of the Plan, except with the written consent of the Optionee.

14. Continuation of Initial Plan and 1992 Plan as to Outstanding Options. Notwithstanding any other provision of the Plan to the contrary, the terms of the Initial Plan and the 1992 Plan shall remain in effect and apply to Options granted pursuant to such version of stock option plan.

15. Choice Of Law. All questions concerning the construction, validity and interpretation of this Plan, shall be governed by the law of the State of Delaware, without regard to such state's conflict of laws rules.

FIFTH AMENDMENT TO EMPLOYMENT AGREEMENT

THIS FIFTH AMENDMENT TO EMPLOYMENT AGREEMENT (the "Fifth Amendment") is made effective as of June 29, 1998, by and between Ross Stores, Inc. (the "Company") and Melvin A. Wilmore (the "Executive"). The Executive and the Company are parties to an Employment Agreement of March 15, 1994, as amended on March 16, 1995, June 1, 1995, July 29, 1996, and May 19, 1997 (the "Employment Agreement"). The Company and the Executive now desire to further amend the Employment Agreement to set forth (a) the terms upon which the Executive will resign from his employment with the Company, and (b) the payments and benefits that the Executive will be entitled to receive upon his resignation. Accordingly, the Executive and the Company now enter into this Fifth Amendment.

1. Resignation. The Executive hereby voluntarily resigns from any and all positions that he holds as an officer, director and/or employee of the Company and any of its subsidiaries effective as of the earlier of (a) January 28, 2000, or (b) the date that is 60 days after the date on which the Executive's successor commences employment with the Company (the "Resignation Date"). The Executive and the Company may mutually agree in writing to an earlier or later Resignation Date.

2. Terms of Continued Employment. The Executive shall continue to be employed by the Company in accordance with the terms of the Employment Agreement until the Resignation Date or the earlier termination of the parties' employment relationship in accordance with the terms of the Employment Agreement. Prior to the Resignation Date, it is agreed that there shall be no reduction in Executive's reporting responsibilities unless mutually agreed upon between the Company and the Executive.

3. Salary and Bonuses. The Executive's salary, referenced in paragraph 4(a) of the Employment Agreement, shall be not less than \$645,000 through February 28, 1999. Effective on March 1, 1999, the Executive's salary shall be increased to \$680,000.

4. Resignation Payments and Benefits. The Executive and the Company agree that his voluntary resignation as of the Resignation Date will be a Voluntary Termination as defined in Paragraph 7(g) of the Employment Agreement. Accordingly, the Executive shall not be entitled to any payments or benefits from the Company following the Resignation Date except as set forth in this Fifth Amendment.

5. Consideration For Release of Claims. In consideration of (a) the Executive's continued performance of his duties for the Company in a satisfactory fashion through the Resignation Date, and (b) the Executive's release (the "Release") of any claims as of the Resignation Date as set forth in Paragraph 6 of this Fifth Amendment (provided that the Release is not revoked by the Executive within seven days after the Resignation Date), then the Company shall provide the Executive with the following payments and benefits when the Release becomes effective:

2

(i) for the period commencing on the Resignation Date and ending February 1, 2001, the continuation of the Executive's base salary rate as described in Paragraph 3 above, less applicable withholding, payable in installments in accordance with the Company's standard payroll policies;

(ii) if the Resignation Date precedes the last day of either Fiscal 1998, and/or Fiscal 1999, the Executive shall be entitled to receive annual bonus(es) attributable to such fiscal year(s), if any, when paid in accordance with the Company's standard practices, less applicable withholdings;

(iii) a lump sum payment on February 1, 2001, equal to the highest annual bonus that the Executive received, if any, for either fiscal 1998 or fiscal 1999, less applicable withholding;

(iv) with respect to any stock options granted to the Executive by the Company, the Executive shall immediately become vested in any unvested stock options;

(v) with respect to any restricted stock granted to the Executive by the Company, the Executive shall immediately become vested in

any unvested restricted stock;

(vi) with respect to Paragraph 4(f) [Services Furnished] of the Employment Agreement, the Company shall provide the office space and services described therein to the Executive for a period commencing on the Resignation Date and ending February 1, 2001; and

