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

FORM 10-K405

(Mark one)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended February 1, 1997

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the transition period from _______ to _______

Commission file number 0-14678

ROSS STORES, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	94-1390387 (I.R.S. Employer Identification No.)
8333 Central Avenue, Newark, California (Address of principal executive offices)	94560-3433 (Zip Code)
Registrant's telephone number, including area code	(510) 505-4400
Securities registered pursuant to Section 12(b) of the Act:	None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value $.01	NASDAQ/NMS

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

Indicate by check mark if disclosure of delinquent files 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. x

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of April 4, 1997 was

$1,226,764,835.52. Shares of voting stock held by each director and executive officer and each person who on that date owned 10% or more of the outstanding voting stock 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 April 4, 1997 was 49,597,180.

Documents incorporated by reference:
Portions of the Proxy Statement for Registrant's 1997 Annual Meeting of Stockholders, which will be filed on or before June 2, 1997, are incorporated herein by reference into Part III.

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PART I

ITEM 1. BUSINESS

Ross Stores, Inc. ("Ross" or "company") operates a chain of off-price retail apparel stores which target value conscious men and women between the ages of 25 and 54 in white collar, middle-to-upper middle income households which the company believes to be the largest customer segment in the retailing industry. The decisions of the company, from merchandising, purchasing and pricing, to the location of its stores, are aimed at this customer base. The company offers its merchandise at low everyday prices, generally 20% to 60% below regular prices of most department and specialty stores. The company believes it derives a competitive advantage by offering a wide assortment of quality brand-name merchandise within each of its merchandise categories in an attractive easy-to-shop environment.

Ross Stores' mission is to offer competitive values to its target customers by focusing on the following key strategic objectives:

Achieve an appropriate level of brands and labels at strong discounts throughout the store;

Meet customer needs on a more regional basis;

Deliver an in-store shopping experience that reflects the expectations of the off-price customer; and

Manage real estate growth to maintain dominance or achieve parity with the competition in key markets.

The original Ross Stores, Inc. was incorporated in California in 1957. In August 1982, the company was purchased by some of its current stockholders and restaffed with a new management team. The six stores acquired at the time were completely refurbished in the company's current off-price format and stocked with new merchandise. In June 1989 the company reincorporated in the state of Delaware.

Merchandising, Purchasing and Pricing

Ross seeks to provide its target customers with a wide assortment of first quality, in-season, name brand apparel, accessories and footwear for the entire family at everyday savings of 20% to 60% from regular department and specialty store prices, as well as similar savings on fragrances, gift items for the home and bed and bath merchandise and accessories. Although not a fashion leader, the company sells recognizable branded merchandise that is current and fashionable in each category. The company reviews its merchandise mix

each week, enabling it to respond to merchandise trends and purchasing opportunities in the market. The company's merchandising strategy is reflected in its advertising, which emphasizes its strong value message -- Ross' customers get great savings on name brand merchandise every day of the year.

Merchandising. The Ross merchandising strategy incorporates a combination of in-season and past-season apparel, shoes and accessories for the entire family, as well as fragrances and giftware and linens for the home. The company's emphasis on brand names reflects management's conviction that brand-name merchandise sold at compelling discounts will continue to be an important determinant of its success. Ross leaves the brand-name label on the merchandise it sells.

The company has established a merchandise assortment which it believes is attractive to its target customer group. Although Ross offers fewer classifications of merchandise than most department stores, the company generally offers a large selection of brand names within each classification with a wide assortment of vendors, prices, colors, styles and fabrics within each size. Over the past year, the company has continued to diversify its merchandise offerings by adding new product categories such as small sporting goods and exercise equipment, small electronics, tabletop lamps, small furnishings, educational toys and games. Other recent additions include luggage, gourmet food and cookware. For fiscal 1996, the overall merchandise sales mix was approximately 95% first quality merchandise and 5% irregulars. The respective departments accounted for total sales in 1996 approximately as follows: Ladies 38%, Men's 22%,

Accessories, Hosiery and Lingerie 10%, Shoes 10%, Children's 9%, and Fragrances, Home Accents and Bed and Bath 11%.

Purchasing. During the past three years, no single vendor has accounted for more than 3% of the company's purchases. The company continues to add new vendors and believes it has adequate sources of first quality merchandise to meet its requirements. The company purchases the vast majority of its merchandise directly from manufacturers and has not experienced any difficulty in obtaining sufficient inventory.

