

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark one)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended May 2, 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 (State or other jurisdiction of incorporation or organization) 94-1390387
(I.R.S. Employer Identification No.)

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

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

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 X No ___

The number of shares of Common Stock, with \$.01 par value, outstanding on May 29, 1998 was 47,579,988.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

ROSS STORES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(\$000)

May 2, January 31, May 3,

ASSETS	1998	1998	1997
	(Unaudited)	(Note A)	(Unaudited)
CURRENT ASSETS			
Cash and cash equivalents	\$ 29,725	\$ 56,369	\$ 26,879
Accounts receivable	10,513	8,122	9,583
Merchandise inventory	460,578	418,825	409,014
Prepaid expenses and other	15,304	15,108	13,405
	<u>516,120</u>	<u>498,424</u>	<u>458,881</u>
PROPERTY AND EQUIPMENT			
Land and buildings	24,183	24,115	24,115
Fixtures and equipment	196,609	190,186	176,756
Leasehold improvements	145,849	144,247	137,714
Construction-in-progress	24,563	25,763	12,654
	<u>391,204</u>	<u>384,311</u>	<u>351,239</u>
Less accumulated depreciation and amortization	186,951	179,590	157,806
	<u>204,253</u>	<u>204,721</u>	<u>193,433</u>
Other assets	40,934	34,808	30,842
	<u>\$ 761,307</u>	<u>\$ 737,953</u>	<u>\$ 683,156</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	\$ 216,013	\$ 201,998	\$ 197,926
Accrued expenses and other	93,164	82,290	80,451
Accrued payroll and benefits	27,773	39,458	26,772
	<u>336,950</u>	<u>323,746</u>	<u>305,149</u>
Long-term liabilities	40,085	33,526	29,356
STOCKHOLDERS' EQUITY			
Capital stock	478	479	496
Additional paid-in capital	199,008	195,562	167,361
Retained earnings	184,786	184,640	180,794
	<u>384,272</u>	<u>380,681</u>	<u>348,651</u>
	<u>\$ 761,307</u>	<u>\$ 737,953</u>	<u>\$ 683,156</u>

See notes to condensed consolidated financial statements.

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ROSS STORES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

	Three Months Ended	
(\$000 except per share data, unaudited)	May 2, 1998	May 3, 1997
SALES	\$ 484,276	\$ 442,841
COSTS AND EXPENSES		
Cost of goods sold and occupancy	336,816	309,513
General, selling and administrative	94,057	86,664
Depreciation and amortization	7,882	7,275
Interest income	(135)	(200)
	<u>\$ 438,620</u>	<u>\$ 403,252</u>
Earnings before taxes	45,656	39,589
Provision for taxes on earnings	17,806	15,836
Net earnings	<u>\$ 27,850</u>	<u>\$ 23,753</u>

Net earnings per share:

Basic	\$.58	\$.48
Diluted	\$.57	\$.47

Weighted average shares outstanding:

Basic	47,849	49,399
Diluted	48,814	50,486
Stores open at end of period	331	315

See notes to condensed consolidated financial statements.

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ROSS STORES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months Ended

(\$000, unaudited)	May 2, 1998	May 3, 1997
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 27,850	\$ 23,753
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization of property and equipment	7,882	7,275
Other amortization	2,412	1,832
Change in assets and liabilities:		
Merchandise inventory	(41,753)	(35,324)
Other current assets - net	(2,587)	(1,868)
Accounts payable	16,651	16,045
Other current liabilities - net	(3,698)	(13,627)
Other	1,582	(4)
Net cash provided by (used in) operating activities	8,339	(1,918)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(11,519)	(10,688)
Net cash used in investing activities	(11,519)	(10,688)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing under line of credit agreement	5,700	2,500
Repayment of long-term debt	(63)	(47)
Issuance of common stock related to stock plans	3,937	2,754
Repurchase of common stock	(30,418)	(8,286)
Dividends paid	(2,620)	(2,213)
Net cash used in financing activities	(23,464)	(5,292)
NET DECREASE IN CASH	(26,644)	(17,898)
Cash and cash equivalents:		
Beginning of year	56,369	44,777
End of quarter	\$ 29,725	\$ 26,879
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Interest paid	\$ 55	\$ 40
Income taxes paid	\$ 3,934	\$ 18,491

See notes to condensed consolidated financial statements.

