



Ross Stores, Inc. 2012 Annual Report

# Delivering Bargains 30 Years Strong

California-based Ross Stores, Inc. operates two brands of off-price stores – Ross Dress for Less® (“Ross”) and dd’s DISCOUNTS®. At the end of fiscal 2012, Ross was the largest off-price apparel and home fashion chain in the United States, with 1,091 locations in 33 states, the District of Columbia and Guam, while dd’s DISCOUNTS operated 108 stores in eight states.



Ross, which was founded in 1982, offers a wide selection of first quality, in-season, name brand and designer apparel, accessories, footwear, and home fashions for the entire family at everyday savings of 20% to 60% off department and specialty store regular prices. dd’s DISCOUNTS was launched in 2004 and features more moderately-priced assortments of exciting fashions for the family and the home, all at 20% to 70% off moderate department and discount store regular prices.

In 2012, Ross Stores reached a significant milestone – successfully delivering bargains to our customers for 30 years while also driving outstanding results for our stockholders.

# Delivering Bargains

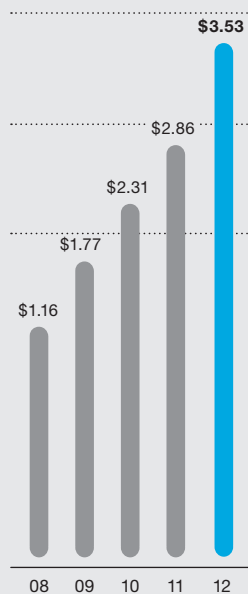
## 30 Years Strong

### Financial Highlights<sup>1</sup>

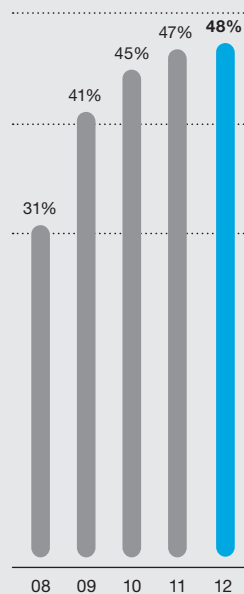
**Total Sales**  
(\$ billions)



**Earnings Per Share**



**Return on Average  
Stockholders' Equity**



**Cash Returned to  
Stockholders<sup>2</sup>**  
(\$ millions)



<sup>1</sup> 2012 results are based on a 53-week fiscal year; all other years are on a 52-week basis.

<sup>2</sup> Includes cash dividends and stock repurchases.

## To Our Stockholders

Ross Stores reached a significant milestone in 2012 – successfully delivering bargains for 30 years. More importantly, we were able to celebrate this achievement with another year of record sales and earnings by offering terrific assortments of compelling name brand bargains that resonate with today's value-focused consumers.

### **Strong Sales and EPS Growth in Fiscal 2012 on Top of Exceptional Multi-Year Gains**

For the 53 weeks ended February 2, 2013, sales increased 13% to \$9.7 billion, up from \$8.6 billion in sales for the 52 weeks ended January 28, 2012. Comparable store sales for the 52 weeks ended January 26, 2013 grew 6% compared to a 5% gain in the prior year.

Net earnings for fiscal 2012 rose 20% to \$786.8 million, up from \$657.2 million in 2011. Fiscal 2012 earnings per share for the 53 weeks ended February 2, 2013 grew to \$3.53, up from \$2.86 for the 52 weeks ended January 28, 2012. The Company's fiscal 2012 results include a per share benefit of approximately \$.10 from the 53rd week. On a 52-week basis, 2012 earnings per share rose 20% on top of a 24% gain in 2011.

Operating margin grew to a record 13.1%, up 75 basis points on top of an 85 basis point increase in 2011. Profit margins for the year mainly benefited from higher merchandise gross margin, leverage on operating expenses from the strong gains in same store sales and also the impact of the 53rd week.

### **Store Growth and New Market Expansion Remain on Track**

As planned, the Company opened 74 net new locations in 2012, including 54 Ross Dress for Less and 20 dd's DISCOUNTS. We ended the year with a combined 1,199 stores in 33 states, the District of Columbia and Guam.

Our expansion program in 2012 benefited from continued growth in new markets, which accounted for about one-third of our new store openings. We made our initial entry into the Midwest in October 2011 with 12 new Ross Dress for Less stores in the greater Chicago area. By the end of 2012, we operated 23 stores in Illinois and another 17 locations combined in Missouri, Arkansas, Kansas, Kentucky and Indiana. dd's DISCOUNTS also entered a number of new markets in 2012, including its first store in Tennessee. We are excited about the growth potential these new geographies offer us.

## **30 Years of Successful Growth**

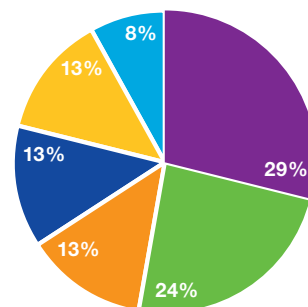
- 1982-1989**
- The first six Ross Dress for Less locations open in California in 1982.
  - Ross Stores, Inc. becomes a public company in 1985.
  - Rapid growth in our first seven years leads to sales of \$741 million and 156 stores in 15 states by the end of 1989.

During 2013, we plan to open about 80 new locations, including approximately 60 Ross Dress for Less and 20 dd's DISCOUNTS stores. About one-third of these openings are projected to be in the same new markets we entered in 2011 and 2012. As usual, these numbers do not reflect our plans to close or relocate about ten older stores.

Ultimately, we believe that Ross Dress for Less can grow into a chain of at least 2,000 locations and dd's DISCOUNTS can eventually expand to about 500 stores. Combined, this reflects a long-term domestic potential of about 2,500 locations, which is more than double our existing store base.

### Continued Growth in Profits at dd's DISCOUNTS

dd's DISCOUNTS delivered another year of solid gains in sales and operating profitability for 2012. Similar to Ross, dd's DISCOUNTS continued to benefit from our ability to deliver a faster flow of fresh and exciting product to our stores while operating on lower inventory levels. Its improved performance also reflects that dd's value-focused merchandise offerings continue to be well received by its customers.



29% Ladies  
 24% Home Accents, Bed and Bath  
 13% Accessories, Lingerie, Fine Jewelry, Fragrances  
 13% Shoes  
 13% Men's  
 8% Children's

### Healthy Cash Flows Fund Growth and New \$1.1 Billion Stock Repurchase Program

Operating cash flows in 2012 continued to provide the necessary resources to fund new store growth and infrastructure improvements. We invested \$424 million of capital during the year, including approximately \$205 million to open new locations and invest in existing stores and about \$219 million mainly for distribution infrastructure and information technology projects including the initial construction of a new data center. We ended 2012 with \$648 million in cash and short-term investments and \$150 million in long-term debt.

#### 1990-1999

- To increase our presence in the marketplace and strengthen our ability to deliver the best bargains possible, we begin to implement our ongoing strategy of investing in our merchandise organization.
- Store growth throughout the 1990's is targeted in existing markets to enhance our competitive position, sales productivity and profitability.
- Home Accent department is introduced to Ross Dress for Less stores in 1992, with the Bed and Bath department added in 1994.
- In fiscal 1999, revenues were \$2.5 billion with 378 stores in 17 states.

For fiscal 2013, capital expenditures are expected to increase to approximately \$670 million to support our plans for store growth as well as our investment over the next two years in two new distribution centers, the purchase of one of our existing leased distribution facilities, relocation of our corporate headquarters and completion of our new data center. Operating cash flows are projected to self-fund this anticipated higher spending level.

During 2012, we repurchased \$450 million of common stock, or about 7.5 million shares, completing the \$900 million program authorized in early 2011. More recently, in January 2013, our Board of Directors approved the repurchase of an additional \$1.1 billion in common stock over the next two years through 2014 as well as a 21% rise in the quarterly cash dividend on top of a 27% increase in the prior year.

The growth of our stock repurchase and dividend programs has been driven by the significant amounts of cash our business generates after self-funding store expansion and other capital needs. We have repurchased stock as planned every year since 1993 and have also raised our quarterly cash dividend annually since 1994. This consistent record reflects our unwavering commitment to enhancing stockholder value and returns.

## **Flexible Business Model Enhances Long-Term Profitability**

We are pleased with our record level of sales, profitability and returns in 2012. Looking ahead, in order to operate successfully in today's very uncertain macro-economic and political environment, we will focus on the execution of our proven off-price model that has enabled us to perform well in a variety of business climates.

Making ongoing investments in our merchandising organization is still our top priority. Experience shows that this is the key to increasing our access to the best bargains in the marketplace while further expanding our very large vendor base.

To enhance sales and maximize merchandise gross margin, we will also continue to operate our stores with lower inventories, with selling store levels planned down in the low-single-digit range in 2013.

In addition, our ongoing focus on fine-tuning our systems and processes to plan and allocate at a much more detailed level remains more important than ever today. This is especially true as we continue to grow in new markets and operate our stores with less inventory.

- 2000-2009**
- Expansion into new markets in the Southeast commences in 2001.
  - Broad-based infrastructure investments are made in distribution, transportation, and new management information systems throughout the Company.
  - Our new concept dd's DISCOUNTS is launched in 2004, with 10 initial stores in California.
  - Sales reach \$7.2 billion with 1,005 locations in 27 states by the end of 2009.

We also continue to implement numerous productivity enhancements and efficiencies throughout the business. These initiatives are driving down costs in our distribution centers, stores organization and back office functions.

Looking ahead, we will stay intently focused on our core off-price mission of delivering compelling discounts on wide assortments of name brand fashions to today's increasingly value-focused shoppers. We know that delivering great bargains will always be the key to maximizing our opportunities for growth in both sales and profits over the short and long term.

### Social Responsibility at Ross

Over the past 30 years, Ross Stores has grown from a small retail chain to approximately 1,200 locations. Along the way, we have maintained an unwavering commitment to creating value, with a focus on excellence, ethics and integrity in all we do.

This extends far beyond our mission of offering customers the best name brand bargains possible. It also means creating value by enhancing the lives of our almost 58,000 associates with training and development programs and supporting the communities where we operate through local hiring and philanthropic efforts. In addition, we continually look for ways to maximize operating efficiencies while minimizing our impact on the environment. Examples include initiatives we have implemented



in our stores and distribution centers to use less energy and reduce waste.

In closing, we extend our sincere appreciation to all of our customers, business partners and stockholders for their continued support. We especially want to acknowledge and thank our valued associates throughout the Company who will always be the most important drivers of our ongoing success.

Sincerely,

**Michael Balmuth**

Vice Chairman and  
Chief Executive Officer

**Norman A. Ferber**

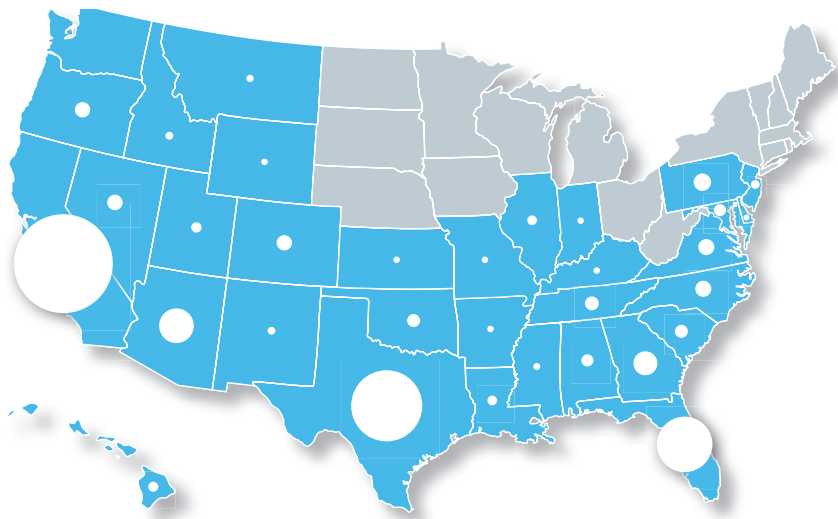
Chairman of the Board

### 2010-2012

- Ross Dress for Less opens its 1,000th location in 2011 and enters the Midwest region with 12 stores in the greater Chicago area.
- Both Ross Dress for Less and dd's DISCOUNTS continue their growth in new markets in 2012, with dd's opening its 100th location during the year.
- Sales grow to \$9.7 billion in 2012, with 1,091 Ross Dress for Less in 33 states, the District of Columbia and Guam, and 108 dd's DISCOUNTS stores in eight states.

# Locations

We remained on track with our expansion plans in 2012, increasing our store base by 7% and ending the fiscal year with 1,091 Ross Dress for Less stores in 33 states, the District of Columbia, and Guam, and 108 dd's DISCOUNTS locations in eight states. For 2013, we expect to open approximately 60 Ross Dress for Less and 20 dd's DISCOUNTS locations.



\*Includes 57, 21, 15, and six dd's DISCOUNTS stores in California, Texas, Florida and Arizona, respectively, five stores in Georgia, two in Nevada, and one store each in Maryland and Tennessee.

1,199 stores  
across 33 states

Alabama	20
Arizona*	64
Arkansas	4
California*	304
Colorado	29
Delaware	1
District of Columbia	1
Florida*	145
Georgia*	48
Guam	1
Hawaii	13
Idaho	10
Illinois	23
Indiana	1
Kansas	2
Kentucky	2
Louisiana	12
Maryland*	20
Mississippi	5
Missouri	8
Montana	6
Nevada*	28
New Jersey	11
New Mexico	8
North Carolina	34
Oklahoma	19
Oregon	26
Pennsylvania	40
South Carolina	20
Tennessee*	26
Texas*	180
Utah	15
Virginia	33
Washington	38
Wyoming	2

Form 10-K

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

**FORM 10-K**

(Mark one)  
☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended February 2, 2013**  
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)

<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>94-1390387</b> (I.R.S. Employer Identification No.)
<b>4440 Rosewood Drive, Pleasanton, California</b> (Address of principal executive offices)	<b>94588-3050</b> (Zip Code)
Registrant's telephone number, including area code	<b>(925) 965-4400</b>
Securities registered pursuant to Section 12(b) of the Act:	
<u>Title of each class</u> <b>Common stock, par value \$.01</b>	<u>Name of each exchange on which registered</u> <b>Nasdaq Global Select Market</b>
Securities registered pursuant to Section 12(g) of the Act:	
<u>Title of each class</u> <b>None</b>	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  
Yes ☒ No ☐

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).  
Yes ☐ No ☒

The aggregate market value of the voting common stock held by non-affiliates of the Registrant as of July 28, 2012 was \$14,631,276,037, based on the closing price on that date as reported by the NASDAQ Global Select Market®. Shares of voting stock held by each director and executive officer have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of Common Stock, with \$.01 par value, outstanding on March 14, 2013 was 220,018,890.

Documents incorporated by reference:  
Portions of the Proxy Statement for the Registrant's 2013 Annual Meeting of Stockholders, which will be filed on or before June 3, 2013, are incorporated herein by reference into Part III.

## **PART I**

### **ITEM 1. BUSINESS**

Ross Stores, Inc. and its subsidiaries (“we” or the “Company”) operate two brands of off-price retail apparel and home fashion stores — Ross Dress for Less® (“Ross”) and dd’s DISCOUNTS®.

Ross is the largest off-price apparel and home fashion chain in the United States, with 1,091 locations in 33 states, the District of Columbia and Guam, as of February 2, 2013. Ross offers first-quality, in-season, name brand and designer apparel, accessories, footwear, and home fashions for the entire family at everyday savings of 20% to 60% off department and specialty store regular prices. Ross target customers are primarily from middle income households.

We also operate 108 dd’s DISCOUNTS® stores in eight states as of February 2, 2013. dd’s DISCOUNTS features more moderately-priced first-quality, in-season, name brand apparel, accessories, footwear, and home fashions for the entire family at everyday savings of 20% to 70% off moderate department and discount store regular prices. The typical dd’s DISCOUNTS store is located in an established shopping center in a densely populated urban or suburban neighborhood and its target customers typically come from households with more moderate incomes than Ross customers.

The merchant, store, and distribution organizations for Ross and dd’s DISCOUNTS are separate and distinct. The two chains share certain other corporate and support services.

Both our Ross and dd’s DISCOUNTS brands target value-conscious women and men between the ages of 18 and 54. The decisions we make, from merchandising, purchasing, and pricing, to the locations of our stores, are based on these customer profiles. We believe that both brands derive a competitive advantage by offering a wide assortment of product within each of our merchandise categories in organized and easy-to-shop store environments.

Our mission is to offer competitive values to our target customers by focusing on the following key strategic objectives:

- Maintain an appropriate level of recognizable brands, labels, and fashions at strong discounts throughout the store.
- Meet customer needs on a local basis.
- Deliver an in-store shopping experience that reflects the expectations of the off-price customer.
- Manage real estate growth to compete effectively across all our markets.

We refer to our fiscal years ended February 2, 2013, January 28, 2012, and January 29, 2011 as fiscal 2012, fiscal 2011, and fiscal 2010, respectively. Fiscal 2012 was a 53-week year. Fiscal 2011 and 2010 were each 52-week years.

#### **Merchandising, Purchasing, and Pricing**

We seek to provide our customers with a wide assortment of first-quality, in-season, brand name and designer apparel, accessories, footwear, and home merchandise for the entire family at everyday savings of 20% to 60% below department and specialty store regular prices at Ross, and 20% to 70% below moderate department and discount store regular prices at dd’s DISCOUNTS. We sell recognizable brand name merchandise that is current and fashionable in each category. New merchandise typically is received from three to six times per week at both Ross and dd’s DISCOUNTS stores. Our buyers review their merchandise assortments on a weekly basis, enabling them to respond to selling trends and purchasing opportunities in the market. Our merchandising strategy is reflected in our advertising, which emphasizes a strong value message. Our stores offer a treasure-hunt shopping experience where customers can find great savings every day on a broad assortment of brand name bargains for the family and the home.

**Merchandising.** Our merchandising strategy incorporates a combination of off-price buying techniques to purchase advance-of-season, in-season, and past-season merchandise for both Ross and dd's DISCOUNTS. We believe nationally recognized name brands sold at compelling discounts will continue to be an important determinant of our success. We generally leave the brand name label on the merchandise we sell.