The company believes that its ability to effectively execute certain off-price buying strategies is a key factor in its business. Ross buyers use a number of methods that enable the company to offer customers name brand merchandise at strong everyday discounts relative to department and specialty stores. By purchasing later in the merchandise buying cycle than department and specialty stores, Ross is able to take advantage of imbalances of manufacturer-projected supply of merchandise.

Ross, unlike most department and specialty stores, does not require that manufacturers provide it with promotional and markdown allowances, return privileges and delayed deliveries. In addition, deliveries are made to one of the company's two distribution centers. These flexible requirements further enable the company's buyers to obtain significant discounts on in-season purchases.

The company has increased its emphasis in recent years on opportunistic purchases created by manufacturer overruns and canceled orders both during and at the end of a season. These buys are referred to as "closeout" or "packaway" purchases. Closeouts can be shipped to stores in season. Closeouts allow the company to get in season goods in its stores at lower prices. Packaway merchandise is purchased with the intent that it will be stored in the company's warehouses until the beginning of the next selling season. Packaway purchases are an effective method of increasing the percentage of prestige and national brands at competitive savings within the

merchandise assortments. Packaway merchandise is mainly fashion basics and therefore, not usually affected by seasonal shifts in fashion trends.

Throughout the 1990s, Ross gradually increased the amount of packaway inventories. More recently in 1996 and early 1997, the company further increased these important resources in response to compelling opportunities available in the marketplace. It is management's belief that the stronger discounts the company is able to offer on packaway merchandise are a key driver of Ross' business. As a result, while in-store inventories at the end of fiscal 1996 were about even on a comparable store basis to the prior year, total consolidated inventories were up 26% due to the investment at year-end in additional packaway goods and inventory for the new stores.

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

The company's buyers have an average of ten years of experience, including experience with other retailers such as Bloomingdale's, Burlington Coat Factory, Dayton Hudson, Lord & Taylor, Macy's, Marshalls, TJ Maxx and Value City. In keeping with its strategy, over the past five years, the company increased the size of its merchandising staff by about 200%. Management believes that this increase enables its merchants to spend even more time in the market which, in turn, should strengthen the company's ability to procure the most desirable brands at competitive discounts.

The combination of the above off-price buying strategies enables the company to purchase merchandise at net prices which are lower than prices paid by department and specialty stores.

Pricing. The company's policy is to sell brand name merchandise which can generally be priced at 20% to 60% less than most department and specialty store regular prices. The Ross pricing policy is to affix

a ticket displaying the company's selling price as well as the estimated comparable selling price of that item at department and specialty stores.

The Ross pricing strategy differs from that of a department or specialty store. Ross purchases its merchandise at lower prices and marks it up less than a department or specialty store. This strategy enables Ross to offer customers consistently low prices. Ticketed prices are not increased and are reviewed weekly for possible markdowns based on the rate of sales and the end of fashion seasons to promote faster turnover of inventory and accelerate the flow of fresh merchandise.

The Ross Store

As of February 1, 1997, the company operated 309 stores. They are conveniently located in predominantly community and neighborhood strip shopping centers in heavily populated urban and suburban areas. Where the size of the market permits, the company clusters stores to maximize economies of scale in advertising, distribution and management. During 1996, the average Ross store employed approximately 43 full- and part-time people.

The company believes a key element of its success is the attractive, easy-to-shop environment in its stores which allows

customers to shop at their own pace. The Ross store is designed for customer convenience in its merchandise presentation, dressing rooms, checkout and merchandise return areas. The Ross 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. Ross encourages its customers to select among sizes and prices through prominent category and sizing markers, promoting a self-service atmosphere. At most stores, shopping carts are available at the entrance for customer convenience. Checkout stations are located at store entrances for customer ease and efficient employee assignment.

It is the company's policy to minimize transaction time for the customer at the checkout counter by using electronic systems for scanning each ticket at the point of sale and authorizing credit for personal checks and credit cards in a matter of seconds. Approximately 37% of payments are made with credit cards. Ross provides cash or credit card refunds on all merchandise returned with a receipt within 30 days.

Operating Costs

Consistent with the other aspects of its business strategy, Ross strives to keep operating costs as low as possible. Among the factors which have enabled the company to operate at low costs are:

Reduced in-store labor costs resulting from (i) a store design that creates a self-selection retail format and (ii) the utilization of labor saving technologies.

Economies of scale with respect to both general and administrative costs as a result of centralized merchandising, marketing and purchasing decisions.

Model store layout criteria which facilitate conversion of existing buildings to the Ross format.

A fully-integrated, on-line management information system which enables the company to respond quickly when making purchasing, merchandising and pricing decisions.