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ROSS STORES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended May 2, 1998 and May 3, 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 May 2, 1998 and May 3, 1997; the interim results of operations for the three months ended May 2, 1998 and May 3, 1997; and changes in cash flows for the three 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 month periods herein presented are not necessarily indicative of the results to be expected for the full year.

The condensed consolidated financial statements at May 2, 1998 and May 3, 1997, and for the three months then ended have been reviewed, prior to filing, by the registrant's independent accountants whose report covering their review of the financial statements is included in this report on page 6.

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INDEPENDENT ACCOUNTANTS' REPORT

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

We have reviewed the accompanying condensed consolidated balance sheets of Ross Stores, Inc. and its subsidiaries (the "Company") as of May 2, 1998 and May 3, 1997, and the related condensed consolidated statements of earnings for the three-month period then ended and condensed consolidated statements of cash flows for the three-month periods then ended. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with 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, CA

May 22, 1998

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

RESULTS OF OPERATIONS

Percentage Of Sales

	Three Months Ended	
	May 2, 1998	May 3, 1997
SALES		
Sales (\$000)	\$484,276	\$442,841
Sales growth (quarter to quarter)	9.4%	19.4%
Comparable store sales growth	4%	11%
Stores open at end of period	331	315
COSTS AND EXPENSES (as a percentage of sales)		
Cost of goods sold and occupancy	69.6%	69.9%
General, selling and administrative	19.4%	19.6%
Depreciation and amortization	1.6%	1.6%
Interest income	(0%)	(0%)
NET EARNINGS	5.8%	5.4%

Sales

The results of operations for the three months ended May 2, 1998, over the same period last year, reflect an increase in comparable store sales and a greater number of open stores during the current period.

Costs and Expenses

The decline from the comparable period in the prior year in the cost of goods sold and occupancy percentage for the three months ended May 2, 1998 was due mainly to the combination of leverage on occupancy costs and slightly higher initial markups as a percentage of sales.

General, selling and administrative expenses as a percentage of sales declined modestly from the comparable quarter in the prior year. This improvement was due to the company's continued focus on strict expense controls and the leverage realized from the comparable store sales gain of 4%.

Net earnings for the three months ended May 2, 1998, totaled \$27.9 million, or \$.57 per diluted share. These results include \$732,000 pre-tax, or \$.01 per diluted share, in expenses related to the company's year 2000 compliance program. Excluding these costs, net earnings for the first quarter of 1998 totaled \$28.3 million, compared to \$23.8 million in the prior year, while earnings per diluted share grew 23% to \$.58, compared to \$.47 per diluted share for the three months ended May 3, 1997.

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Information Systems and the Year 2000

During the fourth quarter of fiscal 1997, the company retained an outside consultant to help the company develop and implement a year 2000 compliance program consisting of assessment, remediation and testing. The company expects

that its systems and software 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, which includes about \$6.0 million for capital investments in systems. Approximately \$4.0 million of this capital outlay will be incurred in fiscal 1998, with another \$2.0 million in capital expenditures planned for fiscal 1999. The \$6.0 million in anticipated expense related to year 2000 compliance will be incurred over the next several quarters and includes \$732,000, pre-tax, reported in fiscal 1998 first quarter results, with an estimated \$3.3 million expected in the balance of fiscal 1998 and approximately \$2.0 million expected in fiscal 1999.

Taxes on Earnings

The company paid \$3.9 million in income taxes in the quarter ended May 2, 1998 versus \$18.5 million paid in the quarter ended May 3, 1997. This \$14.6 million decline in income taxes paid during the first fiscal quarter of 1998 compared to the same period in the prior year resulted from 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 first quarter of 1998 was 39% and the first quarter of 1997 was 40%. 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 three months of fiscal 1998 were for (i) purchase of inventory; (ii) repurchase of the company's common stock; and (iii) capital expenditures for new stores and improvements to existing locations.