We have established merchandise assortments that we believe are attractive to our target customers. Although we offer fewer classifications of merchandise than most department stores, we generally offer a large selection within each classification with a wide assortment of vendors, labels, prices, colors, styles, and fabrics within each size or item. The mix of comparable store sales by department in fiscal 2012 was approximately as follows: Ladies 29%, Home Accents and Bed and Bath 24%, Accessories, Lingerie, Fine Jewelry, and Fragrances 13%, Shoes 13%, Men's 13%, and Children's 8%. Our merchandise offerings also include, but are not limited to, small furniture and furniture accents, educational toys and games, luggage, gourmet food and cookware, watches, and sporting goods.

**Purchasing.** We have a combined network of approximately 7,900 merchandise vendors and manufacturers for both Ross and dd's DISCOUNTS and believe we have adequate sources of first-quality merchandise to meet our requirements. We purchase the vast majority of our merchandise directly from manufacturers, and we have not experienced any difficulty in obtaining sufficient merchandise inventory.

We believe that our ability to effectively execute certain off-price buying strategies is a key factor in our success. Our buyers use a number of methods that enable us to offer our customers brand name and designer merchandise at strong everyday discounts relative to department and specialty stores for Ross and moderate department and discount stores for dd's DISCOUNTS. By purchasing later in the merchandise buying cycle than department, specialty, and discount stores, we are able to take advantage of imbalances between retailers' demand for products and manufacturers' supply of those products.

Unlike most department and specialty stores, we typically do not require that manufacturers provide promotional allowances, co-op advertising allowances, return privileges, split shipments, drop shipments to stores, or delayed deliveries of merchandise. For most orders, only one delivery is made to one of our four distribution centers. These flexible requirements further enable our buyers to obtain significant discounts on in-season purchases.

The majority of the apparel and apparel-related merchandise that we offer in all of our stores is acquired through opportunistic purchases created by manufacturer overruns and canceled orders both during and at the end of a season. These buys are referred to as "close-out" and "packaway" purchases. Close-outs can be shipped to stores in-season, allowing us to get in-season goods into our stores at lower prices. Packaway merchandise is purchased with the intent that it will be stored in our warehouses until a later date, which may even be the beginning of the same selling season in the following year. Packaway purchases are an effective method of increasing the percentage of prestige and national brands at competitive savings within our merchandise assortments. Packaway merchandise is mainly fashion basics and, therefore, not usually affected by shifts in fashion trends.

In fiscal 2012, we continued our emphasis on this important sourcing strategy in response to compelling opportunities available in the marketplace. Packaway accounted for approximately 47% and 49% of total inventories as of February 2, 2013 and January 28, 2012 and reflects our merchants' continued ability to take advantage of a large amount of close-out opportunities in the marketplace. We believe the strong discounts we are able to offer on packaway merchandise are one of the key drivers of our business results.

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

Over the past year, we continued to make strategic investments in our merchandising organization to further enhance our ability to deliver name brand bargains to our customers. At the end of fiscal 2012, we had approximately 600 merchants for Ross and dd's DISCOUNTS combined. The Ross and dd's DISCOUNTS buying organizations are separate and distinct, and each includes merchandise management, buyers, and assistant buyers. Ross and dd's DISCOUNTS buyers have on average 9 years of experience, including merchandising positions with other retailers such as Bloomingdale's, Burlington Coat Factory, Foot Locker, Kohl's, Loehmann's, Lord & Taylor, Macy's, Marshalls, Nordstrom, Saks, and T.J. Maxx. We expect to continue to make additional targeted investments in new merchants to further develop our relationships with an expanding number of manufacturers and vendors. Our ongoing objective is to strengthen our ability to procure the most desirable brands and fashions at competitive discounts.

The off-price buying strategies utilized by our experienced team of merchants enable us to purchase Ross merchandise at net prices that are lower than prices paid by department and specialty stores, and to purchase dd's DISCOUNTS merchandise at net prices that are lower than prices paid by moderate department and discount stores.

**Pricing.** Our policy is to sell brand name merchandise at Ross that is priced 20% to 60% below most department and specialty store regular prices. At dd's DISCOUNTS, we sell more moderate brand name product and fashions that are priced 20% to 70% below most moderate department and discount store regular prices. Our pricing policy is reflected on the price tag displaying our selling price as well as the comparable selling price for that item in department and specialty stores for Ross merchandise, or in more moderate department and discount stores for dd's DISCOUNTS merchandise.

Our pricing strategy at Ross differs from that of a department or specialty store. We purchase our merchandise at lower prices and mark it up less than a department or specialty store. This strategy enables us to offer customers consistently low prices and compelling value. On a weekly basis our buyers review specified departments in our stores for possible markdowns based on the rate of sale as well as at the end of fashion seasons to promote faster turnover of merchandise inventory and to accelerate the flow of fresh product. A similar pricing strategy is in place at dd's DISCOUNTS where prices are compared to those in moderate department and discount stores.

## Stores

As of February 2, 2013, we operated a total of 1,199 stores comprised of 1,091 Ross stores and 108 dd's DISCOUNTS stores. Our stores are located predominantly in community and neighborhood shopping centers in heavily populated urban and suburban areas. Where the size of the market and real estate opportunities permit, we cluster Ross stores to benefit from economies of scale in advertising, distribution, and field management. We do the same for dd's DISCOUNTS stores.

We believe a key element of our success is our organized, attractive, easy-to-shop, in-store environments at both Ross and dd's DISCOUNTS, which allow customers to shop at their own pace. While our stores promote a self-service, treasure hunt shopping experience, the layouts are designed to enhance customer convenience in their merchandise presentation, dressing rooms, checkout, and merchandise return areas. Our store's sales area is based on a prototype single floor design with a racetrack aisle layout. A customer can locate desired departments by signs displayed just below the ceiling of each department. We enable our customers to select among sizes and prices through prominent category and sizing markers. At most stores, shopping carts and / or baskets are available at the entrance for customer convenience. Cash registers are primarily located at store exits for customer ease and efficient staffing.

We use point-of-sale ("POS") hardware and software systems in all stores, which minimizes transaction time for the customer at the checkout counter by electronically scanning each ticket at the point of sale and authorizing personal checks, debit, credit, and stored-value cards in a matter of seconds. For Ross and dd's DISCOUNTS combined, approximately 61% and 60% of payments in fiscal 2012 and fiscal 2011, respectively, were made with credit cards and debit cards. We provide cash, credit card, and debit card refunds on all merchandise (not used, worn, or altered) returned with a receipt within 30 days. Merchandise returns having a receipt older than 30 days are exchanged or refunded with store credit.

## Operating Costs

Consistent with the other aspects of our business strategy, we strive to keep operating costs as low as possible. Among the factors which have enabled us to do this are: labor costs that are generally lower than full-price department and specialty stores due to a store design that creates a self-service retail format and due to the utilization of labor saving technologies; economies of scale with respect to general and administrative costs resulting from centralized merchandising, marketing, and purchasing decisions; and flexible store layout criteria which facilitate conversion of existing buildings to our formats.

## Information Systems

We continue to invest in new information systems and technology to provide a platform for growth over the next several years. Recent initiatives include enhancements to our Merchandise Planning, Core Merchandising, and Allocation Management systems. These initiatives support our expansion in new markets and our assortment execution and plan achievement, while also supporting future growth. In addition, we made improvements to our networks and our point-of-sale systems to increase reliability and speed, upgraded our store wireless network, and commenced development of our new data center.

## Distribution

We have four distribution processing facilities — two in California, one in Pennsylvania, and one in South Carolina. We ship all of our merchandise to our stores through these distribution centers, which are large, highly automated, and built to suit our specific off-price business model. Over the next two years, we plan to invest in two new distribution centers and purchase one of our existing distribution facilities at the expiration of its lease in 2013.

In addition, we own two and lease three other warehouse facilities for packaway storage. We use other third-party facilities as needed for storage of packaway inventory.

We also utilize third-party cross docks to distribute merchandise to stores on a regional basis. Shipments are made by contract carriers to the stores from three to six times per week depending on location.

We believe that our distribution centers with their current expansion capabilities will provide adequate processing capacity to support our current store growth. Information on the size and locations of our distribution centers and warehouse facilities is found under "Properties" in Item 2.

## Advertising

Advertising for Ross Dress for Less relies primarily on television to communicate the Ross value proposition — everyday savings off the same brands carried at leading department stores. This strategy reflects our belief that television is the most efficient and cost effective medium for communicating our brand position. We continue to utilize additional channels to build awareness. Advertising for dd's DISCOUNTS is primarily focused on new store grand openings and local grass roots initiatives.

## Trademarks

The trademarks for Ross Dress For Less® and dd's DISCOUNTS® have been registered with the United States Patent and Trademark Office.

## Employees

As of February 2, 2013, we had approximately 57,500 total employees, including an estimated 41,500 part-time employees. Additionally, we hire temporary employees especially during the peak seasons. Our employees are non-union. Management considers the relationship between the Company and our employees to be good.

## Competition

We believe the principal competitive factors in the off-price retail apparel and home fashion industry are offering significant discounts on brand name merchandise, offering a well-balanced assortment that appeals to our target customers, and consistently providing store environments that are convenient and easy to shop. To execute this concept, we continue to make strategic investments in our buying organization. We also continue to make improvements to our core merchandising system to strengthen our ability to plan, buy, and allocate product based on more local versus regional trends. We believe that we are well positioned to compete on the basis of each of these factors.

Nevertheless, the retail apparel market is highly fragmented and competitive. We face a challenging macro-economic and retail environment that creates intense competition for business from department stores, specialty stores, discount stores, warehouse stores, other off-price retailers, and manufacturer-owned outlet stores, many of which are units of large national or regional chains that have substantially greater resources. We also compete to some degree with retailers that sell apparel and home fashions through catalogs or over the internet. The retail apparel and home-related businesses may become even more competitive in the future.

## Available Information

The internet address for our corporate website is [www.rossstores.com](http://www.rossstores.com). Our Annual Reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Proxy Statements, and amendments to those reports are made available free of charge on or through the Investors section of our corporate website promptly after being electronically filed with the Securities and Exchange Commission. The information found on our corporate website is not part of this, or any other report or regulatory filing we file with or furnish to the Securities and Exchange Commission.

## ITEM 1A. RISK FACTORS

Our Annual Report on Form 10-K for fiscal 2012, and information we provide in our Annual Report to Stockholders, press releases, telephonic reports, and other investor communications, including those on our corporate website, may contain forward-looking statements with respect to anticipated future events and our projected financial performance, operations, and competitive position that are subject to risks and uncertainties that could cause our actual results to differ materially from those forward-looking statements and our prior expectations and projections. Refer to Management's Discussion and Analysis for a more complete identification and discussion of "Forward-Looking Statements."

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

### **We are subject to the economic and industry risks that affect large retailers operating in the United States.**

Our business is exposed to the risks of a large, multi-store retailer, which must continually and efficiently obtain and distribute a supply of fresh merchandise throughout a large and growing network of stores and distribution centers. These risk factors include:

- An increase in the level of competitive pressures in the apparel or home-related merchandise retailing industry.
- Changes in the level of consumer spending on or preferences for apparel or home-related merchandise.
- The impacts from the macro-economic environment and financial and credit markets that affect consumer disposable income and consumer confidence, including but not limited to interest rates, recession, inflation, deflation, energy costs, tax rates and policy, unemployment trends, and fluctuating commodity costs.
- Changes in geopolitical and geoeconomic conditions.
- Unseasonable weather trends that could affect consumer demand for seasonal apparel and apparel-related products.

- Changes in the availability, quantity, or quality of attractive brand name merchandise at desirable discounts that could impact our ability to purchase product and continue to offer customers a wide assortment of merchandise at competitive prices.
- Potential disruptions in the supply chain or in information systems that could impact our ability to deliver product to our stores in a timely and cost-effective manner.
- A change in the availability, quality, or cost of new store real estate locations.
- A downturn in the economy or a natural disaster in California or in another region where we have a concentration of stores or a distribution center. Our corporate headquarters, Los Angeles buying office, two distribution centers, one warehouse, and 25% of our stores are located in California.

**We are subject to operating risks as we attempt to execute on our merchandising and growth strategies.**

The continued success of our business depends in part upon our ability to increase sales at our existing store locations, to open new stores, and to operate stores on a profitable basis. Our existing strategies and store and distribution center expansion programs may not result in a continuation of our anticipated revenue or profit growth. In executing our off-price retail strategies and working to improve efficiencies, expand our store network, and reduce our costs, we face a number of operational risks, including our ability to:

- Attract and retain personnel with the retail talent necessary to execute our strategies.
- Effectively operate and continually upgrade our various supply chain, store, core merchandising, and other information systems.
- Improve our merchandising and transaction processing capabilities through implementation of new processes and systems enhancements.
- Manage our planned data center and headquarters moves without disruption or unanticipated cost.
- Improve new store sales and profitability, especially in newer regions and markets.
- Add capacity to our existing distribution centers, find new distribution center sites, and build out planned additional distribution centers timely and cost effectively.
- Achieve and maintain targeted levels of productivity and efficiency in our existing and future new distribution centers.
- Lease or acquire acceptable new store sites with favorable demographics and long-term financial returns.
- Identify and successfully enter new geographic markets.
- Achieve planned gross margins by effectively managing inventories, markdowns, and inventory shortage.
- Effectively manage all operating costs of the business, the largest of which are payroll and benefit costs for store and distribution center employees.

## **ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

## **ITEM 2. PROPERTIES**

At February 2, 2013, we operated a total of 1,199 stores, of which 1,091 were Ross locations in 33 states, the District of Columbia and Guam, and 108 were dd's DISCOUNTS stores in eight states. All stores are leased, with the exception of three locations which we own.

During fiscal 2012, we opened 62 new Ross stores and closed eight existing stores. The average approximate Ross store size is 29,300 square feet.

During fiscal 2012, we opened 20 new dd's DISCOUNTS stores. The average approximate dd's DISCOUNTS store size is 23,800 square feet.

During fiscal 2012, no one store accounted for more than 1% of our sales.

We carry earthquake insurance to help mitigate the risk of financial loss due to an earthquake.

Our real estate strategy in 2013 is to open stores in states where we currently operate to increase our market penetration and to reduce overhead and advertising expenses as a percentage of sales in each market. We also expect to continue our new store expansion in new markets in 2013. Important considerations in evaluating a new store location in both new and existing markets are the availability and quality of potential sites, demographic characteristics, competition, and population density of the local trade area. In addition, we continue to consider opportunistic real estate acquisitions.

The following table summarizes the locations of our stores by state/territory as of February 2, 2013 and January 28, 2012.

State/Territory	February 2, 2013	January 28, 2012
Alabama	20	18
Arizona	64	59
Arkansas	4	2
California	304	290
Colorado	29	29
Delaware	1	1
District of Columbia	1	1
Florida	145	138
Georgia	48	46
Guam	1	1
Hawaii	13	13
Idaho	10	9
Illinois	23	12
Indiana	1	—
Kansas	2	—
Kentucky	2	—
Louisiana	12	12
Maryland	20	19
Mississippi	5	5
Missouri	8	—
Montana	6	6
Nevada	28	26
New Jersey	11	10
New Mexico	8	8
North Carolina	34	33
Oklahoma	19	19
Oregon	26	26
Pennsylvania	40	37
South Carolina	20	20
Tennessee	26	25
Texas	180	173
Utah	15	15
Virginia	33	33
Washington	38	37
Wyoming	2	2
Total	1,199	1,125

Where possible, we obtain sites in buildings requiring minimal alterations, allowing us to establish stores in new locations in a relatively short period of time at reasonable costs in a given market. At February 2, 2013, the majority of our stores had unexpired original lease terms ranging from three to ten years with three to four renewal options of five years each. The average unexpired original lease term of our leased stores is five years or 21 years if renewal options are included. See Note E of Notes to Consolidated Financial Statements.

See additional discussion under “Stores” in Item 1.

The following table summarizes the location and approximate sizes of our occupied distribution centers, warehouses, and office locations as of February 2, 2013. Square footage information for the distribution centers and warehouses represents total ground floor area of the facility. Square footage information for office space represents total space occupied. See additional discussion in Management’s Discussion and Analysis.

Location	Approximate Square Footage	Own / Lease
Distribution centers		
Carlisle, Pennsylvania	425,000	Own
Fort Mill, South Carolina	1,300,000	Own
Moreno Valley, California	1,300,000	Own
Perris, California	1,300,000	Lease
Warehouses		
Carlisle, Pennsylvania	239,000	Lease
Carlisle, Pennsylvania	246,000	Lease
Fort Mill, South Carolina	423,000	Own
Fort Mill, South Carolina	255,000	Lease
Riverside, California	449,000	Own
Office space		
Los Angeles, California	52,000	Lease
New York City, New York	265,000	Lease
Pleasanton, California	192,000	Lease

In 2011, we purchased land and buildings in Dublin, California. We are currently in the process of preparing this property for our new corporate headquarters with an estimated occupancy of late 2013 and early 2014.

In 2008, we purchased land in Rock Hill, South Carolina. We are currently in the process of preparing this property for a data center and distribution center site with an estimated occupancy of 2013 and 2014, respectively.

See additional discussion under “Distribution” in Item 1.

### ITEM 3. LEGAL PROCEEDINGS

Like many California retailers, we have been named in class action lawsuits alleging violation of wage and hour and other employment laws. Class action litigation remains pending as of February 2, 2013.

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

We believe that the resolution of our pending class action litigation and other currently pending legal proceedings will not have a material adverse effect on our financial condition, results of operations, or cash flows.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### Executive Officers of the Registrant

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

Name	Age	Position
Michael Balmuth	62	Vice Chairman and Chief Executive Officer
Douglas Baker	54	President and Chief Merchandising Officer, dd's DISCOUNTS
James S. Fassio	58	President and Chief Development Officer
Michael O'Sullivan	49	President and Chief Operating Officer
Barbara Rentler	55	President and Chief Merchandising Officer, Ross Dress for Less
Lisa Panattoni	50	Group Executive Vice President, Merchandising
John G. Call	54	Group Senior Vice President, Chief Financial Officer and Corporate Secretary

Mr. Balmuth joined the Board of Directors as Vice Chairman and became Chief Executive Officer in September 1996. From February 2005 to December 2009, he also served as President. He was Executive Vice President, Merchandising from July 1993 to September 1996 and Senior Vice President and General Merchandise Manager from November 1989 to July 1993. Before joining Ross, he was Senior Vice President and General Merchandising Manager at Bon Marché in Seattle from September 1988 to November 1989. From April 1986 to September 1988, he served as Executive Vice President and General Merchandising Manager for Karen Austin Petites.