Distribution

Each Ross store is serviced by the company's two distribution centers located in Newark California (approximately 494,000 square feet) and Carlisle, Pennsylvania (approximately 424,000 square feet). Having a distribution center on each coast enhances cost efficiencies per unit and decreases turn-around time in getting the merchandise from the vendors to the stores. Shipments are made by contract carriers to the stores about five times a week depending on location.

The company's new Distribution Center Information System was successfully implemented in fiscal 1996. The company's objective is to automate as many functions as possible thereby reducing paper flow and its associated costs.

Control Systems

The company's management information system fully integrates data from significant phases of its operations and is a key element in the company's planning, purchasing, distribution and pricing decisions. The system enables Ross to respond to changes in the retail market and to increase speed and accuracy in its merchandise distribution.

Data from the current and last fiscal year can be monitored on levels ranging from merchandise classification units to overall totals for the company. Merchandise is tracked by the system from the

creation of its purchase order, through its receipt at the distribution center, through the distribution planning process, and ultimately to the point of sale.

In addition to its new Distribution Center Information System, the company also successfully completed implementation of its new store-based systems which are designed to speed up, simplify and automate most transactions at the point of sale and the stores' back offices.

Advertising

The company utilizes extensive advertising which emphasizes quality, brand-name merchandise at low everyday prices. The company predominantly uses television advertising. This reflects the company's belief that overall television is the best medium for presenting Ross' everyday low price message.

Trademarks

The trademark for Ross Dress For Less has been registered with the United States Patent and Trademark Office.

Employees

On February 1, 1997, the company had 14,853 employees which includes an estimated 9,420 part-time employees. Additionally, the company hires temporary employees -- especially during the peak seasons. The company's employees are non-union. Management of the company considers the relationship between the company and its employees to be excellent.

Competition

The company believes that the principal competitive factors in the off-price retail apparel industry are offering large discounts on name brand merchandise appealing to its target customer and consistently providing a store environment that is convenient and easy to shop. To execute this concept, the company has strengthened its buying organization and is making buying decisions based on regional and/or local factors as well as improving cost efficiencies to leverage expenses and to mitigate competitive pressures on gross margin. The company believes that it is well positioned to compete on the basis of each of these factors.

Nevertheless, the national apparel retail market is highly fragmented. Ross faces intense competition for business from department stores, specialty stores, discount 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 than Ross. The retail apparel business may become even more competitive in the future.

Forward-Looking Statements and Factors Affecting Future Performance

This report includes a number of forward-looking statements which reflect the company's current views with respect to future events and financial performance, including statements in the Business and the MD&A sections concerning the company's operations and competitive strengths. In this report the words, "expect," "anticipate," "estimate," "believe" and similar expressions identify forward-looking statements.

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

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

As a result, the forward-looking statements that are contained herein are subject to certain risks and uncertainties that could cause the company's actual results to differ materially from historical results or current expectations. These factors include, without limitation, ongoing competitive pressures in the apparel industry, obtaining acceptable store locations, a continuation or exacerbation of the current over-capacity problem affecting the industry, or changes in the level of consumer spending on or preferences in apparel or home related merchandise. In addition, the company's corporate headquarters, one distribution center and 46% of its stores are located in California. Therefore, a downturn in the California economy or a major natural disaster could significantly impact the company's operating results and financial condition.

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

ITEM 2. PROPERTIES

Stores

From August 1982 to February 1, 1997, the company expanded from six stores in California to 309 stores in 17 states: Arizona, California, Colorado, Florida, Hawaii, Idaho, Maryland, Nevada, New Jersey, New Mexico, Oklahoma, Oregon, Pennsylvania, Texas, Utah, Virginia and Washington. All stores are leased, with the exception of one.

During fiscal 1996, the company opened 21 new Ross `Dress For Less' stores and closed 4 existing locations. The typical new Ross store is approximately 28,480 square feet, yielding approximately 22,855 square feet of selling space. As of February 1, 1997, the company's 309 stores generally ranged in size from about 24,000 to 30,000 gross square feet and had an average of 22,000 square feet of selling space.

During the fiscal year ended February 1, 1997, no one store accounted for more than approximately 1% of the company's sales. The company carries earthquake insurance on its corporate headquarters, both distribution centers and on its stores in California.

The company's real estate strategy is to open additional stores mainly in existing market areas, to increase its market penetration and reduce overhead and advertising expenses as a percentage of sales in each market. Important considerations in evaluating a new market are the availability of potential sites, demographic characteristics, competition and population density of the market. In fiscal 1997 and 1998, the company plans to focus its new store growth in existing markets and adjacent regions in existing states. In addition, management continues to seek opportunistic real estate acquisitions. A recent example of this type of opportunistic expansion strategy is the company's recent acquisition of the leasehold rights to all of TJX Companies stores in the state of Hawaii during 1996. With its two previously existing Hawaii locations, Ross

now operates a total of seven stores in Hawaii, providing economies of scale in distribution, supervision and advertising expenses.