On a comparable store basis, average in-store inventories for the quarter ended May 2, 1998 were down slightly from the same period in the prior year. Total consolidated inventories increased 13% at the end of the first quarter in fiscal 1998 over the same quarter last year as a result of new store expansion and the planned increase in packaway inventories.

In January 1998, the company announced a \$110 million common stock repurchase program. For the first quarter ended May 2, 1998, the company spent \$30.4 million to repurchase approximately 740,000 shares of common stock compared to the \$8.3 million spent for 355,000 shares of common stock for the quarter ended May 3, 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 the existing credit agreement.

The company believes it can fund its capital needs for the remainder of the fiscal year and the current stock repurchase program through internally generated cash, trade credit, established bank lines and lease financing.

FORWARD LOOKING STATEMENTS AND FACTORS AFFECTING FUTURE PERFORMANCE

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

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

As a result, the forward looking statements that are contained herein are subject to certain risks and uncertainties that could cause the company's actual results to differ materially from historical results or current expectations. These factors include, without limitation, ongoing competitive pressures in the apparel industry, obtaining acceptable store locations, the company's ability to continue to purchase attractive name brand merchandise at desirable discounts,

unseasonable weather trends, especially in California, changes in the level of consumer spending on or preferences in apparel or home related merchandise and larger than planned costs that could be related to necessary modifications to the company's computer hardware and software systems to enable them to process information with dates or date ranges spanning the year 2000 and beyond. The company presently believes that, with modifications to existing software and conversions to new software, the year 2000 issue will not pose significant operational problems for the company's computer systems as so modified and converted. However, if unforeseen difficulties arise or such modifications and conversions are not completed timely, or if the company's vendors' or suppliers' systems are not modified to become year 2000 compliant, then 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 45% of its stores are located in California. Therefore, a downturn in the California economy or a major natural disaster could significantly impact the company's operating results and financial condition.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

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PART II. OTHER INFORMATION

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 11 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: June 12, 1998

/s/John G. Call
John G. Call, Senior Vice President,
Chief Financial Officer and
Principal Accounting Officer

INDEX TO EXHIBITS

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").
3.2	Amended By-laws, dated August 25, 1994, incorporated by reference to Exhibit 3.2 to the Form 10-Q filed by Ross Stores for its quarter ended July 30, 1994.
10.1	Agreement of Lease, dated November 24, 1986, for Ross Stores' corporate headquarters and distribution center in Newark, CA, incorporated by reference to Exhibit 10.5 to the Form 8-B.
10.2	Credit Agreement, dated September 15, 1997, among Ross Stores, Bank of America, National Trust and Savings Association ("Bank of America") as Agent and the other financial institutions party thereto, incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores for its quarter ended November 1, 1997.
10.3	Letter of Credit Agreement, dated September 15, 1997, between Ross Stores and Bank of America, incorporated by reference to Exhibit 10.3 to the Form 10-Q filed by Ross Stores for its quarter ended November 1, 1997.
10.4	Amendment to Credit Agreement, dated as of October 7, 1997 between Ross Stores and Bank of America, incorporated by reference to Exhibit 10.4 to the Form 10-Q filed by Ross Stores for its quarter ended November 1, 1997.
10.5	Second Amendment to Credit Agreement, dated as of January 30, 1998 between Ross Stores and Bank of America, incorporated by reference to Exhibit 10.5 to the Form 10-K filed by Ross Stores for its year ended January 31, 1998 ("1997 Form 10-K").
	MANAGEMENT CONTRACTS AND COMPENSATORY PLANS (EXHIBITS 10.6 - 10.37)
10.6	Amended and Restated 1992 Stock Option Plan, incorporated by reference to the appendix to the Proxy Statement filed by Ross Stores on April 24, 1998 for its Annual Stockholders Meeting held May 28, 1998.
10.7	Third Amended and Restated Ross Stores Employee Stock Purchase Plan, incorporated by reference to the appendix to the Proxy Statement filed by Ross Stores on April 24, 1995 for its Annual Stockholders Meeting held May 25, 1995.
10.8	Third Amended and Restated Ross Stores 1988 Restricted Stock Plan, incorporated by reference to the appendix to the Proxy Statement filed by Ross Stores on April 24, 1996 for its Annual Stockholders Meeting held May 30, 1996 ("1996 Proxy Statement").