Mr. Baker has served as President and Chief Merchandising Officer, dd's DISCOUNTS, since March 2011. He was Executive Vice President, Merchandising dd's DISCOUNTS from June 2009 to March 2011 and Senior Vice President and General Merchandise Manager of dd's DISCOUNTS from December 2006 to June 2009. Mr. Baker joined Ross in November 1995 as Vice President and Divisional Merchandise Manager. Prior to joining Ross, he worked for Value City Department Stores from 1984 to 1995. His previous retail experience also includes Marshall's and Hills Department Stores.

Mr. Fassio became President and Chief Development Officer in December 2009. Prior to this, he was Executive Vice President, Property Development, Construction and Store Design from February 2005 to December 2009. From March 1991 to February 2005, he served as Senior Vice President, Property Development, Construction and Store Design. He joined the Company in June 1988 as Vice President of Real Estate. Prior to joining Ross, Mr. Fassio held various retail and real estate positions with Safeway Stores, Inc.

Mr. O'Sullivan became President and Chief Operating Officer in December 2009. From February 2005 to December 2009, he served as Executive Vice President and Chief Administrative Officer, after joining Ross in September 2003 as Senior Vice President, Strategic Planning and Marketing. From 1991 to 2003, Mr. O'Sullivan was with Bain & Company, most recently as a partner, providing consulting advice to retail, consumer goods, financial services and private equity clients.

Ms. Rentler has served as President and Chief Merchandising Officer, Ross Dress for Less, since December 2009, with responsibility for all merchandising categories at Ross. From December 2006 to December 2009, she was Executive Vice President, Merchandising, with responsibility for all Ross Apparel and Apparel-related products. She also served as Executive Vice President and Chief Merchandising Officer of dd's DISCOUNTS from February 2005 to December 2006, Senior Vice President and Chief Merchandising Officer of dd's DISCOUNTS from January 2004 to February 2005 and Senior Vice President and General Merchandise Manager at Ross Dress for Less from February 2001 to January 2004. Prior to that, she held various merchandising positions since joining the Company in February 1986.

Ms. Panattoni was named Group Executive Vice President, Merchandising for Ross Home and Men's in December 2009. She joined the Company in January 2005 as Senior Vice President and General Merchandise Manager of Ross Home and was promoted to Executive Vice President in October 2005. Prior to joining Ross, Ms. Panattoni was with The TJX Companies, where she served as Senior Vice President of Merchandising and Marketing for HomeGoods from 1998 to 2004 and as Divisional Merchandise Manager of the Marmaxx Home Store from 1994 to 1998.

Mr. Call became Group Senior Vice President and Chief Financial Officer in February 2012 and Corporate Secretary in November 2012. From June 1997 to January 2012, he was Senior Vice President and Chief Financial Officer. He also served as Corporate Secretary from June 1997 to February 2009. Mr. Call was Senior Vice President, Chief Financial Officer, Secretary and Treasurer of Friedman's from June 1993 until February 1997. For five years prior to joining Friedman's, Mr. Call held various positions with Ernst & Young LLP.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

**General information.** See the information set forth under the caption "Quarterly Financial Data (Unaudited)" under Note K of Notes to Consolidated Financial Statements in Item 8 of this Annual Report, which is incorporated herein by reference. Our stock is traded on The NASDAQ Global Select Market® under the symbol ROST. There were 832 stockholders of record as of March 14, 2013 and the closing stock price on that date was \$55.87 per share.

**Cash dividends.** In January 2013, our Board of Directors declared a quarterly cash dividend of \$0.17 per common share, payable on March 29, 2013. Our Board of Directors declared cash dividends of \$0.14 per common share in January, May, August, and November 2012, cash dividends of \$0.11 per common share in January, May, August, and November 2011, and cash dividends of \$0.08 per common share in January, May, August, and November 2010.

**Issuer purchases of equity securities.** Information regarding shares of common stock we repurchased during the fourth quarter of fiscal 2012 is as follows:

Period	Total number of shares (or units) purchased <sup>1</sup>	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs (\$000)
November (10/28/2012 - 11/24/2012)	358,186	\$ 56.15	358,186	\$ 95,500
December (11/25/2012 - 12/29/2012)	879,292	\$ 54.39	878,289	\$ 47,800
January (12/30/2012 - 02/02/2013)	827,671	\$ 58.51	816,163	—
Total	<u>2,065,149</u>	<u>\$ 56.35</u>	<u>2,052,638</u>	<u>\$ 1,100,000<sup>2</sup></u>

<sup>1</sup> We acquired 12,511 shares of treasury stock during the quarter ended February 2, 2013. Treasury stock includes shares purchased from employees for tax withholding purposes related to vesting of restricted stock grants. All remaining shares were repurchased under our publicly announced stock repurchase program.

<sup>2</sup> In January 2013, our Board of Directors approved a two-year \$1.1 billion stock repurchase program for fiscal 2013 and 2014.

See Note H of Notes to Consolidated Financial Statements for equity compensation plan information. The information under Item 12 of this Annual Report on Form 10-K under the caption "Equity compensation plan information" is incorporated herein by reference.

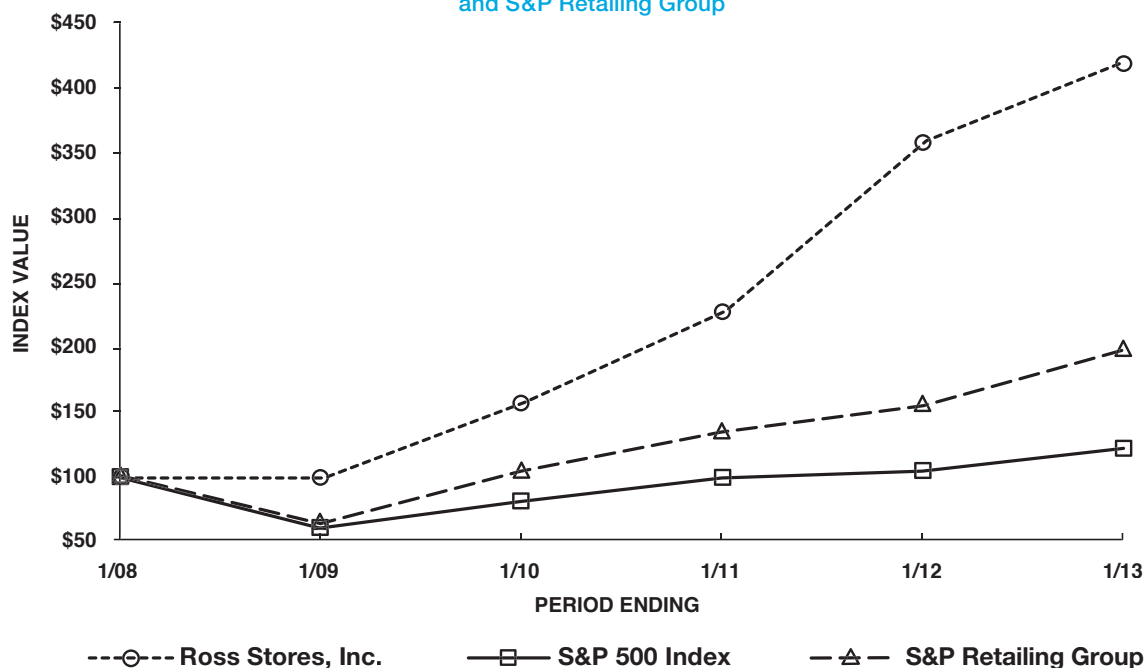
## Stockholder Return Performance Graph

The following information in this Item 5 shall not be deemed filed for purposes of Section 18 of the Securities Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933.

Total stockholder returns for our common stock outperformed the Standard & Poor's ("S&P") 500 Index and the S&P Retailing Group over the last five years as set forth in the graph below. The cumulative total return listed below assumed an initial investment of \$100 and reinvestment of dividends at each fiscal year end and measures the performance of this investment as of the last trading day in the month of January for each of the following five years. These measurement dates are based on the historical month-end data available and may vary slightly from our actual fiscal year-end date for each period. Data with respect to returns for the S&P indexes is not readily available for periods shorter than one month. The graph is a historical representation of past performance only and is not necessarily indicative of future performance.

### COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN

Among Ross Stores, Inc., The S&P 500 Index,  
and S&P Retailing Group



Company / Index	Base Period 2008	Indexed Returns for Years Ended				
		2009	2010	2011	2012	2013
Ross Stores, Inc.	100	100	157	227	358	420
S&P 500 Index	100	61	82	100	104	122
S&P Retailing Group	100	65	103	134	155	197

## ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data is derived from our consolidated financial statements. The data set forth below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” the section “Forward-Looking Statements” in this Annual Report on Form 10-K and our consolidated financial statements and notes thereto.

(\$000, except per share data)	2012 <sup>1</sup>	2011	2010	2009	2008
<b>Operations</b>					
Sales	\$ 9,721,065	\$ 8,608,291	\$ 7,866,100	\$ 7,184,213	\$ 6,486,139
Cost of goods sold	7,011,428	6,240,760	5,729,735	5,327,278	4,956,576
<b>Percent of sales</b>	<b>72.1%</b>	72.5%	72.8%	74.2%	76.4%
Selling, general and administrative	1,437,886	1,304,065	1,229,775	1,130,813	1,034,357
<b>Percent of sales</b>	<b>14.8%</b>	15.2%	15.6%	15.7%	16.0%
Interest expense (income), net	6,907	10,322	9,569	7,593	(157)
Earnings before taxes	1,264,844	1,053,144	897,021	718,529	495,363
<b>Percent of sales</b>	<b>13.0%</b>	12.2%	11.4%	10.0%	7.6%
Provision for taxes on earnings	478,081	395,974	342,224	275,772	189,922
Net earnings	786,763	657,170	554,797	442,757	305,441
<b>Percent of sales</b>	<b>8.1%</b>	7.6%	7.1%	6.2%	4.7%
Basic earnings per share <sup>2</sup>	\$ 3.59	\$ 2.91	\$ 2.35	\$ 1.80	\$ 1.18
Diluted earnings per share <sup>2</sup>	\$ 3.53	\$ 2.86	\$ 2.31	\$ 1.77	\$ 1.16
Cash dividends declared per common share <sup>2</sup>	\$ 0.590	\$ 0.470	\$ 0.350	\$ 0.245	\$ 0.198

<sup>1</sup> Fiscal 2012 was a 53-week year; all other fiscal years presented were 52 weeks.

<sup>2</sup> All per share amounts have been adjusted for the two-for-one stock split effective December 15, 2011.

## Selected Financial Data

(\$000, except per share data)	2012 <sup>1</sup>	2011	2010	2009	2008
<b>Financial Position</b>					
Cash and cash equivalents	\$ 646,761	\$ 649,835	\$ 833,924	\$ 768,343	\$ 321,355
Merchandise inventory	1,209,237	1,130,070	1,086,917	872,498	881,058
Property and equipment, net	1,493,284	1,241,722	983,776	942,999	951,656
Total assets	3,670,561	3,301,209	3,116,204	2,768,633	2,355,511
Return on average assets	23%	20%	19%	17%	13%
Working capital	608,845	578,319	690,919	554,933	358,456
Current ratio	1.4:1	1.4:1	1.5:1	1.5:1	1.4:1
Long-term debt	150,000	150,000	150,000	150,000	150,000
Long-term debt as a percent of total capitalization	8%	9%	10%	11%	13%
Stockholders' equity	1,766,863	1,493,012	1,332,692	1,157,293	996,369
Return on average stockholders' equity	48%	47%	45%	41%	31%
Book value per common share outstanding at year-end <sup>2</sup>	\$ 8.00	\$ 6.58	\$ 5.64	\$ 4.71	\$ 3.91
<b>Operating Statistics</b>					
Number of stores opened	82	80	56	56	77
Number of stores closed	8	10	6	7	11
Number of stores at year-end	1,199	1,125	1,055	1,005	956
Comparable store sales increase <sup>3</sup> (52-week basis)	6%	5%	5%	6%	2%
Sales per average square foot of selling space (52-week basis)	\$ 355	\$ 338	\$ 324	\$ 311	\$ 298
Square feet of selling space at year-end (000)	27,800	26,100	24,800	23,700	22,500
Number of employees at year-end	57,500	53,900	49,500	45,600	40,000
Number of common stockholders of record at year-end	831	817	804	767	754

<sup>1</sup> Fiscal 2012 was a 53-week year; all other fiscal years presented were 52 weeks.

<sup>2</sup> All per share amounts have been adjusted for the two-for-one stock split effective December 15, 2011.

<sup>3</sup> Comparable stores are stores open for more than 14 complete months.

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

### Overview

Ross Stores, Inc. operates two brands of off-price retail apparel and home fashion stores — Ross Dress for Less® (“Ross”) and dd’s DISCOUNTS®. Ross is the largest off-price apparel and home fashion chain in the United States with 1,091 locations in 33 states, the District of Columbia and Guam as of February 2, 2013. Ross offers first-quality, in-season, name brand and designer apparel, accessories, footwear, and home fashions for the entire family at everyday savings of 20% to 60% off department and specialty store regular prices. As of February 2, 2013, we also operate 108 dd’s DISCOUNTS stores in eight states that feature a more moderately-priced assortment of first-quality, in-season, name brand apparel, accessories, footwear, and home fashions for the entire family at everyday savings of 20% to 70% off moderate department and discount store regular prices.

Our primary objective is to pursue and refine our existing off-price strategies to maintain or improve both profitability and financial returns over the long term. In establishing appropriate growth targets for our business, we closely monitor market share trends for the off-price industry. Total aggregate sales for the five largest off-price retailers in the United States increased 11% during 2012 on top of a 6% increase in 2011. This compares to total national apparel sales which increased 4% during 2012 compared to a 3% increase in 2011, according to data published by the NPD Group, Inc., a leading provider of global information and advisory services company.

We believe that the stronger relative sales gains of the off-price retailers during 2012 and 2011 were driven mainly by continued focus on value by consumers over the past few years. Our sales and earnings gains in 2012 continued to benefit from efficient execution of our off-price model throughout all areas of our business. Our merchandise and operational strategies are designed to take advantage of the expanding market share of the off-price industry as well as the ongoing customer demand for name brand fashions for the family and home at compelling everyday discounts.

Looking ahead to 2013, we are planning further reductions in average store inventory levels while continuing to maintain strict controls on operating expenses as part of our strategy to maximize our profitability.

We refer to our fiscal years ended February 2, 2013, January 28, 2012, and January 29, 2011 as fiscal 2012, fiscal 2011, and fiscal 2010, respectively. Fiscal 2012 was a 53-week year. Fiscal 2011 and 2010 were each 52 weeks.

### Results of Operations

The following table summarizes the financial results for fiscal 2012, 2011, and 2010:

	2012	2011	2010
<b>Sales</b>			
Sales (millions)	\$ 9,721	\$ 8,608	\$ 7,866
Sales growth	12.9%	9.4%	9.5%
Comparable store sales growth (52-week basis)	6%	5%	5%
<b>Costs and expenses (as a percent of sales)</b>			
Cost of goods sold	72.1%	72.5%	72.8%
Selling, general and administrative	14.8%	15.2%	15.6%
Interest expense, net	0.1%	0.1%	0.1%
<b>Earnings before taxes (as a percent of sales)</b>	13.0%	12.2%	11.4%
<b>Net earnings (as a percent of sales)</b>	8.1%	7.6%	7.1%

**Stores.** Total stores open at the end of fiscal 2012, 2011, and 2010 were 1,199, 1,125, and 1,055, respectively. The number of stores at the end of fiscal 2012, 2011, and 2010 increased by 7%, 7%, and 5% from the respective prior years. Our expansion strategy is to open additional stores based on market penetration, local demographic characteristics, competition, expected store profitability, and the ability to leverage overhead expenses. We continually evaluate opportunistic real estate acquisitions and opportunities for potential new store locations. We also evaluate our current store locations and determine store closures based on similar criteria.

Store Count	2012	2011	2010
Beginning of the period	1,125	1,055	1,005
Opened in the period	82	80	56
Closed in the period	(8)	(10)	(6)
End of the period	1,199	1,125	1,055
Selling square footage at the end of the period (000)	27,800	26,100	24,800

**Sales.** Sales for fiscal 2012 increased \$1.1 billion, or 12.9%, compared to the prior year due to the opening of 74 net new stores during 2012 and a 6% increase in comparable store sales (defined as stores that have been open for more than 14 complete months). Sales for fiscal 2011 increased \$742.2 million, or 9.4%, compared to the prior year due to the opening of 70 net new stores during 2011 and a 5% increase in sales from comparable stores.

Our sales mix is shown below for fiscal 2012, 2011, and 2010:

	2012	2011	2010
Ladies	29%	29%	29%
Home Accents and Bed and Bath	24%	25%	25%
Accessories, Lingerie, Fine Jewelry, and Fragrances	13%	13%	12%
Shoes	13%	12%	12%
Men's	13%	13%	13%
Children's	8%	8%	9%
Total	100%	100%	100%

We intend to address the competitive climate for off-price apparel and home goods by pursuing and refining our existing strategies and by continuing to strengthen our organization, diversify our merchandise mix, and more fully develop our organization and systems to improve regional and local merchandise offerings. Although our strategies and store expansion program contributed to sales gains in fiscal 2012, 2011, and 2010, we cannot be sure that they will result in a continuation of sales growth or in an increase in net earnings.

**Cost of goods sold.** Cost of goods sold in fiscal 2012 increased \$770.7 million compared to the prior year mainly due to increased sales from the opening of 74 net new stores during the year and a 6% increase in sales from comparable stores.

Cost of goods sold as a percentage of sales for fiscal 2012 decreased approximately 40 basis points from the prior year. This improvement was due primarily to a 40 basis point increase in merchandise gross margin. In addition, occupancy leveraged 25 basis points and distribution expenses as a percent of sales also declined approximately 15 basis points. These favorable items were partially offset by increases in buying and freight costs of 25 and 10 basis points, respectively, and 5 basis points related to the year over year true-up in our shortage reserve.

Cost of goods sold in fiscal 2011 increased \$511.0 million compared to the prior year mainly due to increased sales from the opening of 70 net new stores during the year and a 5% increase in sales from comparable stores.

Cost of goods sold as a percentage of sales for fiscal 2011 decreased approximately 35 basis points from the prior year. This improvement was mainly the result of a 50 basis point increase in merchandise gross margin, which included a 15 basis point benefit from lower shortage. In addition, occupancy leveraged 20 basis points. These improvements were partially offset by increases in freight costs of about 20 basis points, distribution expenses of about 10 basis points, and buying costs of about five basis points.

We cannot be sure that the gross profit margins realized in fiscal 2012, 2011, and 2010 will continue in future years.