(vii) until his death or the date of his 65th birthday, whichever occurs first, the Executive shall be entitled to continue to participate (at no cost to the Executive) in the following Company employee benefit plans and arrangements in effect on the date hereof (or other benefit plans or arrangements providing substantially similar benefits) in which the Executive now participates: executive medical, dental, vision and mental health insurance; life insurance; accidental death and dismemberment insurance; travel insurance; group excess personal liability; and matching of Executive's 401(k) and supplemental 401(k) contributions (the "Matching Contributions"). The Company shall not make any changes in such plans or arrangements that would adversely affect the Executive's rights or benefits thereunder, unless such change occurs pursuant to a program applicable to all senior executives of the Company and does not result in a proportionately greater reduction in the rights of, or benefits to, the Executive as compared with any other senior executive of the Company. For purposes of this Paragraph 5(vi), in the event of a Change of Control, as defined in Paragraph 7(f) of the Employment Agreement, the "Company" shall include any other entity that is a successor to the Company, whether by merger, consolidation, liquidation, as a result of the sale, exchange or transfer of all or substantially all of the Company's assets, or otherwise, and the provisions of this Paragraph 5(vi) shall continue to be binding on and shall be performed by such successor for the benefit of the Executive and his heirs and successors. Further, in the event of any such change of control the "senior executives of the Company" referred to in the second sentence of this Paragraph shall mean the senior executives who are members of its executive committee, or equivalent, or if there is no such committee who hold the most senior rank in the successor entity.

3

(viii) until his death, the Executive and all members of his immediate family shall be entitled to Company employee discount cards.

(ix) until his death or the date of his 65th birthday, whichever occurs first, the Executive shall be reimbursed by the Company for any estate planning fees or expenses actually incurred by the Executive, up to a maximum annual reimbursement of \$5,000; provided, however, that such annual limit shall be increased from time to time consistent with increases in similar benefits provided to Norman Ferber.

With respect to Paragraphs 5(iv) and (v), the Executive agrees to comply with applicable federal and state securities laws and/or the Company's insider trading policies as in effect on the Resignation Date.

6. Release. (a) In exchange for the payments and benefits provided to him pursuant to this Fifth Amendment, effective as of the Resignation Date, the Executive and his successors release the Company, its subsidiaries and their respective shareholders, investors, directors, officers, employees, agents, attorneys, legal successors and assigns of and from any and all claims, actions and causes of action, whether known or unknown, which the Executive has, or at any other time had, or shall or may have against the released parties based upon or arising out of any matter, cause, fact, thing, act or omission whatsoever occurring or existing at any time up to and including the Resignation Date including, but not limited to, any claims of breach of contract, wrongful termination, fraud, defamation, infliction of emotional distress or national origin, race, age, sex, sexual orientation, disability or other discrimination or harassment under the Civil Rights Act of 1964, the Age Discrimination In Employment Act of 1967, the Americans With Disabilities Act, the Fair Employment and Housing Act or any other applicable law.

Nothing herein, however, is intended to release the Executive's claims, if any, relating to vested shares, vested retirement benefits or the Executive's rights under California Labor Code Section 2802 and under California General Corporation Law Section 317 which are expressly not released.

(b) In exchange for the release provided herein, the

Company releases the Executive, effective as of the Resignation Date, from any and all claims, actions and causes of actions, whether known or unknown, which the Company has, or at any other time had, or shall or may have against the Executive based upon or arising out of any matters, cause, fact, thing, act or omission whatsoever occurring or existing at any time up to and including the Registration Date.

(c) The Executive and the Company acknowledge that each has read section 1542 of the Civil Code of the State of California, which states in full:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

The Executive and the Company waive any rights that each has or may have under section 1542 to the full extent that each may lawfully waive such rights pertaining to this general release of claims, and affirms that each is releasing all known and unknown claims that each has or may have against the parties listed above.