Exhibit Number	Exhibit
10.9	1991 Outside Directors Stock Option Plan, incorporated by reference to the appendix to the 1996 Proxy Statement.
10.10	Ross Stores Executive Medical Plan, incorporated by reference to Exhibit 10.13 to the 1993 Form 10-K filed by Ross Stores for its year ended January 29, 1994 ("1993 Form 10-K").
10.11	Third Amended and Restated Ross Stores Executive Supplemental Retirement Plan, incorporated by reference to Exhibit 10.14 to the 1993 Form 10-K.
10.12	Ross Stores Non-Qualified Deferred Compensation Plan, incorporated by reference to Exhibit 10.15 to the 1993 Form 10-K.
10.13	Ross Stores Incentive Compensation Plan, incorporated by reference to the appendix to the 1996 Proxy Statement.
10.14	Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber, effective as of June 1, 1995, incorporated by reference to Exhibit 10.17 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.
10.15	Amendment to Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber, entered into July 29, 1996, incorporated by reference to Exhibit 10.17 to the Form 10-Q filed by Ross Stores for its quarter ended August 3, 1996.
10.16	Amendment to Amended Restated Employment Agreement between Ross Stores and Norman A. Ferber, effective as of March 20, 1997 incorporated by reference to Exhibit 10.19 to the Form 10-Q filed by Ross Stores for its quarter ended May 3, 1997.
10.17	Third Amendment to Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber, effective as of April 15, 1997, incorporated by reference to Exhibit 10.20 to the Form 10-Q filed by Ross Stores for its quarter ended May 3, 1997.
10.18	Fourth Amendment to Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber, effective as of November 20, 1997, incorporated by reference to Exhibit 10.18 to the 1997 Form 10-K.
10.19	Employment Agreement between Ross Stores and Melvin A. Wilmore, effective as of March 15, 1994, incorporated by reference to Exhibit 10.20 to the Form 10-Q filed by Ross Stores for its quarter ended April 30, 1994.

13 Exhibit Number	Exhibit
10.20	Amendment to Employment and Stock Grant Agreements by and between Ross Stores and Melvin A. Wilmore, effective as of March 16, 1995, incorporated by reference to Exhibit 10.20 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.
10.21	Second Amendment to Employment Agreement by and between Ross Stores and Melvin A. Wilmore, effective as of June 1, 1995, incorporated by reference to Exhibit 10.21 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.
10.22	Third Amendment to Employment Agreement by and between Ross Stores and Melvin A. Wilmore, entered into July 29, 1996, incorporated by reference to Exhibit 10.22 to the Form 10-Q filed by Ross Stores for its quarter ended

August 3, 1996.

- 10.23 Fourth Amendment to Employment Agreement by and between Ross Stores and Melvin A. Wilmore, entered into May 19, 1997, incorporated by reference to Exhibit 10.25 to the Form 10-Q filed by Ross Stores for its quarter ended August 2, 1997.
- 10.24 Employment Agreement between Ross Stores and Michael Balmuth, effective as of February 1, 1995, incorporated by reference to Exhibit 10.15 to the Form 10-Q filed by Ross Stores for its quarter ended April 29, 1995.
- 10.25 Amendment to Employment Agreement between Ross Stores and Michael Balmuth, effective as of June 1, 1995, incorporated by reference to Exhibit 10.24 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.
- 10.26 Second Amendment to Employment Agreement between Ross Stores and Michael Balmuth, entered into July 29, 1996, incorporated by reference to Exhibit 10.26 to the Form 10-Q filed by Ross Stores for its quarter ended August 3, 1996.
- 10.27 Third Amendment to Employment Agreement between Ross Stores and Michael Balmuth, entered into May 19, 1997, incorporated by reference to Exhibit 10.29 to the Form 10-Q filed by Ross Stores for its quarter ended August 2, 1997.
- 10.28 Employment Agreement between Ross Stores and Barry S. Gluck, effective as of March 1, 1996, incorporated by reference to Exhibit 10.23 to the Form 10-Q filed by Ross Stores for its quarter ended May 4, 1996.
- 10.29 First Amendment to Employment Agreement between Ross Stores and Barry S. Gluck, dated September 1, 1996, incorporated by reference to Exhibit 10.28 to the Form 10-Q filed by Ross Stores for its quarter ended October 2, 1996.
- 10.30 Second Amendment to Employment Agreement between Ross Stores and Barry S. Gluck, effective as of March 1, 1998.
- 10.31 Employment Agreement between Ross Stores and Irene A. Jamieson, effective as of March 1, 1996, incorporated by reference to Exhibit 10.24 to the Form 10-Q filed by Ross Stores for its quarter ended May 4, 1996.