**Selling, general and administrative expenses.** For fiscal 2012, selling, general and administrative expenses (“SG&A”) increased \$133.8 million compared to the prior year, mainly due to increased store operating costs reflecting the opening of 74 net new stores during the year. SG&A as a percentage of sales for fiscal 2012 decreased by approximately 35 basis points compared to the prior year primarily due to leverage on store operating expenses.

For fiscal 2011, SG&A increased \$74.3 million compared to the prior year, mainly due to increased store operating costs reflecting the opening of 70 net new stores during the year. SG&A as a percentage of sales for fiscal 2011 decreased by approximately 50 basis points compared to the prior year due equally to a combination of leverage on both general and administrative and store operating expenses.

The largest component of SG&A is payroll. The total number of employees, including both full and part-time, as of fiscal year end 2012, 2011, and 2010 was approximately 57,500, 53,900, and 49,500, respectively.

**Interest expense (income), net.** In fiscal 2012, interest expense decreased by \$3.5 million primarily due to higher capitalization of construction interest. Interest income decreased by \$0.1 million primarily due to lower investment yields as compared to the prior year. As a percentage of sales, net interest expense in fiscal 2012 decreased by approximately five basis points compared to the same period in the prior year. The table below shows interest expense and income for fiscal 2012, 2011, and 2010:

(\$ millions)	2012	2011	2010
Interest expense	\$ 7.5	\$ 11.0	\$ 10.7
Interest income	(0.6)	(0.7)	(1.1)
Total interest expense, net	\$ 6.9	\$ 10.3	\$ 9.6

**Taxes on earnings.** Our effective tax rate for fiscal 2012, 2011 and 2010 was approximately 38% in each year, which represents the applicable combined federal and state statutory rates reduced by the federal benefit of state taxes deductible on federal returns. The effective rate is impacted by changes in laws, location of new stores, level of earnings, and the resolution of tax positions with various taxing authorities. We anticipate that our effective tax rate for fiscal 2013 will be about 38%.

**Net earnings.** Net earnings as a percentage of sales for fiscal 2012 were higher compared to fiscal 2011 primarily due to both lower cost of goods sold and lower SG&A expenses as a percentage of sales. Net earnings as a percentage of sales for fiscal 2011 were higher compared to fiscal 2010 primarily due to both lower cost of goods sold and lower SG&A expenses as a percentage of sales.

**Earnings per share.** Diluted earnings per share in fiscal 2012 was \$3.53 compared to \$2.86 in the prior year period. The 23% increase in diluted earnings per share is attributable to an approximate 20% increase in net earnings and a 3% reduction in weighted average diluted shares outstanding, largely due to the repurchase of common stock under our stock repurchase program. Diluted earnings per share in fiscal 2011 was \$2.86 compared to \$2.31 in fiscal 2010. The 24% increase in diluted earnings per share is attributable to an 18% increase in net earnings and a 4% reduction in weighted average diluted shares outstanding, largely due to the stock repurchase program.

## Financial Condition

### Liquidity and Capital Resources

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

(\$ millions)	2012	2011	2010
Cash provided by operating activities	\$ 979.6	\$ 820.1	\$ 673.0
Cash used in investing activities	(425.7)	(471.8)	(196.8)
Cash used in financing activities	(557.0)	(532.4)	(410.6)
Net (decrease) increase in cash and cash equivalents	\$ (3.1)	\$ (184.1)	\$ 65.6

### Operating Activities

Net cash provided by operating activities was \$979.6 million, \$820.1 million, and \$673.0 million in fiscal 2012, 2011, and 2010 respectively. Cash provided by operating activities in fiscal 2012, 2011, and 2010 was primarily driven by net earnings excluding non-cash expenses for depreciation and amortization. Our primary source of operating cash flow is the sale of our merchandise inventory. We regularly review the age and condition of our merchandise and are able to maintain current merchandise inventory in our stores through replenishment processes and liquidation of slower-moving merchandise through clearance markdowns.

Net cash from operations increased in 2012 compared to 2011 primarily due to higher net earnings. Net cash from operations increased in 2011 compared to 2010 primarily due to higher net earnings and lower working capital used to purchase additional packaway inventory.

The change in total merchandise inventory, net of the change in accounts payable, resulted in a use of cash of approximately \$39 million, \$55 million, and \$112 million for fiscal 2012, 2011, and 2010 respectively. Accounts payable leverage (defined as accounts payable divided by merchandise inventory) was 67%, 67%, and 71% as of February 2, 2013, January 28, 2012, and January 29, 2011, respectively. Changes in accounts payable leverage are primarily driven by timing of packaway receipts.

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

Changes in packaway inventory levels impact our operating cash flow. At the end of fiscal 2012, packaway inventory was 47% of total inventory compared to 49% and 47% at the end of fiscal 2011 and 2010, respectively.

## Investing Activities

Net cash used in investing activities was \$425.7 million, \$471.8 million, and \$196.8 million in fiscal 2012, 2011, and 2010, respectively. The decrease in cash used for investing activities in fiscal 2012 compared to fiscal 2011 was primarily due to a transfer of funds in fiscal 2011 into restricted accounts to serve as collateral for our insurance obligations. The increase in cash used for investing activities for fiscal 2011 compared to fiscal 2010 was primarily due to an increase in capital expenditures and a transfer of funds into restricted accounts to serve as collateral for our insurance obligations. In fiscal 2012, 2011, and 2010, our capital expenditures were \$424.4 million, \$416.3 million, and \$198.7 million, respectively. Our capital expenditures include costs to build or expand distribution centers and our new data center, open new stores and improve existing stores, and for various other expenditures related to our information technology systems, buying, and corporate offices. We opened 82, 80, and 56 new stores in fiscal 2012, 2011, and 2010, respectively. Our buying offices, our corporate headquarters, one distribution center, one trailer parking lot, three warehouse facilities, and all but three of our store locations are leased and, except for certain leasehold improvements and equipment, do not represent capital investments.

Our capital expenditures over the last three years are set forth in the table below:

(\$ millions)	2012	2011	2010
Distribution	\$ 157.9	\$ 86.1	\$ 32.0
New stores	118.7	114.2	75.5
Existing stores	86.9	126.8	60.3
Information systems, corporate, and other	60.9	89.2	30.9
Total capital expenditures	\$ 424.4	\$ 416.3	\$ 198.7

We are forecasting approximately \$670 million in capital expenditures for fiscal year 2013. In addition to funding costs for fixtures and leasehold improvements to open both new Ross and dd's DISCOUNTS stores, the upgrade or relocation of existing stores, investments in information technology systems, and for various other expenditures related to our stores, distribution centers, buying and corporate offices, the expected growth in capital expenditures in 2013 is mainly due to our investment over the next two years in two new distribution centers, the purchase of one of our existing, leased distribution centers, the relocation of our corporate headquarters and the development of our new data center. We expect to fund these expenditures with available cash and cash flows from operations.

We purchased \$5.4 million of investments in fiscal 2012, no investments in fiscal 2011, and \$6.8 million in fiscal 2010. We had proceeds from investments of \$6.2 million, \$4.6 million, and \$8.6 million in fiscal 2012, 2011, and 2010, respectively.

## Financing Activities

Net cash used in financing activities was \$557.0 million, \$532.4 million, and \$410.6 million in fiscal 2012, 2011, and 2010, respectively. During fiscal 2012, 2011, and 2010, our liquidity and capital requirements were provided by available cash and cash flows from operations.

We repurchased 7.5 million, 11.3 million, and 13.5 million shares of common stock for aggregate purchase prices of approximately \$450 million, \$450 million, and \$375 million in fiscal 2012, 2011, and 2010, respectively. In January 2013, our Board of Directors approved a two-year \$1.1 billion stock repurchase program for fiscal 2013 and 2014.

In January 2013, our Board of Directors declared a quarterly cash dividend of \$0.17 per common share, payable on March 29, 2013. Our Board of Directors declared cash dividends of \$0.14 per common share in January, May, August, and November 2012, cash dividends of \$0.11 per common share in January, May, August, and November 2011, and cash dividends of \$0.08 per common share in January, May, August, and November 2010.

During fiscal 2012, 2011, and 2010, we paid dividends of \$125.7 million, \$102.0 million, and \$77.3 million, respectively.

Short-term trade credit represents a significant source of financing for merchandise inventory. Trade credit arises from customary payment terms and trade practices with our vendors. We regularly review the adequacy of credit available to us from all sources and expect to be able to maintain adequate trade, bank, and other credit lines to meet our capital and liquidity requirements, including lease payment obligations in 2013.

In June 2012, we amended our existing \$600 million unsecured revolving credit facility. The amended credit facility expires in June 2017 and contains a \$300 million sublimit for issuance of standby letters of credit. Interest on this facility is based on LIBOR plus an applicable margin (currently 112.5 basis points) and is payable upon maturity but not less than quarterly. As of February 2, 2013, we had no borrowings or standby letters of credit outstanding on this facility and our \$600 million credit facility remains in place and available.

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

### Contractual Obligations

The table below presents our significant contractual obligations as of February 2, 2013:

(\$000)	Less than 1 year	1 – 3 years	3 – 5 years	After 5 years	Total <sup>1</sup>
Senior notes	\$ —	\$ —	\$ —	\$ 150,000	\$ 150,000
Interest payment obligations	9,668	19,335	19,335	21,192	69,530
Operating leases:					
Rent obligations	387,536	753,800	526,601	470,520	2,138,457
Synthetic leases	2,661	10	—	—	2,671
Other synthetic lease obligations	70,451	183	—	—	70,634
Purchase obligations	1,598,599	6,459	55	—	1,605,113
Total contractual obligations	\$ 2,068,915	\$ 779,787	\$ 545,991	\$ 641,712	\$ 4,036,405

<sup>1</sup> We have an \$82.5 million liability for unrecognized tax benefits that is included in other long-term liabilities on our consolidated balance sheet. This liability is excluded from the schedule above as the timing of payments cannot be reasonably estimated.

**Senior notes.** We have two series of unsecured senior notes with various institutional investors for \$150 million. The Series A notes totaling \$85 million are due in December 2018 and bear interest at a rate of 6.38%. The Series B notes totaling \$65 million are due in December 2021 and bear interest at a rate of 6.53%. Interest on these notes is included in Interest payment obligations in the table above. These notes are subject to prepayment penalties for early payment of principal.

Borrowings under these notes are subject to certain operating and financial covenants, including interest coverage and other financial ratios. As of February 2, 2013, we were in compliance with these covenants.

### Off-Balance Sheet Arrangements

**Operating leases.** We lease our buying offices, corporate headquarters, one distribution center, one trailer parking lot, three warehouse facilities, and all but three of our store locations. Except for certain leasehold improvements and equipment, these leased locations do not represent long-term capital investments.

We have lease arrangements for certain equipment in our stores for our point-of-sale (“POS”) hardware and software systems. These leases are accounted for as operating leases for financial reporting purposes. The initial terms of these leases are either

two or three years, and we typically have options to renew the leases for two to three one-year periods. Alternatively, we may purchase or return the equipment at the end of the initial or each renewal term. We have guaranteed the value of the equipment of \$0.6 million at the end of the respective initial lease terms, which is included in Other synthetic lease obligations in the table above.

We lease a 1.3 million square foot distribution center in Perris, California. The land and building for this distribution center are financed by the lessor under a \$70 million, ten-year synthetic lease that expires in July 2013. Rent expense on this center is payable monthly at a fixed annual rate of 5.8% on the lease balance of \$70 million. At the end of the lease term, we have the option to either refinance the \$70 million synthetic lease facility, purchase the distribution center at the amount of the then-outstanding lease obligation, or arrange a sale of the distribution center to a third party. If the distribution center is sold to a third party for less than \$70 million, we have agreed under a residual value guarantee to pay the lessor any shortfall amount up to \$56 million. The synthetic lease agreement includes a prepayment penalty for early payoff of the lease. We intend to purchase this distribution center at the expiration of the lease in 2013. Our \$70 million obligation is included in Other synthetic lease obligations in the above table.

We have also recognized a liability and corresponding asset for the inception date estimated fair values of the distribution center and POS synthetic lease residual value guarantees. As of February 2, 2013, we have approximately \$0.5 million of residual value guarantee asset and liability. These residual value guarantees are amortized on a straight-line basis over the original terms of the leases. The current portion of the related asset and liability is recorded in prepaid expenses and accrued expenses, respectively, and the long-term portion of the related assets and liabilities is recorded in other long-term assets and other long-term liabilities, respectively, in the accompanying consolidated balance sheets.

We lease three warehouses. Two of the warehouses are in Carlisle, Pennsylvania with leases expiring in 2014 and 2016. The third warehouse is in Fort Mill, South Carolina, with a lease expiring in 2016. The leases for all three of these warehouses contain renewal provisions. We also own a 423,000 square foot warehouse in Fort Mill, South Carolina and a 449,000 square foot warehouse in Riverside, California. All five of these warehouses are used to store our packaway inventory. We also lease a 10-acre parcel that has been developed for trailer parking adjacent to our Perris, California distribution center expiring in 2017.

We lease approximately 192,000 square feet of office space for our corporate headquarters in Pleasanton, California, under several facility leases. The terms for these leases expire between 2014 and 2015 and contain renewal provisions.

We lease approximately 265,000 and 52,000 square feet of office space for our New York City and Los Angeles buying offices, respectively. The lease terms for these facilities expire in 2022 and 2017, respectively, and contain renewal provisions.

**Purchase obligations.** As of February 2, 2013 we had purchase obligations of approximately \$1,605 million. These purchase obligations primarily consist of merchandise inventory purchase orders, commitments related to construction projects, store fixtures and supplies, and information technology service and maintenance contracts. Merchandise inventory purchase orders of \$1,460 million represent purchase obligations of less than one year as of February 2, 2013.

### Commercial Credit Facilities

The table below presents our significant available commercial credit facilities at February 2, 2013:

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

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

**Revolving credit facility.** In June 2012, we amended our existing \$600 million unsecured revolving credit facility. The amended credit facility expires in June 2017 and contains a \$300 million sublimit for issuance of standby letters of credit. Interest on this facility is based on LIBOR plus an applicable margin (currently 112.5 basis points) and is payable upon maturity but not less than quarterly. Our borrowing ability under this credit facility is subject to our maintaining certain financial ratios. As of February 2, 2013 we had no borrowings outstanding or standby letters of credit issued under this facility and were in compliance with the covenants.

The synthetic lease facilities described above, as well as our revolving credit facility and senior notes, have covenant restrictions requiring us to maintain certain interest coverage and other financial ratios. In addition, the interest rates under the revolving credit facility may vary depending on actual interest coverage ratios achieved. As of February 2, 2013 we were in compliance with these covenants.

**Standby letters of credit and collateral trust.** We use standby letters of credit outside of our revolving credit facility in addition to a funded trust to collateralize our insurance obligations. As of February 2, 2013 and January 28, 2012, we had \$33.8 million and \$45.5 million, respectively, in standby letters of credit outstanding and \$34.9 million and \$21.3 million, respectively, in a collateral trust. The standby letters of credit are collateralized by restricted cash and cash equivalents, and the collateral trust consists of restricted cash, cash equivalents, and investments.

**Trade letters of credit.** We had \$38.0 million and \$39.9 million in trade letters of credit outstanding at February 2, 2013 and January 28, 2012, respectively.

## Other

### Critical Accounting Policies

The preparation of our consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts. These estimates and assumptions are evaluated on an ongoing basis and are based on historical experience and on various other factors that management believes to be reasonable. We believe the following critical accounting policies describe the more significant judgments and estimates used in the preparation of our consolidated financial statements.

**Merchandise inventory.** Our merchandise inventory is stated at the lower of cost (determined using a weighted average basis) or net realizable value. We purchase manufacturer overruns and canceled orders both during and at the end of a season which are referred to as “packaway” inventory. Packaway inventory is purchased with the intent that it will be stored in our warehouses until a later date. The timing of the release of packaway inventory to our stores is principally driven by the product mix and seasonality of the merchandise, and its relation to the Company’s store merchandise assortment plans. As such, the aging of packaway varies by merchandise category and seasonality of purchase, but typically packaway remains in storage less than six months. Packaway inventory accounted for approximately 47%, 49%, and 47% of total inventories as of February 2, 2013, January 28, 2012, and January 29, 2011. Merchandise inventory includes acquisition, processing, and storage costs related to packaway inventory.

Included in the carrying value of our merchandise inventory is a provision for shortage. The shortage reserve is based on historical shortage rates as evaluated through our annual physical merchandise inventory counts and cycle counts. If actual market conditions, markdowns, or shortage are less favorable than those projected by us, or if sales of the merchandise inventory are more difficult than anticipated, additional merchandise inventory write-downs may be required.

**Long-lived assets.** We record a long-lived asset impairment charge when events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable based on estimated future cash flows. An impairment loss would be recognized if analysis of the undiscounted cash flow of an asset group was less than the carrying value of the asset group. If our actual results differ materially from projected results, an impairment charge may be required in the future. In the course of performing our annual analysis, we determined that no long-lived asset impairment charge was required for fiscal 2012, 2011, or 2010.

**Depreciation and amortization expense.** Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful life of the asset, typically ranging from three to 12 years for equipment and 20 to 40 years for land improvements and buildings. The cost of leasehold improvements is amortized over the lesser of the useful life of the asset or the applicable lease term.

**Lease accounting.** When a lease contains “rent holidays” or requires fixed escalations of the minimum lease payments, we record rental expense on a straight-line basis over the term of the lease and the difference between the average rental amount charged to expense and the amount payable under the lease is recorded as deferred rent. We begin recording rent expense on the lease possession date. Tenant improvement allowances are included in other long-term liabilities and are amortized over the lease term. Changes in tenant improvement allowances are included as a component of operating activities in the consolidated statements of cash flows.

**Insurance obligations.** We use a combination of insurance and self-insurance for a number of risk management activities, including workers’ compensation, general liability, and employee-related health care benefits. Our self-insurance and deductible liability is determined actuarially, based on claims filed and an estimate of claims incurred but not reported. Should a greater amount of claims occur compared to what is estimated or the costs of medical care increase beyond what was anticipated, our recorded reserves may not be sufficient and additional charges could be required.

**Stock-based compensation.** We recognize compensation expense based upon the grant date fair value of all stock-based awards. We use historical data to estimate pre-vesting forfeitures and to recognize stock-based compensation expense. All stock-based compensation awards are expensed over the service or performance periods of the awards.