Where possible, the company has obtained sites in existing buildings requiring minimal alterations. This has allowed Ross to establish stores in new locations in a relatively short period of time at reasonable costs in a given market. To date, the company has been able to secure leases in suitable locations for its stores. At February 1, 1997, the majority of the company's stores had unexpired original lease terms ranging from three to ten years with two to three renewal options of five years each. The average unexpired original lease term of its leased stores is six years, or 19 years if renewal options are included. (See Note D to the Consolidated Financial Statements.) Most of the company's store leases contain a provision for percentage rental payments after a specified sales level has been achieved.

Distribution Centers

The company has exercised its right to purchase its Newark, California distribution center for $24.8 million. Completion of this transaction is pending the landlord's appeal. The Newark facility is also the company's corporate headquarters. The company also owns its distribution center in Carlisle, Pennsylvania. In August 1996, the company paid off that facility's outstanding mortgage value of $9.7 million.

The company's two distribution centers currently have processing capacity to support store growth through 1999. This reflects the company's recent investment in distribution systems along with the potential to expand work shifts. Management currently is studying alternatives to support long-term packaway and distribution requirements.

ITEM 3. LEGAL PROCEEDINGS

The company is a party to routine litigation incident to its business. Management believes that none of these legal proceedings will have a material adverse effect on the company's consolidated financial statements taken as a whole or results of operations of the company. Some of the lawsuits to which the company is a party are covered by insurance and are being defended by the company's insurance carriers.

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

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

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

Name	Age	Position
Michael A. Balmuth	46	Vice Chairman and Chief Executive Officer

Melvin A. Wilmore	51	Director, President and Chief Operating Officer
James S. Fassio	42	Senior Vice President, Property Development
Barry S. Gluck	44	Senior Vice President and General Merchandising Manager
James S. Jacobs	52	Senior Vice President, Store Operations
Irene Jamieson	46	Senior Vice President and General Merchandising Manager
Stephen F. Joyce	55	Senior Vice President, Human Resources
Barbara Levy	42	Senior Vice President and General Merchandising Manager

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Mr. Balmuth joined the Board of Directors as Vice Chairman and became Chief Executive Officer on September 1, 1996. Prior to this he served as the company's Executive Vice President, Merchandising since July 1993 and Senior Vice President and General Merchandise Manager since November 1989. Before joining Ross, he was Senior Vice President and General Merchandise Manager at Bon Marche in Seattle from September 1988 through November 1989. From April 1986 to September 1988, he served as Executive Vice President and General Merchandise Manager for Karen Austin Petites.

Mr. Wilmore has served as President, Chief Operating Officer and a member of the Board of Directors since March 1993. Prior to this, he served as Executive Vice President and Chief Operating Officer since December 1991. From October 1989 to December 1991, he was President and Chief Executive Officer of Live Specialty Retail, a division of LIVE Entertainment, Inc. From March 1988 to June 1989, he was President/General Partner of Albert's Acquisition Corporation. From March 1987 to March 1988, Mr. Wilmore was engaged in the acquisition of Albert's Hosiery and Bodywear by Albert's Acquisition Corporation. From April 1984 to March 1987, he was the President and Chief Operating Officer of Zale Jewelry Stores, a division of Zale Corporation.

Mr. Fassio has served as Senior Vice President, Property Development since March 1991. He joined the company in June 1988 as Vice President of Real Estate. Prior to joining Ross, Mr. Fassio was Vice President, Real Estate and Construction at Craftmart and Property Director of Safeway Stores, Inc.

Mr. Gluck has served as Senior Vice President and General Merchandise Manager since August 1993. He joined the company in February 1989 as Vice President and Divisional Merchandise Manager. Prior to joining Ross, Mr. Gluck served as General Merchandise Manager, Vice President for Today's Man from May 1987 to February 1989.

Mr. Jacobs has served as Senior Vice President, Store Operations since November 1988. From November 1986 to October 1988, he served as Regional Vice President, Director of Stores for the J.W. Robinson's division of May Department Stores.

Ms. Jamieson became Senior Vice President and General Merchandise Manager in January 1995. From December 1992 to January 1995, she served as Vice President and Divisional Merchandise Manager. Prior to joining Ross, Ms. Jamieson served as Vice President and Divisional Merchandise Manager of the Home Store for Lord & Taylor from September 1983 to December 1992.