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Exhibit
Number

Exhibit

- 10.32 First Amendment to Employment Agreement between Ross Stores and Irene A. Jamieson, dated September 1, 1996, incorporated by reference to Exhibit 10.30 to the Form 10-Q filed by Ross Stores for its quarter ended October 2, 1996.
- 10.33 Second Amendment to Employment Agreement between Ross Stores and Irene A. Jamieson, effective as of March 1, 1998.
- 10.34 Employment Agreement between Ross Stores and Barbara Levy, effective as of March 1, 1996, incorporated by reference to Exhibit 10.25 to the Form 10-Q filed by Ross Stores for its quarter ended May 4, 1996.
- 10.35 First Amendment to Employment Agreement between Ross Stores and Barbara Levy, dated September 1, 1996, incorporated by reference to Exhibit 10.32 to the Form 10-Q filed by Ross Stores for its quarter ended October 2,

1996.

- 10.36 Second Amendment to Employment Agreement between Ross Stores and Barbara Levy, effective as of March 1, 1998.
- 10.37 Consulting Agreement between Ross Stores and Stuart G. Moldaw, effective as of April 1, 1997 incorporated by reference to Exhibit 10.34 to the Form 10-Q filed by Ross Stores for its quarter ended May 3, 1997.
- 15 Letter re: Unaudited Interim Financial Information.
- 27 Financial Data Schedules (submitted for SEC use only).

FIRST RESTATED
CERTIFICATE OF INCORPORATION
OF
ROSS STORES, INC.

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

Pursuant to Section 242 of the General Corporation Law of the State of Delaware, John G. Call, Senior Vice President, Chief Financial Officer and Corporate Secretary of Ross Stores, Inc. (hereinafter called the "Corporation"), organized and existing under the General Corporation Law of the State of Delaware (originally incorporated pursuant to a Certificate of Incorporation filed with the Delaware Secretary of State on March 27, 1989), in accordance with the provisions of Section 103 thereof, DOES HEREBY CERTIFY:

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

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

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

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

FOURTH:

A. Capitalization. The total number of shares of all classes of stock which the Corporation shall have authority to issue is one hundred seventy-four million (174,000,000), consisting of:

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

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

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

certificate or certificates establishing the series of Preferred Stock.

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

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

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

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

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

SIXTH:

A. Number of Directors. The number of directors shall initially be nine and, thereafter, shall be fixed from time to time exclusively by the Board of Directors pursuant to a

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resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption).

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

C. Filling Vacancies on the Board. Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, removal from office, disqualification or other cause may be filled only by a majority vote of the directors then in office, though less than a quorum, and directors so chosen shall hold office for a term expiring

at the annual meeting of stockholders at which the term of office of the class to which they have been elected expires. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

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

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

EIGHTH: The vote of the stockholders of the Corporation which shall be required to

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approve any Business Combination (as hereinafter defined) shall be as set forth in this Article EIGHTH.

A. Vote Required for Certain Business Combinations. In addition to any affirmative vote required by law, any other provision of this Certificate of Incorporation or otherwise, and except as otherwise expressly provided in paragraph (2) of this Article EIGHTH, none of the following transactions shall be consummated unless and until such transaction shall have been approved by (i) the affirmative vote of the holders of at least 66-2/3 percent of the combined voting power of the outstanding shares of stock of all classes and series of the Corporation entitled to vote generally in the election of directors ("Capital Stock") and (ii) the affirmative vote of the holders of at least that percent of the Capital Stock equal to the sum of the percent of the Capital Stock held by an Interested Stockholder (as hereinafter defined) plus one share more than one half of the Capital Stock other than shares held by such Interested Stockholder:

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

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

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

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

(5) any reclassification of any securities of the

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

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

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

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

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

(2) An "Associate" shall mean:

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

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

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

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

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

(vi) any Affiliate of any such person.