**Income taxes.** We account for our uncertain tax positions in accordance with Accounting Standards Codification (“ASC”) 740. We are required to make assumptions and judgments regarding our income tax exposures. Our policy is to recognize interest and/or penalties related to all tax positions in income tax expense. To the extent that accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made.

The critical accounting policies noted above are not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by Generally Accepted Accounting Principles (“GAAP”), with no need for management’s judgment in their application. There are also areas in which management’s judgment in selecting one alternative accounting principle over another would not produce a materially different result. See our audited consolidated financial statements and notes thereto under Item 8 in this Annual Report on Form 10-K, which contain accounting policies and other disclosures required by GAAP.

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

## Forward-Looking Statements

Our Annual Report on Form 10-K for fiscal 2012, and information we provide in our Annual Report to Stockholders, press releases, telephonic reports, and other investor communications including those on our corporate website, may contain a number of forward-looking statements regarding, without limitation, planned store growth, new markets, expected sales, projected earnings levels, capital expenditures, and other matters. These forward-looking statements reflect our then current beliefs, projections, and estimates with respect to future events and our projected financial performance, operations, and competitive position. The words “plan,” “expect,” “target,” “anticipate,” “estimate,” “believe,” “forecast,” “projected,” “guidance,” “looking ahead” and similar expressions identify forward-looking statements.

Future economic and industry trends that could potentially impact revenue, profitability, and growth remain difficult to predict. As a result, our forward-looking statements are subject to risks and uncertainties which could cause our actual results to differ materially from those forward-looking statements and our previous expectations and projections. Refer to Item 1A in this Annual Report on Form 10-K for a more complete discussion of risk factors for Ross and dd's DISCOUNTS. The factors underlying our forecasts are dynamic and subject to change. As a result, any forecasts or forward-looking statements speak only as of the date they are given and do not necessarily reflect our outlook at any other point in time. We disclaim any obligation to update or revise these forward-looking statements.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

We occasionally use forward contracts to hedge against fluctuations in foreign currency prices. We had no outstanding forward contracts as of February 2, 2013.

Interest that is payable on our revolving credit facility is based on variable interest rates and is, therefore, affected by changes in market interest rates. As of February 2, 2013, we had no borrowings outstanding under our revolving credit facility. In addition, lease payments under certain of our synthetic lease agreements are determined based on variable interest rates and are, therefore, affected by changes in market interest rates.

In addition, we have two outstanding series of unsecured notes held by institutional investors: Series A for \$85 million accrues interest at 6.38% and Series B for \$65 million accrues interest at 6.53%. The amount outstanding under these notes as of February 2, 2013 was \$150 million.

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

A hypothetical 100 basis point increase or decrease in prevailing market interest rates would not have a material impact on our consolidated financial position, results of operations, cash flows, or the fair values of our short- and long-term investments as of and for the year ended February 2, 2013. We do not consider the potential losses in future earnings and cash flows from reasonably possible, near-term changes in interest rates to be material.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### Consolidated Statements of Earnings

(\$000, except per share data)	Year Ended February 2, 2013	Year Ended January 28, 2012	Year Ended January 29, 2011
<b>Sales</b>	<b>\$ 9,721,065</b>	\$ 8,608,291	\$ 7,866,100
<b>Costs and Expenses</b>			
Costs of goods sold	7,011,428	6,240,760	5,729,735
Selling, general and administrative	1,437,886	1,304,065	1,229,775
Interest expense, net	6,907	10,322	9,569
Total costs and expenses	8,456,221	7,555,147	6,969,079
Earnings before taxes	1,264,844	1,053,144	897,021
Provision for taxes on earnings	478,081	395,974	342,224
Net earnings	<b>\$ 786,763</b>	\$ 657,170	\$ 554,797
<b>Earnings per share</b>			
Basic	<b>\$ 3.59</b>	\$ 2.91	\$ 2.35
Diluted	<b>\$ 3.53</b>	\$ 2.86	\$ 2.31
<b>Weighted average shares outstanding (000)</b>			
Basic	219,130	225,915	235,641
Diluted	222,784	229,982	239,805
<b>Dividends</b>			
Cash dividends declared per share	<b>\$ 0.59</b>	\$ 0.47	\$ 0.35

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

### Consolidated Statements of Comprehensive Income

(\$000)	Year ended February 2, 2013	Year ended January 28, 2012	Year ended January 29, 2011
Net earnings	<b>\$ 786,763</b>	\$ 657,170	\$ 554,797
Other comprehensive income:			
Change in unrealized (loss) gain on investments, net of tax	(50)	147	318
Comprehensive income	<b>\$ 786,713</b>	\$ 657,317	\$ 555,115

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

## Consolidated Balance Sheets

(\$000, except share data)	February 2, 2013	January 28, 2012
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 646,761	\$ 649,835
Short-term investments	1,087	658
Accounts receivable	59,617	50,848
Merchandise inventory	1,209,237	1,130,070
Prepaid expenses and other	94,318	87,362
Deferred income taxes	20,407	5,598
Total current assets	2,031,427	1,924,371
<b>Property and Equipment</b>		
Land and buildings	372,659	338,027
Fixtures and equipment	1,551,590	1,408,647
Leasehold improvements	732,671	657,312
Construction-in-progress	258,691	131,881
	2,915,611	2,535,867
Less accumulated depreciation and amortization	1,422,327	1,294,145
Property and equipment, net	1,493,284	1,241,722
Long-term investments	4,374	5,602
Other long-term assets	141,476	129,514
Total assets	\$ 3,670,561	\$ 3,301,209
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 807,534	\$ 761,717
Accrued expenses and other	320,415	304,654
Accrued payroll and benefits	241,129	248,552
Income taxes payable	53,504	31,129
Total current liabilities	1,422,582	1,346,052
Long-term debt	150,000	150,000
Other long-term liabilities	246,815	203,625
Deferred income taxes	84,301	108,520
Commitments and contingencies		
<b>Stockholders' Equity</b>		
Common stock, par value \$.01 per share	2,207	2,269
Authorized 600,000,000 shares		
Issued and outstanding 220,721,000 and 226,864,000 shares, respectively		
Additional paid-in capital	866,519	788,895
Treasury stock	(91,708)	(62,262)
Accumulated other comprehensive income	585	635
Retained earnings	989,260	763,475
Total stockholders' equity	1,766,863	1,493,012
Total liabilities and stockholders' equity	\$ 3,670,561	\$ 3,301,209

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

## Consolidated Statements of Stockholders' Equity

(000)	Common stock		Additional paid-in capital	Treasury stock	Accumulated other com- prehensive income (loss)	Retained earnings	Total
	Shares	Amount					
<b>Balance at January 30, 2010</b>	245,858	\$ 2,458	\$ 680,679	\$ (36,864)	\$ 170	\$ 510,850	\$ 1,157,293
Net earnings	—	—	—	—	—	554,797	554,797
Unrealized investment gain, net	—	—	—	—	318	—	318
Common stock issued under stock plans, net of shares used for tax withholding	3,728	38	36,442	(9,544)	—	—	26,936
Tax benefit from equity issuance	—	—	15,412	—	—	—	15,412
Stock-based compensation	—	—	36,551	—	—	—	36,551
Common stock repurchased	(13,460)	(134)	(29,539)	—	—	(345,327)	(375,000)
Dividends declared	—	—	—	—	—	(83,615)	(83,615)
<b>Balance at January 29, 2011</b>	236,126	\$ 2,362	\$ 739,545	\$ (46,408)	\$ 488	\$ 636,705	\$ 1,332,692
Net earnings	—	—	—	—	—	657,170	657,170
Unrealized investment gain, net	—	—	—	—	147	—	147
Common stock issued under stock plans, net of shares used for tax withholding	2,002	20	17,270	(15,854)	—	—	1,436
Tax benefit from equity issuance	—	—	19,040	—	—	—	19,040
Stock-based compensation	—	—	40,404	—	—	—	40,404
Common stock repurchased	(11,264)	(113)	(27,364)	—	—	(422,523)	(450,000)
Dividends declared	—	—	—	—	—	(107,877)	(107,877)
<b>Balance at January 28, 2012</b>	226,864	\$ 2,269	\$ 788,895	\$ (62,262)	\$ 635	\$ 763,475	\$ 1,493,012
Net earnings	—	—	—	—	—	786,763	786,763
Unrealized investment loss, net	—	—	—	—	(50)	—	(50)
Common stock issued under stock plans, net of shares used for tax withholding	1,315	13	19,030	(29,446)	—	—	(10,403)
Tax benefit from equity issuance	—	—	29,989	—	—	—	29,989
Stock-based compensation	—	—	48,952	—	—	—	48,952
Common stock repurchased	(7,458)	(75)	(20,347)	—	—	(429,578)	(450,000)
Dividends declared	—	—	—	—	—	(131,400)	(131,400)
<b>Balance at February 2, 2013</b>	<b>220,721</b>	<b>\$ 2,207</b>	<b>\$ 866,519</b>	<b>\$ (91,708)</b>	<b>\$ 585</b>	<b>\$ 989,260</b>	<b>\$ 1,766,863</b>

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

## Consolidated Statements of Cash Flows

(\$000)	Year Ended February 2, 2013	Year Ended January 28, 2012	Year Ended January 29, 2011
<b>Cash Flows From Operating Activities</b>			
Net earnings	\$ 786,763	\$ 657,170	\$ 554,797
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	185,491	159,892	160,693
Stock-based compensation	48,952	40,404	36,551
Deferred income taxes	(39,028)	21,722	(17,977)
Tax benefit from equity issuance	29,989	19,040	15,412
Excess tax benefit from stock-based compensation	(29,103)	(18,180)	(14,746)
Change in assets and liabilities:			
Merchandise inventory	(79,167)	(43,153)	(214,419)
Other current assets	(14,474)	(10,329)	(6,339)
Accounts payable	40,109	(11,614)	102,851
Other current liabilities	18,146	(2,109)	52,594
Other long-term, net	31,966	7,262	3,649
Net cash provided by operating activities	979,644	820,105	673,066
<b>Cash Flows From Investing Activities</b>			
Additions to property and equipment	(424,434)	(416,271)	(198,651)
Increase in restricted cash and investments	(2,107)	(60,086)	—
Purchases of investments	(5,430)	—	(6,842)
Proceeds from investments	6,247	4,589	8,648
Net cash used in investing activities	(425,724)	(471,768)	(196,845)
<b>Cash Flows From Financing Activities</b>			
Excess tax benefit from stock-based compensation	29,103	18,180	14,746
Issuance of common stock related to stock plans	19,043	17,290	36,479
Treasury stock purchased	(29,446)	(15,854)	(9,544)
Repurchase of common stock	(450,000)	(450,000)	(375,000)
Dividends paid	(125,694)	(102,042)	(77,321)
Net cash used in financing activities	(556,994)	(532,426)	(410,640)
Net (decrease) increase in cash and cash equivalents	(3,074)	(184,089)	65,581
Cash and cash equivalents:			
Beginning of year	649,835	833,924	768,343
End of year	\$ 646,761	\$ 649,835	\$ 833,924
<b>Supplemental Cash Flow Disclosures</b>			
Interest paid	\$ 9,668	\$ 9,668	\$ 9,668
Income taxes paid	\$ 435,808	\$ 370,074	\$ 330,589
<b>Non-Cash Investing Activities</b>			
(Decrease) increase in fair value of investment securities	\$ (76)	\$ 226	\$ 490

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

## Notes to Consolidated Financial Statements

### Note A: Summary of Significant Accounting Policies

**Business.** Ross Stores, Inc. and its subsidiaries (the “Company”) is an off-price retailer of first-quality, in-season, name brand and designer apparel, accessories, footwear, and home fashions for the entire family. At the end of fiscal 2012, the Company operated 1,091 Ross Dress for Less® (“Ross”) locations in 33 states, the District of Columbia and Guam, and 108 dd’s DISCOUNTS® stores in eight states. The Ross and dd’s DISCOUNTS stores are supported by four distribution centers. The Company’s headquarters, one buying office, two distribution centers, one warehouse, and 25% of its stores are located in California.

**Segment reporting.** The Company has one reportable segment. The Company’s operations include only activities related to off-price retailing in stores throughout the United States.

**Basis of presentation and fiscal year.** The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. Intercompany transactions and accounts have been eliminated. The Company follows the National Retail Federation fiscal calendar and utilizes a 52-53 week fiscal year whereby the fiscal year ends on the Saturday nearest to January 31. The fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011 are referred to as fiscal 2012, fiscal 2011, and fiscal 2010, respectively. Fiscal 2012 was 53 weeks. Fiscal 2011 and 2010 were each 52 weeks.

**Stock dividend.** On December 15, 2011 the Company issued a two-for-one stock split in the form of a 100 percent stock dividend. All share and per share amounts have been adjusted for the two-for-one stock split effective December 15, 2011.

**Use of accounting estimates.** The preparation of consolidated financial statements in conformity with Generally Accepted Accounting Principles in the United States of America (“GAAP”) requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Company’s significant accounting estimates include valuation reserves for inventory shortage, packaway inventory costs, useful lives of fixed assets, insurance reserves, and reserves for uncertain tax positions.

**Purchase obligations.** As of February 2, 2013, the Company had purchase obligations of approximately \$1,605 million. These purchase obligations primarily consist of merchandise inventory purchase orders, commitments related to store fixtures and supplies, and information technology service and maintenance contracts. Merchandise inventory purchase orders of \$1,460 million represent purchase obligations of less than one year as of February 2, 2013.

**Cash and cash equivalents.** Cash equivalents consist of highly liquid, fixed income instruments purchased with an original maturity of three months or less.

**Restricted cash, cash equivalents, and investments.** The Company has restricted cash, cash equivalents, and investments that serve as collateral for certain insurance obligations of the Company. These restricted funds are invested in bank deposits, money market mutual funds, U.S. Government and agency securities, and corporate securities and cannot be withdrawn from the Company’s account without the prior written consent of the secured parties. As of February 2, 2013, the Company had total restricted cash, cash equivalents, and investments of \$68.7 million of which \$19.9 million and \$48.8 million were included in prepaid expenses and other and other long-term assets, respectively, in the Consolidated Balance Sheet. As of January 28, 2012, the Company had total restricted cash, cash equivalents, and investments of \$66.8 million of which \$18.7 million and \$48.1 million were included in prepaid expenses and other and other long-term assets, respectively, in the Consolidated Balance Sheet. The classification between current and long-term is based on the timing of expected payments of the secured insurance obligations.

**Estimated fair value of financial instruments.** The carrying value of cash and cash equivalents, short- and long-term investments, restricted cash and cash equivalents, restricted investments, accounts receivable, other long-term assets, accounts payable, and other long-term liabilities approximates their estimated fair value. See Note B and Note D for additional fair value information.

Cash and cash equivalents were \$646.8 million and \$649.8 million, at February 2, 2013 and January 28, 2012, respectively, and include bank deposits and money market funds for which the fair value was determined using quoted prices for identical assets in active markets, which are considered to be Level 1 inputs under the fair value measurements and disclosures guidance.

**Investments.** The Company's investments are comprised of various debt securities. At February 2, 2013 and January 28, 2012, these investments were classified as available-for-sale and are stated at fair value. Investments are classified as either short- or long-term based on their original maturities and the Company's intent. Investments with an original maturity of less than one year are classified as short-term. See Note B for additional information.

**Merchandise inventory.** Merchandise inventory is stated at the lower of cost (determined using a weighted average basis) or net realizable value. The Company purchases manufacturer overruns and canceled orders both during and at the end of a season which are referred to as "packaway" inventory. Packaway inventory is purchased with the intent that it will be stored in the Company's warehouses until a later date. The timing of the release of packaway inventory to the stores is principally driven by the product mix and seasonality of the merchandise, and its relation to the Company's store merchandise assortment plans. As such, the aging of packaway varies by merchandise category and seasonality of purchase, but typically packaway remains in storage less than six months. Packaway inventory accounted for approximately 47% and 49%, of total inventories as of February 2, 2013 and January 28, 2012. Merchandise inventory includes acquisition, processing, and storage costs related to packaway inventory. The cost of the Company's merchandise inventory is reduced by valuation reserves for shortage based on historical shortage experience from the Company's physical merchandise inventory counts and cycle counts.

**Cost of goods sold.** In addition to product costs, the Company includes in cost of goods sold its buying, distribution and freight expenses as well as occupancy costs, and depreciation and amortization related to the Company's retail stores, buying, and distribution facilities. Buying expenses include costs to procure merchandise inventories. Distribution expenses include the cost of operating the Company's distribution centers.

**Prepaid expenses and other.** Prepaid expenses and other as of February 2, 2013 and January 28, 2012 consisted of the following:

(\$000)	2012		2011	
Restricted cash and investments	\$	19,941	\$	18,689
Prepaid expenses		74,377		68,673
Total	\$	94,318	\$	87,362

**Property and equipment.** Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful life of the asset, typically ranging from three to 12 years for equipment and 20 to 40 years for land improvements and buildings. Depreciation and amortization expense on property and equipment was \$185.5 million, \$159.9 million, and \$160.7 million for fiscal 2012, 2011, and 2010, respectively. The cost of leasehold improvements is amortized over the useful life of the asset or the applicable lease term, whichever is less. Computer hardware and software costs, net of amortization, of \$166.2 million and \$137.1 million at February 2, 2013 and January 28, 2012, respectively, are included in fixtures and equipment and are amortized over their estimated useful life, generally ranging from three to seven years. The Company capitalizes interest during the construction period. Interest capitalized was \$3.9 million, \$0.5 million, and \$0.1 million in fiscal 2012, fiscal 2011, and fiscal 2010, respectively.

**Other long-term assets.** Other long-term assets as of February 2, 2013 and January 28, 2012 consisted of the following:

(\$000)	2012	2011
Deferred compensation (Note B)	\$ 76,911	\$ 67,459
Restricted cash and investments	48,821	48,059
Goodwill	2,889	2,889
Deposits	3,185	4,115
Other	9,670	6,992
Total	\$ 141,476	\$ 129,514

Other assets are principally comprised of prepaid rent and other long-term prepayments.

Property, other long-term assets, and certain identifiable intangibles that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Intangible assets that are not subject to amortization, including goodwill, are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset may be impaired. Based on the Company's evaluation during fiscal 2012, 2011, and 2010, no impairment charges were recorded.

**Store closures.** The Company continually reviews the operating performance of individual stores. For stores that are closed, the Company records a liability for future minimum lease payments net of estimated sublease recoveries and related ancillary costs at the time the liability is incurred. In 2012, the Company closed eight Ross stores. In 2011, the Company closed ten Ross stores. The lease loss liability was \$3.4 million and \$3.0 million, as of February 2, 2013 and January 28, 2012, respectively. Operating costs, including depreciation, of stores to be closed are expensed during the period they remain in use.