4

THE EXECUTIVE UNDERSTANDS THAT HE SHOULD CONSULT WITH AN ATTORNEY PRIOR TO SIGNING THIS FIFTH AMENDMENT AND THAT EFFECTIVE ON THE RESIGNATION DATE HE IS GIVING UP ANY LEGAL CLAIMS HE HAS AGAINST THE PARTIES RELEASED ABOVE BY SIGNING THIS FIFTH AMENDMENT. THE EXECUTIVE FURTHER UNDERSTANDS THAT HE MAY HAVE UP TO 21 DAYS TO CONSIDER THIS RELEASE, THAT HE MAY REVOKE THIS RELEASE AT ANY TIME DURING THE 7 DAYS AFTER THE RESIGNATION DATE BY SENDING WRITTEN NOTICE TO THE CHAIRMAN OF THE COMPENSATION COMMITTEE OF THE COMPANY'S BOARD OF DIRECTORS, AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE UNTIL THAT 7-DAY REVOCATION PERIOD HAS PASSED. THE EXECUTIVE ACKNOWLEDGES THAT HE IS SIGNING THIS FIFTH AMENDMENT KNOWINGLY, WILLINGLY AND VOLUNTARILY IN EXCHANGE FOR THE PAYMENTS AND BENEFITS DESCRIBED IN THIS FIFTH AMENDMENT.

7. Non-Solicitation; Non-Competition. For a period of three years following the Resignation Date:

(i) The Executive shall not, directly or indirectly, solicit any employee or officer of the Company to terminate his/her employment with the Company.

(ii) The Company and the Executive acknowledge that the Company has a special interest in and derives significant benefit from the unique skills and experience of the Executive. In addition, the Executive will use and have access to some of the Company's proprietary and valuable confidential information during the course of the Executive's employment. Accordingly, unless otherwise prohibited by law, the Executive shall not provide any labor, work, services or assistance to (whether as an officer, director, employee, partner, agent, owner, independent contractor, stockholder or otherwise) Burlington Coat Factory Warehouse Corporation, Dillard Department Stores, Inc., Filene's Basement Corp., The Federated Stores, The May Department Stores Company, The TJX Companies, Inc. and Value City Department Stores, Inc. as well as all subsidiaries, divisions and/or the surviving entity of any of the above that do business in the retail industry in the case of a merger or acquisition. However, this subsection shall not prohibit the Executive from making any investment of 1% or less of the equity securities of any publicly-traded corporation that is engaged in any business of the type or character engaged in by the Company. If the Executive breaches this paragraph 7, he shall be liable to the Company for any damages caused by such breach and shall not be entitled to the benefits described in Paragraph 5(vi) and (vii) following such breach.

8. Attorneys' Fees. The Company shall reimburse the Executive for his reasonable attorneys' fees incurred in the negotiation and documentation of this Fifth Amendment. Each party

5

shall bear its own attorneys' fees and costs incurred in any dispute arising out of this Fifth Amendment.

9. Governing Law; Severability. The validity, interpretation,

construction and performance of this Agreement shall be governed by the laws of the State of New York. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

10. Effect On Employment Agreement. Except as modified by this Fifth Amendment, the Employment Agreement shall remain in full force and effect, and the provisions of the Employment Agreement that are to remain in effect following the termination of the parties' employment relationship (including, but not limited to, paragraphs 6, 10, 11, 12, 17 and 18) shall remain in effect following the Resignation Date.

11. Entire Agreement; Modification. This Fifth Amendment, along with the Employment Agreement, constitutes the entire agreement between the Executive and the Company concerning the termination of their employment relationship and the subjects described herein. This Fifth Amendment cannot be modified or amended except in a document signed by the Executive and the chairman of the Compensation Committee of the Company's Board of Directors (or such other person as may be designated by the Company's Board of Directors).

IN WITNESS WHEREOF, the parties have executed this Fifth Amendment effective as of the day and year first written above.

ROSS STORES, INC.

By: /s/ Michael Balmuth 7/22/98

/s/Melvin A. Wilmore 6/29/98
MELVIN A. WILMORE

EXHIBIT 15

September 11, 1998

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 and six-month periods ended August 1, 1998 and August 2, 1997, as indicated in our independent accountants' report dated August 21, 1998; 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 August 1, 1998 is incorporated by reference in Registration Statements Nos. 33-56831, 333-06119, 33-61373, 33-51916, 33-51896, 33-51898, 33-41415, 33-41413 and 33-29600 of Ross Stores, Inc. on Form S-8.

We are also aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is 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,

Deloitte & Touche LLP
San Francisco, California

<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONDENSED CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF EARNINGS FOR THE SIX
MONTHS ENDED AUGUST 1, 1998, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO
SUCH FINANCIAL STATEMENTS

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<F1> For purposes of this exhibit, primary means basic

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