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

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

(ii) investment power (including the power to dispose or direct the disposition) of such security. For the purposes

of determining whether a person is an

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Interested Stockholder, the number of shares of Capital Stock deemed to be outstanding shall include any shares Beneficially Owned by such person even though not actually outstanding, but shall not include any other shares of Capital Stock which are not outstanding but which may be issuable to other persons pursuant to any agreement, arrangement, or understanding, or upon exercise of any conversion right, exchange right, warrant, option or similar interest.

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

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

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

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

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

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

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

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

D. Disinterested Directors Determine Applicability. A majority of the Disinterested Directors shall have the power and duty to determine, on the basis of information known to them after reasonable inquiry, all facts necessary to determine compliance with this Article EIGHTH, including, without limitation (i) whether a person is an Interested Stockholder, (ii) the number of shares of

Capital Stock Beneficially Owned by any person, (iii) whether a person is an Affiliate or Associate of another person, (iv) whether the requirements of paragraph B of this Article EIGHTH have been met with respect to any Business Combination, and (v) whether two or more transactions constitute a "series of transactions" for purposes of paragraph A of this Article EIGHTH. The good faith determination of a majority of the Disinterested Directors on such matters shall be conclusive and binding for all purposes of this Article EIGHTH.

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

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

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

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

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

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

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

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

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

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

D thereof), SIXTH (except Section D thereof), SEVENTH, EIGHTH, NINTH, TENTH or this Article ELEVENTH.

IN WITNESS WHEREOF, the Corporation has caused this First Restated Certificate of Incorporation to be signed by its Senior Vice President, Chief Financial Officer and Corporate Secretary this 2nd day of June, 1998.

ROSS STORES, INC.

By:/s/John G. Call

John G. Call

Senior Vice President, Chief Financial Officer
and Corporate Secretary

(seal)

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

THIS SECOND AMENDMENT TO EMPLOYMENT AGREEMENT (the "Amendment") is made and entered into effective as of the 1st day of March, 1998, by and between ROSS STORES, INC. (the "Company") and BARRY S. GLUCK (the "Executive"). The Executive and the Company previously entered into an Employment Agreement as of March 1, 1996, as amended (the "Agreement"), and it is now the intention of the Executive and the Company to further amend the Agreement as set forth below.

1. The Executive and the Company hereby amend the Agreement by deleting paragraph 1 of the Agreement in its entirety and replacing it with the following new paragraph 1:

A. Term. The employment of the Executive by the Company will continue as of the date hereof and end on March 1, 2002, unless extended or terminated in accordance with this Agreement. During September 2000, and during September every two years thereafter (2002, 2004, etc.) for so long as the Executive is employed by the Company, upon the written request of the Executive, the Company's Chief Executive Officer shall consider extending the Executive's employment with the Company. Such request must be delivered to the Chief Executive Officer no later than the August 31 that precedes the September in which the requested extension will be considered. The Chief Executive Officer shall advise the Executive, in writing, on or before the October 1st following the Executive's written request, whether the requested extension is approved. The failure of the Chief Executive Officer to provide such written advice shall constitute approval of the Executive's request for extension. If the Executive's request for an extension is approved, this Agreement shall be extended three additional years.