**Accounts payable.** Accounts payable represents amounts owed to third parties at the end of the period. Accounts payable includes book cash overdrafts (checks issued under zero balance accounts not yet presented for payment) in excess of cash balances in such accounts of approximately \$82.6 million and \$78.9 million at February 2, 2013 and January 28, 2012, respectively. The Company includes the change in book cash overdrafts in operating cash flows.

**Insurance obligations.** The Company uses a combination of insurance and self-insurance for a number of risk management activities, including workers' compensation, general liability, and employee-related health care benefits. The self-insurance and deductible liability is determined actuarially, based on claims filed and an estimate of claims incurred but not yet reported. Self-insurance and deductible reserves as of February 2, 2013 and January 28, 2012 consisted of the following:

(\$000)	2012	2011
Workers' compensation	\$ 80,079	\$ 74,773
General liability	30,670	27,375
Medical plans	3,451	3,220
Total	\$ 114,200	\$ 105,368

Workers' compensation and self-insured medical plan liabilities are included in accrued payroll and benefits, and accruals for general liability are included in accrued expenses and other in the accompanying consolidated balance sheets.

**Other long-term liabilities.** Other long-term liabilities as of February 2, 2013 and January 28, 2012 consisted of the following:

(\$000)	2012	2011
Deferred compensation	\$ 76,911	\$ 67,459
Deferred rent	62,250	59,444
Income taxes (Note F)	82,483	53,534
Tenant improvement allowances	23,944	21,287
Other	1,227	1,901
Total	\$ 246,815	\$ 203,625

**Lease accounting.** When a lease contains “rent holidays” or requires fixed escalations of the minimum lease payments, the Company records rental expense on a straight-line basis over the term of the lease and the difference between the average rental amount charged to expense and the amount payable under the lease is recorded as deferred rent. The Company begins recording rent expense on the lease possession date. Tenant improvement allowances are included in other long-term liabilities and are amortized over the lease term. Changes in tenant improvement allowances are included as a component of operating activities in the consolidated statements of cash flows.

**Revenue recognition.** The Company recognizes revenue at the point of sale and maintains an allowance for estimated future returns. Sales of stored value cards are deferred until they are redeemed for the purchase of Company merchandise. The Company’s stored value cards do not have expiration dates. Based upon historical redemption rates, a small percentage of stored value cards will never be redeemed, which represents breakage. The Company recognizes income from stored value card breakage as a reduction of operating expenses when redemption by a customer is considered to be remote. Income recognized from breakage was not significant in fiscal 2012, 2011, and 2010.

Sales tax collected is not recognized as revenue and is included in accrued expenses and other.

**Allowance for sales returns.** An allowance for the gross margin loss on estimated sales returns is included in accrued expenses and other in the consolidated balance sheets. The allowance for sales returns consists of the following:

(\$000)	Beginning balance	Additions	Returns	Ending balance
Year ended:				
February 2, 2013	\$6,426	\$ 680,058	\$ (679,319)	\$ 7,165
January 28, 2012	\$5,869	\$ 606,293	\$ (605,736)	\$ 6,426
January 29, 2011	\$5,344	\$ 558,361	\$ (557,836)	\$ 5,869

**Store pre-opening.** Store pre-opening costs are expensed in the period incurred.

**Advertising.** Advertising costs are expensed in the period incurred and are included in Selling, general and administrative expenses. Advertising costs for fiscal 2012, 2011, and 2010 were \$67.7 million, \$59.9 million, and \$54.3 million, respectively.

**Stock-based compensation.** The Company recognizes compensation expense based upon the grant date fair value of all stock-based awards, typically over the vesting period. See Note C for more information on the Company's stock-based compensation plans.

**Taxes on earnings.** The Company accounts for income taxes in accordance with Accounting Standards Codification ("ASC") 740, "Accounting for Income Taxes," which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's consolidated financial statements or tax returns. In estimating future tax consequences, the Company generally considers all expected future events other than changes in the tax law or tax rates. ASC 740 also clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in a company's consolidated financial statements and prescribes a recognition threshold of more-likely-than-not, and a measurement standard for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the consolidated financial statements. See Note F.

**Treasury stock.** The Company records treasury stock at cost. Treasury stock includes shares purchased from employees for tax withholding purposes related to vesting of restricted stock grants.

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

In fiscal 2012, 2011, and 2010 there were 53,900, 5,900, and 6,400 weighted average shares, respectively, that were excluded from the calculation of diluted EPS because their effect would have been anti-dilutive for those years.

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

Shares in (000s)	Basic EPS	Effect of dilutive common stock equivalents	Diluted EPS
<b>2012</b>			
Shares	219,130	3,654	222,784
Amount	\$ 3.59	\$ (0.06)	\$ 3.53
2011			
Shares	225,915	4,067	229,982
Amount	\$ 2.91	\$ (0.05)	\$ 2.86
2010			
Shares	235,641	4,164	239,805
Amount	\$ 2.35	\$ (0.04)	\$ 2.31

**Sales mix.** The Company's sales mix is shown below for fiscal 2012, 2011, and 2010:

	2012	2011	2010
Ladies	29%	29%	29%
Home Accents and Bed and Bath	24%	25%	25%
Accessories, Lingerie, Fine Jewelry, and Fragrances	13%	13%	12%
Shoes	13%	12%	12%
Men's	13%	13%	13%
Children's	8%	8%	9%
Total	100%	100%	100%

**Comprehensive income.** Comprehensive income includes net earnings and components of other comprehensive income (loss), net of tax, consisting principally of unrealized investment gains or losses.

## Note B: Investments and Restricted Investments

The amortized cost and fair value of the Company's available-for-sale securities as of February 2, 2013 were:

(\$000)	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Short- term	Long- term
<b>Investments</b>						
Corporate securities	\$ 4,715	\$ 468	\$ (14)	\$ 5,169	\$ 1,013	\$ 4,156
Mortgage-backed securities	276	16	—	292	74	218
Total investments	4,991	484	(14)	5,461	1,087	4,374
<b>Restricted Investments</b>						
Corporate securities	1,360	34	—	1,394	1,275	119
U.S. government and agency securities	3,748	397	—	4,145	—	4,145
Total restricted investments	5,108	431	—	5,539	1,275	4,264
Total	\$ 10,099	\$ 915	\$ (14)	\$ 11,000	\$ 2,362	\$ 8,638

The amortized cost and fair value of the Company's available-for-sale securities as of January 28, 2012 were:

(\$000)	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Short- term	Long- term
<b>Investments</b>						
Corporate securities	\$ 5,080	\$ 501	\$ (78)	\$ 5,503	\$ 401	\$ 5,102
Mortgage-backed securities	728	29	—	757	257	500
Total investments	5,808	530	(78)	6,260	658	5,602
<b>Restricted Investments</b>						
Corporate securities	1,357	94	—	1,451	—	1,451
U.S. government and agency securities	3,769	431	—	4,200	—	4,200
Total restricted investments	5,126	525	—	5,651	—	5,651
Total	\$ 10,934	\$ 1,055	\$ (78)	\$ 11,911	\$ 658	\$ 11,253

Accounting standards pertaining to fair value measurements establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. This fair value hierarchy also requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Corporate, U.S. government and agency, and mortgage-backed securities are classified within Level 1 or Level 2 because these securities are valued using quoted market prices or alternative pricing sources and models utilizing market observable inputs.

Investments and restricted investments measured at fair value at February 2, 2013 are summarized below:

(\$000)	Fair Value Measurements at Reporting Date			
	February 2, 2013	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Investments</b>				
Corporate securities	\$ 5,169	\$ —	\$ 5,169	\$ —
Mortgage-backed securities	292	—	292	—
Total investments	5,461	—	5,461	—
<b>Restricted Investments</b>				
Corporate securities	1,394	—	1,394	—
U.S. government and agency securities	4,145	4,145	—	—
Total restricted investments	5,539	4,145	1,394	—
Total	\$ 11,000	\$ 4,145	\$ 6,855	\$ —

Investments and restricted investments measured at fair value at January 28, 2012 are summarized below:

(\$000)	Fair Value Measurements at Reporting Date			
	January 28, 2012	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Investments</b>				
Corporate securities	\$ 5,503	\$ —	\$ 5,503	\$ —
Mortgage-backed securities	757	—	757	—
Total investments	6,260	—	6,260	—
<b>Restricted Investments</b>				
Corporate securities	1,451	—	1,451	—
U.S. government and agency securities	4,200	4,200	—	—
Total restricted investments	5,651	4,200	1,451	—
Total	\$ 11,911	\$ 4,200	\$ 7,711	\$ —

The future maturities of investment and restricted investment securities at February 2, 2013 were:

(\$000)	Investments		Restricted Investments	
	Cost basis	Estimated fair value	Cost basis	Estimated fair value
Maturing in one year or less	\$ 1,073	\$ 1,087	\$ 1,250	\$ 1,275
Maturing after one year through five years	2,818	3,036	953	1,063
Maturing after five years through ten years	1,100	1,338	2,905	3,201
Total	\$ 4,991	\$ 5,461	\$ 5,108	\$ 5,539

The underlying assets in the Company's non-qualified deferred compensation program totaling \$76.9 million and \$67.5 million as of February 2, 2013 and January 28, 2012, respectively (included in other long-term assets and in other long-term liabilities) primarily consist of participant-directed money market, stable value, stock, and bond funds. The fair value measurement for funds with quoted market prices in active markets (Level 1) totaled \$65.9 million and \$57.8 million, as of February 2, 2013 and January 28, 2012, respectively. The fair value measurement for funds without quoted market prices in active markets (Level 2) totaled \$11.0 million and \$9.7 million, as of February 2, 2013 and January 28, 2012, respectively. Fair market value for these Level 2 funds is considered to be the sum of participant funds invested under a group annuity contract plus accrued interest.

### Note C: Stock-Based Compensation

For fiscal 2012, 2011, and 2010, the Company recognized stock-based compensation expense as follows:

(\$000)	2012	2011	2010
Restricted stock	\$ 29,191	\$ 22,994	\$ 22,387
Performance awards	17,872	15,944	11,641
ESPP	1,889	1,466	2,523
Total	\$ 48,952	\$ 40,404	\$ 36,551

Capitalized stock-based compensation cost was not significant in any year.

No stock options were granted during fiscal 2012, 2011, and 2010. The Company recognizes expense for ESPP purchase rights equal to the value of the 15% discount given on the purchase date. At February 2, 2013, the Company had one stock-based compensation plan, which is further described in Note H.

Total stock-based compensation recognized in the Company's Consolidated Statements of Earnings for fiscal 2012, 2011, and 2010 is as follows:

Statements of Earnings Classification (\$000)	2012	2011	2010
Cost of goods sold	\$ 22,915	\$ 17,670	\$ 15,665
Selling, general and administrative	26,037	22,734	20,886
Total	\$ 48,952	\$ 40,404	\$ 36,551

## Note D: Debt

**Senior notes.** The Company has two series of unsecured senior notes with various institutional investors for \$150 million. The Series A notes totaling \$85 million are due in December 2018 and bear interest at a rate of 6.38%. The Series B notes totaling \$65 million are due in December 2021 and bear interest at a rate of 6.53%. The fair value of these notes as of February 2, 2013 of approximately \$175 million is estimated by obtaining comparable market quotes which are considered to be Level 1 inputs under the fair value measurements and disclosures guidance. The senior notes are subject to prepayment penalties for early payment of principal.

**Revolving credit facility.** In June 2012, the Company amended its existing \$600 million unsecured revolving credit facility. The amended credit facility expires in June 2017 and contains a \$300 million sublimit for issuance of standby letters of credit. Interest on this facility is based on LIBOR plus an applicable margin (currently 112.5 basis points) and is payable upon maturity but not less than quarterly. The Company had no borrowings outstanding or standby letters of credit issued under this facility as of February 2, 2013. As of February 2, 2013, the Company's \$600 million credit facility remains in place and available.

At January 28, 2012, the Company had a \$600 million unsecured, revolving credit facility. Interest pricing on this facility was LIBOR plus 150 basis points and contained a \$300 million sublimit for issuance of standby letters of credit. At January 28, 2012, the Company had no borrowings outstanding or standby letters of credit issued under this facility.

Borrowings under the credit facility and the senior notes are subject to certain covenants, including interest coverage and other financial ratios. In addition, the interest rates under the revolving credit facility may vary depending on actual interest coverage ratios achieved. As of February 2, 2013, the Company was in compliance with these covenants.

**Standby letters of credit and collateral trust.** The Company uses both standby letters of credit outside of its revolving credit facility and a trust to collateralize its insurance obligations. As of February 2, 2013 and January 28, 2012, the Company had \$33.8 million and \$45.5 million, respectively in standby letters of credit and \$34.9 million and \$21.3 million, respectively in a collateral trust. The standby letters of credit are collateralized by restricted cash and cash equivalents, and the collateral trust consists of restricted cash, cash equivalents, and investments.

**Trade letters of credit.** The Company had \$38.0 million and \$39.9 million in trade letters of credit outstanding at February 2, 2013 and January 28, 2012, respectively.

## Note E: Leases

The Company leases all but three of its store sites with original, non-cancelable terms that in general range from three to ten years. Store leases typically contain provisions for three to four renewal options of five years each. Most store leases also provide for minimum annual rentals and for payment of certain expenses. In addition, some store leases also have provisions for additional rent based on a percentage of sales.

The Company has lease arrangements for certain equipment in its stores for its point-of-sale ("POS") hardware and software systems. These leases are accounted for as operating leases for financial reporting purposes. The initial terms of these leases are either two or three years and the Company typically has options to renew the leases for two to three one-year periods. Alternatively, the Company may purchase or return the equipment at the end of the initial or each renewal term. The Company's obligation under the residual value guarantee at the end of the respective lease terms is \$0.6 million.

The Company also leases a 1.3 million square foot distribution center in Perris, California. The land and building for this distribution center are financed by the lessor under a \$70 million, 10-year synthetic lease facility that expires in July 2013. Rent expense on this distribution center is payable monthly at a fixed annual rate of 5.8% on the lease balance of \$70 million. At the end of the lease term, the Company must refinance the distribution facility, purchase it at the amount of the then-outstanding lease balance, or sell it to a third party. If the distribution center is sold to a third party for less than \$70 million, the Company has agreed under a residual value guarantee to pay the lessor any shortfall amount up to \$56 million. The Company's synthetic lease

agreement includes a prepayment penalty for early payoff of the lease. The Company intends to purchase this distribution center at the expiration of the lease in 2013. The \$70 million obligation is included in Residual value guarantees in the table below.

The Company has also recognized a liability and corresponding asset for the inception date estimated fair values of the distribution center and POS synthetic lease residual value guarantees. As of February 2, 2013 the Company had approximately \$0.5 million of residual value guarantee asset and liability. These residual value guarantees are amortized on a straight-line basis over the original terms of the leases. The current portion of the related asset and liability is recorded in prepaid expenses and other, and accrued expenses and other, respectively, and the long-term portion of the related assets and liabilities is recorded in other long-term assets and other long-term liabilities, respectively, in the accompanying consolidated balance sheets.

The synthetic lease facilities described above, as well as the Company's revolving credit facility and senior notes, have covenant restrictions requiring the Company to maintain certain interest coverage and other financial ratios. In addition, the interest rates under the revolving credit facility may vary depending on the Company's actual interest coverage ratios. As of February 2, 2013, the Company was in compliance with these covenants.

The Company leases three warehouses. Two of the warehouses are in Carlisle, Pennsylvania with leases expiring in 2014 and 2016. The third warehouse is in Fort Mill, South Carolina, with a lease expiring in 2016. The leases for all three of these warehouses contain renewal provisions. The Company also owns a 423,000 square foot warehouse in Fort Mill, South Carolina and a 449,000 square foot warehouse in Riverside, California. All five of these warehouses are used to store the Company's packaway inventory. The Company also leases a 10-acre parcel that has been developed for trailer parking adjacent to its Perris, California distribution center.

The Company leases approximately 192,000 square feet of office space for its corporate headquarters in Pleasanton, California, under several facility leases. The terms for these leases expire between 2014 and 2015 and contain renewal provisions.

The Company leases approximately 265,000 and 52,000 square feet of office space for its New York City and Los Angeles buying offices, respectively. The lease terms for these facilities expire in 2022 and 2017, respectively, and contain renewal provisions.

The aggregate future minimum annual lease payments under leases in effect at February 2, 2013 are as follows:

(\$000)	Operating leases	Synthetic leases	Residual value guarantees	Total leases
2013	\$ 387,536	\$ 2,661	\$ 70,451	\$ 460,648
2014	404,164	10	183	404,357
2015	349,636	—	—	349,636
2016	290,266	—	—	290,266
2017	236,335	—	—	236,335
Thereafter	470,520	—	—	470,520
Total minimum lease payments	\$ 2,138,457	\$ 2,671	\$ 70,634	\$ 2,211,762

Total rent expense for all leases was \$406.6 million, \$380.0 million, and \$360.4 million in fiscal 2012, 2011, and 2010, respectively.

## Note F: Taxes on Earnings

The provision for income taxes consisted of the following:

(\$000)	2012	2011	2010
<b>Current</b>			
Federal	\$ 485,882	\$ 343,550	\$ 329,723
State	31,227	30,702	30,478
	517,109	374,252	360,201
<b>Deferred</b>			
Federal	(37,178)	25,383	(11,139)
State	(1,850)	(3,661)	(6,838)
	(39,028)	21,722	(17,977)
<b>Total</b>	<b>\$ 478,081</b>	<b>\$ 395,974</b>	<b>\$ 342,224</b>

In fiscal 2012, 2011, and 2010, the Company realized tax benefits of \$30.0 million, \$19.0 million and \$15.4 million, respectively, related to employee equity programs that were credited to additional paid-in capital.