2. The Executive and the Company hereby amend the Agreement by adding the following at the end of paragraph 4(a):

In the event of the occurrence of a Change of Control (as defined in paragraph 6(f) hereof), then during the period commencing on the effective date of the Change of Control and expiring two years thereafter (the "Remaining Term"), the Executive shall receive as additional salary the aggregate amount of \$750,000 per year (the "Additional Salary") which shall be payable in equal installments during the Remaining Term in accordance with the Company's normal payroll policies applicable for senior officers. The provisions of paragraph 1 ("Term") of the Agreement notwithstanding, the Executive's employment by the Company under this Agreement shall continue until the later of (a) the expiration of the Remaining Term or (b) the expiration of any extension pursuant to paragraph 1. If any portion of the Additional Salary is subject to the tax ("Excise Tax") imposed by Section 4999 of the Internal Revenue Code, the Company shall reimburse the Executive in such amounts so that, after deduction of any Excise Taxes paid by the Executive and any federal, state or local income tax and Excise Taxes paid upon such reimbursements, the net amounts retained by the Executive are equal to the Additional Salary. For all purposes of paragraph 8 hereof ("Compensation and Benefits Upon Termination"), the Additional Salary shall be included within the term "salary" as used in such paragraph 8. Notwithstanding the above, the Additional Salary shall not be included in base salary for purposes of determining any payments under the Company's Incentive Compensation Plan. The Executive's entitlement to this Additional Salary is expressly conditioned upon the Executive's compliance with the terms of this Agreement.

3. The Executive and the Company hereby amend the Agreement by changing the date set forth in paragraph 9 from March 1, 1999, to March 1, 2002.

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

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

ROSS STORES, INC.

EXECUTIVE

By: /s/Michael Balmuth
Michael Balmuth
Vice Chairman and
Chief Executive Officer

/s/Barry S. Gluck
Barry S. Gluck

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

THIS SECOND AMENDMENT TO EMPLOYMENT AGREEMENT (the "Amendment") is made and entered into effective as the 1st day of March, 1998, by and between ROSS STORES, INC. (the "Company") and IRENE A. JAMIESON (the "Executive"). The Executive and the Company previously entered into an Employment Agreement as of March 1, 1996, as amended (the "Agreement"), and it is now the intention of the Executive and the Company to further amend the Agreement as set forth below.

1. The Executive and the Company hereby amend the Agreement by deleting paragraph 1 of the Agreement in its entirety and replacing it with the following new paragraph 1:

A. Term. The employment of the Executive by the Company will continue as of the date hereof and end on March 1, 2002, unless extended or terminated in accordance with this Agreement. During September 2000, and during September every two years thereafter (2002, 2004, etc.) for so long as the Executive is employed by the Company, upon the written request of the Executive, the Company's Chief Executive Officer shall consider extending the Executive's employment with the Company. Such request must be delivered to the Chief Executive Officer no later than the August 31 that precedes the September in which the requested extension will be considered. The Chief Executive Officer shall advise the Executive, in writing, on or before the October 1st following the Executive's written request, whether the requested extension is approved. The failure of the Chief Executive Officer to provide such written advice shall constitute approval of the Executive's request for extension. If the Executive's request for an extension is approved, this Agreement shall be extended three additional years.

2. The Executive and the Company hereby amend the Agreement by adding the following at the end of paragraph 4(a):

In the event of the occurrence of a Change of Control (as defined in paragraph 6(f) hereof), then during the period commencing on the effective date of the Change of Control and expiring two years thereafter (the "Remaining Term"), the Executive shall receive as additional salary the aggregate amount of \$750,000 per year (the "Additional Salary") which shall be payable in equal installments during the Remaining Term in accordance with the Company's normal payroll policies applicable for senior officers. The provisions of paragraph 1 ("Term") of the Agreement notwithstanding, the Executive's employment by the Company under this Agreement shall continue until the later of (a) the expiration of the Remaining Term or (b) the expiration of any extension pursuant to paragraph 1. If any portion of the Additional Salary is subject to the tax ("Excise Tax") imposed by Section 4999 of the Internal Revenue Code, the Company shall reimburse the Executive in such amounts so that, after deduction of any Excise Taxes paid by the Executive and any federal, state or local income tax and Excise Taxes paid upon such reimbursements, the net amounts retained by the Executive are equal to the Additional Salary. For all purposes of paragraph 8 hereof ("Compensation and Benefits Upon Termination"), the Additional Salary shall be included within the term "salary" as used in such paragraph 8. Notwithstanding the above, the Additional Salary shall not be included in base salary for purposes of determining any payments under the Company's Incentive Compensation Plan. The Executive's entitlement to this Additional Salary is expressly conditioned upon the Executive's compliance with the terms of this Agreement.

3. The Executive and the Company hereby amend the Agreement by changing the date set forth in paragraph 9 from March 1, 1999, to March 1, 2002.

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

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

ROSS STORES, INC.

EXECUTIVE

By: /s/Michael Balmuth
Michael Balmuth
Vice Chairman and
Chief Executive Officer

/s/Irene A. Jamieson
Irene A. Jamieson

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

THIS SECOND AMENDMENT TO EMPLOYMENT AGREEMENT (the "Amendment") is made and entered into effective as of the 1st day of March, 1998, by and between ROSS STORES, INC. (the "Company") and BARBARA LEVY (the "Executive"). The Executive and the Company previously entered into an Employment Agreement as of March 1, 1996, as amended (the "Agreement"), and it is now the intention of the Executive and the Company to further amend the Agreement as set forth below.

1. The Executive and the Company hereby amend the Agreement by deleting paragraph 1 of the Agreement in its entirety and replacing it with the following new paragraph 1:

A. Term. The employment of the Executive by the Company will continue as of the date hereof and end on March 1, 2002, unless extended or terminated in accordance with this Agreement. During September 2000, and during September every two years thereafter (2002, 2004, etc.) for so long as the Executive is employed by the Company, upon the written request of the Executive, the Company's Chief Executive Officer shall consider extending the Executive's employment with the Company. Such request must be delivered to the Chief Executive Officer no later than the August 31 that precedes the September in which the requested extension will be considered. The Chief Executive Officer shall advise the Executive, in writing, on or before the October 1st following the Executive's written request, whether the requested extension is approved. The failure of the Chief Executive Officer to provide such written advice shall constitute approval of the Executive's request for extension. If the Executive's request for an extension is approved, this Agreement shall be extended three additional years.

2. The Executive and the Company hereby amend the Agreement by adding the following at the end of paragraph 4(a):

In the event of the occurrence of a Change of Control (as defined in paragraph 6(f) hereof), then during the period commencing on the effective date of the Change of Control and expiring two years thereafter (the "Remaining Term"), the Executive shall receive as additional salary the aggregate amount of \$750,000 per year (the "Additional Salary") which shall be payable in equal installments during the Remaining Term in accordance with the Company's normal payroll policies applicable for senior officers. The provisions of paragraph 1 ("Term") of the Agreement notwithstanding, the Executive's employment by the Company under this Agreement shall continue until the later of (a) the expiration of the Remaining Term or (b) the expiration of any extension pursuant to paragraph 1. If any portion of the Additional Salary is subject to the tax ("Excise Tax") imposed by Section 4999 of the Internal Revenue Code, the Company shall reimburse the Executive in such amounts so that, after deduction of any Excise Taxes paid by the Executive and any federal, state or local income tax and Excise Taxes paid upon such reimbursements, the net amounts retained by the Executive are equal to the Additional Salary. For all purposes of paragraph 8 hereof ("Compensation and Benefits Upon Termination"), the Additional Salary shall be included within the term "salary" as used in such paragraph 8. Notwithstanding the above, the Additional Salary shall not be included in base salary for purposes of determining any payments under the Company's Incentive Compensation Plan. The Executive's entitlement to this Additional Salary is expressly conditioned upon the Executive's compliance with the terms of this Agreement.

3. The Executive and the Company hereby amend the Agreement by changing the date set forth in paragraph 9 from March 1, 1999, to March 1, 2002.

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

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

ROSS STORES, INC.

EXECUTIVE

By: /s/Michael Balmuth
Michael Balmuth
Vice Chairman and
Chief Executive Officer

/s/Barbara Levy
Barbara Levy

EXHIBIT 15

June 12, 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 periods ended May 2, 1998 and May 3, 1997, as indicated in our independent accountants' report dated May 22, 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 May 2, 1998 is incorporated by reference in Registration Statements Nos. 33-61373, 33-51916, 33-51896, 33-51898, 33-41415, 33-41413, 33-29600 and 333-06119 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, CA

<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 THREE MONTHS ENDED MAY 3, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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