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

	2012	2011	2010
Federal income taxes at the statutory rate	35%	35%	35%
State income taxes (net of federal benefit) and other, net	3%	3%	3%
<b>Total</b>	<b>38%</b>	<b>38%</b>	<b>38%</b>

The components of deferred income taxes at February 2, 2013 and January 28, 2012 are as follows:

(\$000)	2012	2011
<b>Deferred Tax Assets</b>		
Accrued liabilities	\$ 72,266	\$ 43,215
Deferred compensation	28,040	34,736
Stock-based compensation	28,781	16,969
Deferred rent	16,984	13,115
California franchise taxes	13,376	11,286
Employee benefits	18,315	10,074
Other	3,686	3,260
	181,448	132,655
<b>Deferred Tax Liabilities</b>		
Depreciation	(210,343)	(199,119)
Merchandise inventory	(18,802)	(20,129)
Supplies	(9,766)	(9,024)
Prepaid expenses	(6,431)	(7,305)
	(245,342)	(235,577)
<b>Net Deferred Tax Liabilities</b>	\$ (63,894)	\$ (102,922)
<b>Classified as:</b>		
Current net deferred tax asset	\$ 20,407	\$ 5,598
Long-term net deferred tax liability	(84,301)	(108,520)
<b>Net Deferred Tax Liabilities</b>	\$ (63,894)	\$ (102,922)

The changes in amounts of unrecognized tax benefits (gross of federal tax benefits and excluding interest) at fiscal 2012, 2011, and 2010 are as follows:

(\$000)	2012	2011	2010
Unrecognized tax benefits — beginning of year	\$ 56,524	\$ 43,990	\$ 33,349
Gross increases:			
Tax positions in current period	11,009	9,245	8,957
Tax positions in prior period	4,167	12,193	4,343
Gross decreases:			
Tax positions in prior periods	(1,476)	(4,491)	—
Lapse of statute limitations	(1,312)	(682)	(1,348)
Settlements	(3,245)	(3,731)	(1,311)
Unrecognized tax benefits — end of year	\$ 65,667	\$ 56,524	\$ 43,990

At the end of fiscal 2012 and 2011, the reserves for unrecognized tax benefits were \$82.5 million and \$72.4 million inclusive of \$16.8 million and \$15.9 million of related interest, respectively. The Company accounts for interest and penalties related to unrecognized tax benefits as a part of its provision for taxes on earnings. If recognized, \$42.1 million would impact the Company's effective tax rate. The difference between the total amount of unrecognized tax benefits and the amounts that would impact the effective tax rate relates to amounts attributable to deferred income tax assets and liabilities. These amounts are net of federal and state income taxes.

During the next twelve months, it is reasonably possible that the statute of limitations may lapse pertaining to positions taken by the Company in prior year tax returns. If this occurs, the total amount of unrecognized tax benefits may decrease, reducing the provision for taxes on earnings by up to \$1.5 million.

The Company is generally open to audit by the Internal Revenue Service under the statute of limitations for fiscal years 2009 through 2012. The Company's state income tax returns are generally open to audit under the various statutes of limitations for fiscal years 2008 through 2012. Certain state tax returns are currently under audit by state tax authorities. The Company does not expect the results of these audits to have a material impact on the consolidated financial statements.

### **Note G: Employee Benefit Plans**

The Company has a defined contribution plan that is available to certain employees. Under the plan, employee and Company contributions and accumulated plan earnings qualify for favorable tax treatment under Section 401(k) of the Internal Revenue Code. This plan permits employees to make contributions up to the maximum limits allowable under the Internal Revenue Code. The Company matches up to 4% of the employee's salary up to the plan limits. Company matching contributions to the 401(k) plan were \$9.4 million, \$8.7 million, and \$8.2 million in fiscal 2012, 2011, and 2010, respectively.

The Company also has an Incentive Compensation Plan which provides cash awards to key management and employees based on Company and individual performance.

The Company also makes available to management a Non-qualified Deferred Compensation Plan which allows management to make payroll contributions on a pre-tax basis in addition to the 401(k) plan. Other long-term assets include \$76.9 million and \$67.5 million at February 2, 2013 and January 28, 2012, respectively, of long-term plan investments, at market value, set aside or designated for the Non-qualified Deferred Compensation Plan (See Note B). Plan investments are designated by the participants, and investment returns are not guaranteed by the Company. The Company has a corresponding liability to participants of \$76.9 million and \$67.5 million at February 2, 2013 and January 28, 2012, respectively, included in other long-term liabilities in the consolidated balance sheets.

In addition, the Company has certain individuals who receive or will receive post-employment medical benefits. The estimated liability for these benefits of \$6.6 million and \$5.7 million is included in accrued liabilities and other in the accompanying consolidated balance sheets as of February 2, 2013 and January 28, 2012, respectively.

## Note H: Stockholders' Equity

**Common stock.** The Company repurchased 7.5 million, 11.3 million, and 13.5 million shares of common stock for aggregate purchase prices of approximately \$450 million, \$450 million, and \$375 million in fiscal 2012, 2011, and 2010, respectively. In January 2013, the Company's Board of Directors approved a two-year \$1.1 billion stock repurchase program for fiscal 2013 and 2014.

The following table summarizes the Company's stock repurchase activity in fiscal 2012, 2011, and 2010:

Fiscal Year	Shares repurchased (in millions)	Average repurchase price	Repurchased (in millions)
<b>2012</b>	<b>7.5</b>	<b>\$ 60.34</b>	<b>\$ 450.0</b>
2011	11.3	\$ 39.95	\$ 450.0
2010	13.5	\$ 27.86	\$ 375.0

**Preferred stock.** The Company has four million shares of preferred stock authorized, with a par value of \$.01 per share. No preferred stock is issued or outstanding.

**Dividends.** In January 2013, the Company's Board of Directors declared a quarterly cash dividend of \$0.17 per common share, payable on March 29, 2013. The Company's Board of Directors declared cash dividends of \$0.14 per common share in January, May, August, and November 2012, cash dividends of \$0.11 per common share in January, May, August, and November 2011, and cash dividends of \$0.08 per common share in January, May, August, and November 2010.

**2008 Equity Incentive Plan.** In 2008, the Company's stockholders approved the adoption of the Ross Stores, Inc. 2008 Equity Incentive Plan (the "2008 Plan") with an initial share reserve of 16.5 million shares of the Company's common stock, of which 12.0 million shares can be issued as full value awards. The 2008 Plan provides for various types of incentive awards, which may potentially include the grant of stock options, stock appreciation rights, restricted stock purchase rights, restricted stock bonuses, restricted stock units, performance shares, performance units, and deferred compensation awards. As of February 2, 2013, there were 7.2 million shares that remained available for grant under the 2008 Plan.

A summary of the stock option activity for fiscal 2012 is presented below.

(000, except per share data)	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at January 28, 2012	2,418	\$ 13.24		
Granted	—	—		
Exercised	(703)	11.90		
Forfeited	—	—		
<b>Outstanding at February 2, 2013, all vested</b>	<b>1,715</b>	<b>\$ 13.79</b>	<b>2.11</b>	<b>\$ 78,277</b>

The following table summarizes information about the weighted average remaining contractual life (in years) and the weighted average exercise prices for stock options both outstanding and exercisable as of February 2, 2013 (number of shares in thousands):

Exercise price range	Options outstanding and exercisable		
	Number of shares	Remaining life	Exercise price
\$ 8.45 to \$ 13.77	471	1.57	\$ 12.12
13.81 to 14.31	570	2.52	14.04
14.33 to 14.71	529	1.80	14.51
14.80 to 16.43	145	3.33	15.57
\$ 8.45 to \$ 16.43	<u>1,715</u>	2.11	\$ 13.79

A summary of the restricted stock activity for fiscal 2012 is presented below:

(000, except per share data)	Number of shares	Weighted average grant date fair value
Unvested at January 28, 2012	5,353	\$ 23.23
Awarded	954	50.24
Released	(1,700)	20.19
Forfeited	(47)	29.93
<b>Unvested at February 2, 2013</b>	<b>4,560</b>	<b>\$ 29.96</b>

The market value of shares of restricted stock and of the stock underlying restricted stock units at the date of grant is amortized to expense ratably over the vesting period of generally three to five years. The unamortized compensation expense at February 2, 2013 and January 28, 2012 was \$75.8 million and \$67.5 million, respectively, which is expected to be recognized over a weighted average remaining period of 1.8 years. Intrinsic value for restricted stock, defined as the closing market value on the last business day of fiscal year 2012 (or \$59.43), was \$271.0 million. A total of 7,202,000, 7,811,000, and 8,770,000 shares were available for new restricted stock awards at the end of fiscal 2012, 2011, and 2010, respectively. During fiscal 2012, 2011, and 2010, shares purchased by the Company for tax withholding totaled 505,000, 442,000, and 350,000 shares, respectively, and are considered treasury shares which are available for reissuance. As of February 2, 2013 and January 28, 2012, the Company held 3,858,000 and 3,354,000 shares of treasury stock, respectively.

**Performance share awards.** The Company has a performance share award program for senior executives. A performance share award represents a right to receive shares of restricted stock or restricted stock units on a specified settlement date based on the Company's attainment of a profitability-based performance goal during the performance period, which is the Company's fiscal year. If attained, the restricted stock or units then vest over a service period, generally two to three years from the date the performance award was granted. The release of shares related to restricted stock units earned are deferred generally for one year from the date earned. The Company issued approximately 280,000, 467,000, and 656,000 shares in settlement of the fiscal 2012, 2011, and 2010 awards.

**Employee Stock Purchase Plan.** Under the Employee Stock Purchase Plan ("ESPP"), eligible employees participating in the quarterly offering period can choose to have up to the lesser of 10% or \$21,250 of their annual base earnings withheld to purchase the Company's common stock. The purchase price of the stock is 85% of the closing market price on the date of purchase. Purchases occur on a quarterly basis (on the last trading day of each calendar quarter). The Company recognizes expense for ESPP purchase rights equal to the value of the 15% discount given on the purchase date.

During fiscal 2012, 2011, and 2010, employees purchased approximately 211,000, 243,000, and 292,000 shares, respectively, of the Company's common stock under the plan at weighted average per share prices of \$50.67, \$34.24, and \$23.74, respectively. Through February 2, 2013, approximately 18,934,000 shares had been issued under this plan and 1,066,000 shares remained available for future issuance.

### **Note I: Related Party Transactions**

The Company has a consulting agreement with Norman Ferber, its Chairman of the Board of Directors, under which the Company pays him an annual consulting fee of \$1.3 million through May 2016. In addition, the agreement provides for administrative support and health and other benefits for the individual and his dependents, which totaled approximately \$0.3 million in fiscal 2012 and \$0.2 million in 2011 and 2010, along with amounts to cover premiums through May 2016 on a life insurance policy with a death benefit of \$2.0 million. On termination of Mr. Ferber's consultancy with the Company, the Company will pay Mr. Ferber \$75,000 per year for a period of 10 years.

### **Note J: Litigation, Claims, and Assessments**

Like many California retailers, the Company has been named in class action lawsuits alleging violation of wage and hour and other employment laws. Class action litigation remains pending as of February 2, 2013.

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

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

## Note K: Quarterly Financial Data (Unaudited)

Summarized quarterly financial information for fiscal 2012 and 2011 is presented in the tables below.

Year ended February 2, 2013:

(\$000, except per share data)	Quarter Ended			
	April 28, 2012	July 28, 2012	October 27, 2012	February 2, 2013 <sup>3</sup>
Sales	\$ 2,356,841	\$ 2,340,855	\$ 2,262,723	\$ 2,760,646
Cost of goods sold	1,679,127	1,689,643	1,648,997	1,993,661
Selling, general and administrative	337,811	352,089	357,983	390,003
Interest expense, net	2,232	2,086	1,643	946
Total costs and expenses	2,019,170	2,043,818	2,008,623	2,384,610
Earnings before taxes	337,671	297,037	254,100	376,036
Provision for taxes on earnings	129,058	115,013	94,576	139,434
Net earnings	\$ 208,613	\$ 182,024	\$ 159,524	\$ 236,602
Earnings per share — basic <sup>1</sup>	\$ 0.94	\$ 0.83	\$ 0.73	\$ 1.09
Earnings per share — diluted <sup>1</sup>	\$ 0.93	\$ 0.81	\$ 0.72	\$ 1.07
Cash dividends declared per share on common stock	\$ —	\$ 0.14	\$ 0.14	\$ 0.31 <sup>2</sup>
Stock price				
High	\$ 62.22	\$ 69.23	\$ 69.98	\$ 61.15
Low	\$ 50.70	\$ 60.35	\$ 60.32	\$ 52.39

<sup>1</sup> Quarterly EPS results may not equal full year amounts due to rounding.

<sup>2</sup> Includes \$.14 per share dividend declared in November 2012 and \$.17 per share dividend declared in January 2013.

<sup>3</sup> The quarter ended February 2, 2013 was a 14-week quarter; all other quarters presented were 13 weeks.

Year ended January 28, 2012:

(\$000, except per share data)	Quarter Ended			
	April 30, 2011	July 30, 2011	October 29, 2011	January 28, 2012
Sales	\$ 2,074,576	\$ 2,089,410	\$ 2,046,427	\$ 2,397,878
Cost of goods sold	1,481,206	1,524,307	1,490,213	1,745,034
Selling, general and administrative	309,160	320,885	332,226	341,794
Interest expense, net	2,495	2,569	2,565	2,693
Total costs and expenses	1,792,861	1,847,761	1,825,004	2,089,521
Earnings before taxes	281,715	241,649	221,423	308,357
Provision for taxes on earnings	108,742	93,373	77,454	116,405
Net earnings	\$ 172,973	\$ 148,276	\$ 143,969	\$ 191,952
Earnings per share — basic <sup>1,2</sup>	\$ 0.75	\$ 0.65	\$ 0.64	\$ 0.86
Earnings per share — diluted <sup>1,2</sup>	\$ 0.74	\$ 0.64	\$ 0.63	\$ 0.85
Cash dividends declared per share on common stock <sup>1</sup>	\$ —	\$ 0.11	\$ 0.11	\$ 0.25 <sup>3</sup>
Stock price <sup>1</sup>				
High	\$ 37.01	\$ 41.32	\$ 44.20	\$ 52.38
Low	\$ 32.43	\$ 36.68	\$ 34.25	\$ 42.67

<sup>1</sup> All per share amounts have been adjusted for the two-for-one stock split effective December 15, 2011.

<sup>2</sup> Quarterly EPS results may not equal full year amounts due to rounding.

<sup>3</sup> Includes \$.11 per share dividend declared in November 2011 and \$.14 per share dividend declared in January 2012.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Ross Stores, Inc. and subsidiaries (the “Company”) as of February 2, 2013 and January 28, 2012, and the related consolidated statements of earnings, comprehensive income, stockholders’ equity, and cash flows for each of the three years in the period ended February 2, 2013. We also have audited the Company’s internal control over financial reporting as of February 2, 2013, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company’s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of February 2, 2013 and January 28, 2012, and the results of their operations and their cash flows for each of the three years in the period ended February 2, 2013, in conformity with generally accepted accounting principles in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 2, 2013, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/DELOITTE & TOUCHE LLP

San Francisco, California  
April 2, 2013

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

None

## ITEM 9A. CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

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

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

### Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as set forth in *Internal Control — Integrated Framework*. Based on our evaluation under the framework in *Internal Control — Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of February 2, 2013.

Our internal control over financial reporting as of February 2, 2013 has also been audited by Deloitte & Touche LLP, an independent registered public accounting firm, and their opinion as to the effectiveness of our internal control over financial reporting is stated in their report, dated April 2, 2013, which is included in Item 8 in this Annual Report on Form 10-K.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Quarterly Evaluation of Changes in Internal Control Over Financial Reporting

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of our internal control over financial reporting to determine whether any change occurred during the fourth fiscal quarter of 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, our management concluded that there was no such change during the fourth fiscal quarter.

## **ITEM 9B. OTHER INFORMATION**

None

## **PART III**

## **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Information required by item 401 of Regulation S-K is incorporated herein by reference to the sections entitled “Executive Officers of the Registrant” at the end of Part I of this report; and to the sections of the Ross Stores, Inc. Proxy Statement for the Annual Meeting of Stockholders to be held on Wednesday, May 22, 2013 (the “Proxy Statement”) entitled “Information Regarding Nominees and Incumbent Directors.” Information required by Item 405 of Regulation S-K is incorporated by reference to the Proxy Statement under the section titled “Section 16(a) Beneficial Ownership Reporting Compliance.” We have not made any material changes to the procedures by which our stockholders may recommend nominees to the Board of Directors. Information required by Item 407(d)(4) and (d)(5) of Regulation S-K is incorporated by reference to the Proxy Statement under the section entitled “Information Regarding Nominees and Incumbent Directors” under the caption “Audit Committee.”

Our Board of Directors has adopted a Code of Ethics for Senior Financial Officers that applies to the Company’s Chief Executive Officer, Chief Merchandising Officer, Chief Development Officer, Chief Operating Officer, Chief Financial Officer, Deputy Chief Financial Officer, Controller, Assistant Controller, Vice President Finance, Assistant Treasurer, Investor and Media Relations personnel, and other positions that may be designated by the Company. This Code of Ethics is posted on our corporate website ([www.rossstores.com](http://www.rossstores.com)) under Corporate Governance in the Investors Section. We intend to satisfy the disclosure requirements of Item 5.05 of Form 8-K regarding any future amendments to, or waivers from, our Code of Ethics for Senior Financial Officers by posting any changed version on the same corporate website.

## **ITEM 11. EXECUTIVE COMPENSATION**

The information required by Item 402 of Regulation S-K is incorporated herein by reference to the sections of the Proxy Statement entitled “Compensation of Directors” and “Executive Compensation” under the captions “Compensation Discussion and Analysis,” “Summary Compensation Table,” “All Other Compensation,” “Perquisites,” “Discussion of Summary Compensation,” “Grants of Plan-Based Awards During Fiscal Year,” “Outstanding Equity Awards at Fiscal Year-End,” “Option Exercises and Stock Vested,” “Non-Qualified Deferred Compensation,” and “Potential Payments Upon Termination or Change in Control.”

The information required by Items 407(e)(4) and (e)(5) of Regulation S-K are incorporated herein by reference to the sections of the Proxy Statement entitled “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report.”

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

**Equity compensation plan information.** The following table summarizes the equity compensation plans under which the Company's common stock may be issued as of February 2, 2013:

Shares in (000s)	(a) Number of securities to be issued upon exercise of outstanding options and rights	(b) Weighted average exercise price per share of outstanding options and rights	(c) Number of securities remaining available for future issuance (excluding securities reflected in column (a)) <sup>1</sup>
Equity compensation plans approved by security holders	1,660 <sup>2</sup>	\$ 14.00	8,268 <sup>3</sup>
Equity compensation plans not approved by security holders <sup>4</sup>	264	\$ 12.60	—
<b>Total</b>	<b>1,924</b>	<b>\$ 13.79</b>	<b>8,268</b>

<sup>1</sup> After approval by stockholders of the 2008 Equity Incentive Plan in May 2008, any shares remaining available for grant in the share reserves of the 2004 Equity Incentive Plan, 1992 Stock Option Plan, the 2000 Equity Plan, the 1991 Outside Directors Stock Option Plan, and the 1988 Restricted Stock Plan were automatically canceled.

<sup>2</sup> Represents shares reserved for options granted under the prior 1992 Stock Option Plan, the prior 1991 Outside Directors Stock Option Plan, and the 2004 Equity Incentive Plan.

<sup>3</sup> Includes 1,066,000 shares reserved for issuance under the Employee Stock Purchase Plan and 7,202,000 shares reserved for issuance under the 2008 Equity Incentive Plan.

<sup>4</sup> Represents shares reserved for options granted under the prior 2000 Equity Incentive Plan, which was approved by the Company's Board of Directors in March 2000.

The information required by Item 403 of Regulation S-K is incorporated herein by reference to the section of the Proxy Statement entitled "Stock Ownership of Certain Beneficial Owners and Management."

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Items 404 and 407(a) of Regulation S-K are incorporated herein by reference to the section of the Proxy Statement entitled "Information Regarding Nominees and Incumbent Directors" including the captions "Audit Committee," "Compensation Committee," and "Nominating and Corporate Governance Committee," and the section of the Proxy Statement entitled "Certain Transactions."

## ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information concerning principal accountant fees and services will appear in the Proxy Statement in the Ross Stores, Inc. Board of Directors Audit Committee Report under the caption "Summary of Audit, Audit-Related, Tax and All Other Fees." Such information is incorporated herein by reference.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

1. List of Consolidated Financial Statements.

The following consolidated financial statements are included herein under Item 8:

Consolidated Statements of Earnings for the years ended February 2, 2013, January 28, 2012, and January 29, 2011.

Consolidated Statements of Comprehensive Income for the years ended February 2, 2013, January 28, 2012, and January 29, 2011.

Consolidated Balance Sheets at February 2, 2013 and January 28, 2012.

Consolidated Statements of Stockholders' Equity for the years ended February 2, 2013, January 28, 2012, and January 29, 2011.

Consolidated Statements of Cash Flows for the years ended February 2, 2013, January 28, 2012, and January 29, 2011.

Notes to Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm.

2. List of Consolidated Financial Statement Schedules.

Schedules are omitted because they are not required, not applicable, or such information is included in the consolidated financial statements or notes thereto which are included in this Report.

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

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

## SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

### ROSS STORES, INC.

(Registrant)

Date: April 2, 2013

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

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

Signature	Title	Date
/s/Michael Balmuth Michael Balmuth	Vice Chairman and Chief Executive Officer, Director	April 2, 2013
/s/J. Call John G. Call	Group Senior Vice President, Chief Financial Officer, Principal Accounting Officer and Corporate Secretary	April 2, 2013
/s/Norman A. Ferber Norman A. Ferber	Chairman of the Board, Director	April 2, 2013
/s/K. Gunnar Bjorklund K. Gunnar Bjorklund	Director	April 2, 2013
/s/Michael J. Bush Michael J. Bush	Director	April 2, 2013
/s/Sharon D. Garrett Sharon D. Garrett	Director	April 2, 2013
/s/G. Orban George P. Orban	Director	April 2, 2013
/s/Larry S. Peiros Lawrence S. Peiros	Director	April 2, 2013
/s/G. L. Quesnel Gregory L. Quesnel	Director	April 2, 2013

## INDEX TO EXHIBITS

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Exhibit Number	Exhibit
3.1	Amendment of Certificate of Incorporation dated May 21, 2004 and Amendment of Certificate of Incorporation dated June 5, 2002 and Corrected First Restated Certificate of Incorporation incorporated by reference to Exhibit 3.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 31, 2004.
3.2	Amendment of Certificate of Incorporation dated July 18, 2011 incorporated by reference to Exhibit 3.3 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 30, 2011.
3.3	Amended and Restated Bylaws of Ross Stores, Inc. as amended, January 23, 2013.
4.1	Note Purchase Agreement dated October 17, 2006 incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended October 28, 2006.
10.1	Lease dated July 23, 2003 of Certain Property located in Perris, California, incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended August 2, 2003.
10.2	Revolving Credit Agreement dated March 3, 2011, incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended April 30, 2011.
10.3	Amendment No. 1 to Revolving Credit Agreement dated June 27, 2012, incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 28, 2012.

## MANAGEMENT CONTRACTS AND COMPENSATORY PLANS (EXHIBITS 10.4 - 10.42)

10.4	Third Amended and Restated Ross Stores, Inc. 1992 Stock Option Plan, incorporated by reference to Exhibit 10.5 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 29, 2000.
10.5	Amendment to Third Amended and Restated Ross Stores, Inc. 1992 Stock Option Plan, incorporated by reference to Exhibit 10.4 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended August 4, 2001.
10.6	Ross Stores, Inc. 2000 Equity Incentive Plan, incorporated by reference to Exhibit 10.7 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 29, 2000.
10.7	Amended and Restated Ross Stores, Inc. Employee Stock Purchase Plan dated November 20, 2007 incorporated by reference to Exhibit 10.6 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended February 2, 2008.
10.8	Amended and Restated Ross Stores, Inc. 1991 Outside Directors Stock Option Plan, as amended through January 30, 2003, incorporated by reference to Exhibit 10.9 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended February 1, 2003.
10.9	Ross Stores Executive Medical Plan, incorporated by reference to Exhibit 10.9 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 30, 1999.
10.10	Ross Stores Executive Dental Plan, incorporated by reference to Exhibit 10.10 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 30, 1999.

- 10.11 Third Amended and Restated Ross Stores, Inc. Non-Qualified Deferred Compensation Plan effective December 31, 2008 incorporated by reference to Exhibit 10.7 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended April 30, 2011.
- 10.12 Ross Stores, Inc. Second Amended and Restated Incentive Compensation Plan, incorporated by reference to the appendix to the Definitive Proxy Statement on Schedule 14A filed by Ross Stores, Inc. on April 12, 2006.
- 10.13 Ross Stores, Inc. 2004 Equity Incentive Plan, incorporated by reference to Exhibit 99 to the Definitive Proxy Statement on Schedule 14A filed by Ross Stores, Inc. on April 15, 2004.
- 10.14 First Amendment to the Ross Stores, Inc. 2004 Equity Incentive Plan, effective May 17, 2005, incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 30, 2005.
- 10.15 Second Amendment to the Ross Stores, Inc. 2004 Equity Incentive Plan effective March 22, 2007 incorporated by reference to Exhibit 10.7 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 5, 2007.
- 10.16 Form of Stock Option Agreement for Non-Employee Directors for options granted pursuant to Ross Stores, Inc. 2004 Equity Incentive Plan, incorporated by reference to Exhibit 10.3 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 30, 2005.
- 10.17 Ross Stores, Inc. 2008 Equity Incentive Plan, as Amended Through March 18, 2009 incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 2, 2009.
- 10.18 Form of Nonemployee Director Equity Notice of Grant of Restricted Stock and Restricted Stock Agreement under the Ross Stores, Inc. 2008 Equity Incentive Plan, incorporated by reference to Exhibit 99.2 to the Form 8-K filed by Ross Stores, Inc. on May 23, 2008.
- 10.19 Form of Nonemployee Director Equity Notice of Grant of Restricted Stock Units and Restricted Stock Units Agreement under the Ross Stores, Inc. 2008 Equity Incentive Plan, incorporated by reference to Exhibit 99.3 to the Form 8-K filed by Ross Stores, Inc. on May 23, 2008.
- 10.20 Form of Notice of Grant of Restricted Stock and Restricted Stock Agreement under the Ross Stores, Inc. 2008 Equity Incentive Plan, incorporated by reference to Exhibit 99.4 to the Form 8-K filed by Ross Stores, Inc. on May 23, 2008.
- 10.21 Form of Notice of Grant of Restricted Stock Units and Restricted Stock Units Agreement under the Ross Stores, Inc. 2008 Equity Incentive Plan, incorporated by reference to Exhibit 99.5 to the Form 8-K filed by Ross Stores, Inc. on May 23, 2008.
- 10.22 Form of Notice of Grant of Stock Option and Stock Option Agreement under the Ross Stores, Inc. 2008 Equity Incentive Plan, incorporated by reference to Exhibit 99.7 to the Form 8-K filed by Ross Stores, Inc. on May 23, 2008.
- 10.23 Ross Stores, Inc. Restricted Stock Agreement incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 2, 2009.
- 10.24 Ross Stores, Inc. Restricted Stock Agreement for Nonemployee Director incorporated by reference to Exhibit 10.3 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 2, 2009.

- 10.25 Form of Notice of Grant of Performance Shares and Performance Share Agreement under the Ross Stores, Inc. 2008 Equity Incentive Plan, incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 30, 2011.
- 10.26 Form of Indemnity Agreement between Ross Stores, Inc. for Directors and Executive Officers.
- 10.27 Forms of Executive Employment Agreement between Ross Stores, Inc. and Executives, incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended April 30, 2011.
- 10.28 Amended Independent Contractor Consultancy Agreement effective January 30, 2012 between Norman A. Ferber and Ross Stores, Inc., incorporated by reference to Exhibit 10.52 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 28, 2012.
- 10.29 Amended Retirement Benefits Package Agreement effective January 30, 2012 between Norman A. Ferber and Ross Stores, Inc., incorporated by reference to Exhibit 10.53 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 28, 2012.
- 10.30 Employment Agreement effective May 31, 2001 between Michael Balmuth and Ross Stores, Inc., incorporated by reference to Exhibit 10.3 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended August 4, 2001.
- 10.31 First Amendment to the Employment Agreement effective January 30, 2003 between Michael Balmuth and Ross Stores, Inc., incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 3, 2003.
- 10.32 Second Amendment to the Employment Agreement effective May 18, 2005 between Michael Balmuth and Ross Stores, Inc., incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 30, 2005.
- 10.33 Restated Third Amendment to the Employment Agreement executed December 29, 2008 between Michael Balmuth and Ross Stores, Inc. incorporated by reference to Exhibit 10.42 to the Form 10-K filed by Ross Stores, Inc. for its year ended January 30, 2010.
- 10.34 Fourth Amendment to the Employment Agreement effective June 9, 2009 between Michael Balmuth and Ross Stores, Inc. incorporated by reference to Exhibit 10.10 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended August 1, 2009, and to Exhibit A-1 included in Exhibit 10.36 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 1, 2010.
- 10.35 Fifth Amendment to the Employment Agreement effective April 23, 2010 between Michael Balmuth and Ross Stores, Inc. incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 1, 2010.
- 10.36 Sixth Amendment to the Employment Agreement effective June 1, 2011 between Michael Balmuth and Ross Stores, Inc., incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 30, 2011.
- 10.37 Employment Agreement dated August 15, 2012 and effective June 1, 2012 between Michael Balmuth and Ross Stores, Inc. incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended October 27, 2012.

10.38	Notice of Grant of Restricted Stock Units and Restricted Stock Units Agreement pursuant to the Ross Stores, Inc. 2008 Equity Incentive Plan to Michael Balmuth on August 15, 2012, incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended October 27, 2012.
10.39	Executive Employment Agreement effective March 16, 2011 between Barbara Rentler and Ross Stores, Inc., incorporated by reference to Exhibit 10.3 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended April 30, 2011.
10.40	Executive Employment Agreement effective February 6, 2012 between John G. Call and Ross Stores, Inc., incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended April 28, 2012.
10.41	Executive Employment Agreement effective March 16, 2011 between Michael O'Sullivan and Ross Stores, Inc., incorporated by reference to Exhibit 10.5 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended April 30, 2011.
10.42	Executive Employment Agreement effective March 16, 2011 between James Fassio and Ross Stores, Inc., incorporated by reference to Exhibit 10.4 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended April 30, 2011.
21	Subsidiaries.
23	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer Pursuant to Sarbanes-Oxley Act Section 302(a).
31.2	Certification of Chief Financial Officer Pursuant to Sarbanes-Oxley Act Section 302(a).
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

## EXHIBIT 21

### SUBSIDIARIES

Certain subsidiaries of the Registrant and their subsidiaries are listed below. The names of certain subsidiaries, which considered in the aggregate would not constitute a significant subsidiary, have been omitted.

Subsidiary Name	Domiciled	Date of Incorporation
Ross Procurement, Inc.	Delaware	November 22, 2004
Ross Merchandising, Inc.	Delaware	January 12, 2004
Ross Dress for Less, Inc.	Virginia	January 14, 2004
Retail Assurance Group, Ltd.	Hawaii	October 15, 1991

## EXHIBIT 23

### CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-151116, No.33-61373, No. 33-51916, No. 33-51896, No. 33-51898, No. 33-41415, No. 33-41413, No. 33-29600, No. 333-56831, No. 333-06119, No. 333-34988, No. 333-51478, and No. 333-115836 on Form S-8 of our report dated April 2, 2013, relating to the consolidated financial statements of Ross Stores, Inc. and subsidiaries (the "Company"), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended February 2, 2013.

/s/DELOITTE & TOUCHE LLP

San Francisco, California  
April 2, 2013

## EXHIBIT 31.1

Ross Stores, Inc.

Certification of Chief Executive Officer

Pursuant to Sarbanes-Oxley Act Section 302(a)

I, Michael Balmuth, certify that:

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

Date: April 2, 2013

/s/Michael Balmuth

Michael Balmuth

Vice Chairman and Chief Executive Officer

## EXHIBIT 31.2

Ross Stores, Inc.

Certification of Chief Financial Officer

Pursuant to Sarbanes-Oxley Act Section 302(a)

I, John G. Call, certify that:

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

Date: April 2, 2013

/s/J. Call

John G. Call

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

## EXHIBIT 32.1

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

In connection with the Annual Report of Ross Stores, Inc. (the "Company") on Form 10-K for the year ended February 2, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Balmuth, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that, to the best of my knowledge:

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

Date: April 2, 2013

/s/Michael Balmuth

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Michael Balmuth

Vice Chairman and Chief Executive Officer

## EXHIBIT 32.2

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

In connection with the Annual Report of Ross Stores, Inc. (the "Company") on Form 10-K for the year ended February 2, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John G. Call, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that, to the best of my knowledge:

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

Date: April 2, 2013

/s/J. Call

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John G. Call

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

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# Directors and Officers

## Board of Directors

### **Norman A. Ferber**

Chairman of the Board  
Ross Stores, Inc.

### **Michael Balmuth**

Vice Chairman and  
Chief Executive Officer  
Ross Stores, Inc.

### **K. Gunnar Bjorklund**<sup>2,3</sup>

Managing Director,  
Sverica International

### **Michael J. Bush**<sup>1,3</sup>

Former President and  
Chief Executive Officer,  
NTN Buzztime;  
Managing Member,  
B IV Investments, LLC

### **Sharon D. Garrett**<sup>1,3</sup>

Executive Vice President,  
Revenue Cycle Optimization,  
American Medical Response, Inc.

### **George P. Orban**<sup>2,3</sup>

Managing Partner,  
Orban Partners

### **Lawrence S. Peiros**

Former Chief Operating Officer,  
The Clorox Company;  
Board Member,  
Annie's, Inc. and  
Potlatch Corporation

### **Gregory L. Quesnel**<sup>1,3</sup>

Former Chief Executive Officer,  
CNF, Inc.;  
Board Member,  
Synnex Corporation and  
Potlatch Corporation

## Corporate Officers

### **Michael Balmuth**

Vice Chairman and  
Chief Executive Officer

### **Douglas Baker**

President and  
Chief Merchandising Officer  
dd's DISCOUNTS

### **James S. Fassio**

President and  
Chief Development Officer

### **Michael O'Sullivan**

President and  
Chief Operating Officer

### **Barbara Rentler**

President and  
Chief Merchandising Officer  
Ross Dress for Less

### **Lisa Panattoni**

Group Executive  
Vice President  
Merchandising

### **Vanessa Baque-Stanton**

Executive Vice President  
Planning

### **Bernie Brautigan**

Executive Vice President  
Merchandising

### **Ken Caruana**

Executive Vice President, Strategy,  
Marketing and Human Resources

### **Gary L. Cribb**

Executive Vice President  
Stores and Loss Prevention

### **Michael K. Kobayashi**

Executive Vice President  
Supply Chain, Allocation and  
Chief Information Officer

### **John G. Call**

Group Senior Vice President  
Chief Financial Officer and  
Corporate Secretary

<sup>1</sup> Audit Committee

<sup>2</sup> Compensation Committee

<sup>3</sup> Nominating & Corporate Governance Committee

# Corporate Data

## Corporate Headquarters

Ross Stores, Inc.  
4440 Rosewood Drive  
Pleasanton, California 94588-3050  
(925) 965-4400

## Corporate Website

[www.rossstores.com](http://www.rossstores.com)

## New York Buying Office

Ross Stores, Inc.  
1372 Broadway, 8th Floor  
New York, New York 10018-6141  
(212) 382-2700

## Los Angeles Buying Office

Ross Stores, Inc.  
110 East 9th Street, Suite A-979  
Los Angeles, California 90079  
(213) 452-5200

## Annual Report (Form 10-K)

A copy of the Company's 2012 Annual Report on Form 10-K as filed with the Securities and Exchange Commission is available from our corporate website, or without charge, by contacting the following:

Investor Relations Department  
Ross Stores, Inc.  
4440 Rosewood Drive  
Pleasanton, CA 94588-3050  
(800) 989-8849

## Transfer Agent and Registrar

Computershare  
P. O. Box 43006  
Providence, RI 02940-3006  
or  
Overnight Correspondence  
250 Royall Street  
Canton, MA 02021

Inquiries by:

## Website

[www.computershare.com/investor](http://www.computershare.com/investor)

or

## Online

<https://www-us.computershare.com/investor/Contact>

## Telephone

1-866-455-3120 (domestic holders)  
1-800-231-5469 (TDD#)  
1-201-680-6578 (foreign holders)  
1-201-680-6610 (foreign TDD#)



**Ross Stores, Inc.**

4440 Rosewood Drive  
Pleasanton, CA 94588-3050  
(925) 965-4400  
[www.rossstores.com](http://www.rossstores.com)



**Sustainable Choice. Reduce, Reuse & Recycle.**

To minimize our environmental impact, the Ross Stores 2012 Annual Report was printed on papers containing fibers from environmentally appropriate, socially beneficial and economically viable forest resources.