Mr. Joyce has served as Senior Vice President, Human Resources since July 1988. Before joining Ross, he was Vice President, Human Resources at Denny's, Inc. since February 1983.

Ms. Levy has served as Senior Vice President and General Merchandise Manager since May 1993. Prior to joining Ross, Ms. Levy was with R. H. Macy & Co., Inc. most recently as Senior Vice President and General Merchandise Manager from January 1992 to April 1993 and before that as their Regional Director - Stores from May 1989 to January 1992 and from August 1985 to May 1989 as their Divisional Merchandise Manager - Better Sportswear.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

General Information. See the information set forth under the caption "Quarterly Financial Data (Unaudited)" under Note J to the Consolidated Financial Statements in Item 8 of this document which is incorporated herein by reference. The company's stock is traded on the Nasdaq National Market tier of The Nasdaq Stock MarketSM under the symbol ROST. There were 828 stockholders of record as of April 4, 1997.

Stock Dividend. On January 30, 1997, the Board of Directors authorized a two-for-one stock split in the form of a 100% stock dividend. The dividend was paid on March 5, 1997 to stockholders of record on February 11, 1997. Market prices, share and per share numbers and values and dividends reported herein have been adjusted to give retroactive effect to the stock dividend.

Cash Dividends. During fiscal 1994, 1995 and 1996, the company paid a quarterly cash dividend of $0.025, $0.03 and $0.035, respectively, per common share. On January 30, 1997, the Board of Directors increased the quarterly dividend to $0.045 per common share.

ITEM 6. SELECTED FINANCIAL DATA

($000, except per share data)	1996	1995<F1>	1994	1993	1992	1991
Operations						
Sales	$1,689,810	$1,426,397	$1,262,544	$1,122,033	$1,043,0622	$926,377
Cost of goods sold and occupancy	1,194,136	1,031,455	920,265	814,745	742,749	656,504
Percent of sales	70.7%	72.3%	72.9%	72.6%	71.2%	70.9%
General, selling and administrative	332,439	293,051	263,777	235,558	221,795	203,120
Percent of sales	19.7%	20.5%	20.9%	21.0%	21.3%	21.9%
Depreciation and amortization	28,754	27,033	24,017	20,539	18,740	15,922
Interest	(360)	2,737	3,528	2,318	3,071	5,395
Insurance proceeds			(10,412)			

Earnings before taxes	134,841	72,121	61,369	48,873	56,707	45,436
Percent of sales	8.0%	5.1%	4.9%	4.4%	5.4%	4.9%
Provision for taxes on earnings	53,936	28,849	24,548	19,549	22,683	17,720
Net earnings	80,905	43,272	36,821	29,324	34,024	27,716
Percent of sales	4.8%	3.0%	2.9%	2.6%	3.3%	3.0%
Number of fully-diluted shares at year-end (000)<F2>	51,397	50,112	49,446	51,582	52,498	50,992
Earnings per fully-diluted common share<F2>	$1.57	$.86	$.74	$.57	$.65	$.54
Cash dividends declared per common share<F2>	$.150	$.125	$.105	$.025		

<FN>
<F1> Fiscal 1995 is a 53-week year; all other fiscal years are 52 weeks.
<F2> All shares and per share information are adjusted to reflect the effect of the two-for-one stock split effected in the form of a stock dividend on March 5, 1997.
</FN>

SELECTED FINANCIAL DATA

($000, except per share data)	1996	1995<F1>	1994	1993	1992	1991
Financial Position						
Merchandise inventory	$373,689	$295,965	$275,183	$228,929	$221,048	$185,041
Property and equipment, net	192,647	181,376	171,251	144,152	128,070	126,848
Total assets	659,478	541,152	506,241	437,371	419,870	357,690
Working capital	134,802	121,692	131,846	125,047	121,012	77,448
Current ratio	1.4:1	1.6:1	1.7:1	1.8:1	1.8:1	1.6:1
Total debt	0	9,806	46,069	33,308	33,525	40,723
Stockholders' equity	328,843	291,516	254,551	228,222	209,595	162,583
Book value per common share outstanding at year-end<F2>	$6.67	$5.92	$5.21	$4.62	$4.12	$3.32
Total debt as a percent of total capitalization	0%	3%	15%	13%	14%	20%
Return on average stockholders' equity	26%	16%	15%	13%	18%	19%
Operating Statistics						
Number of stores opened	21	21	35	22	23	20
Number of stores closed	4	4	3	2	3	2
Number of stores at year-end	309	292	275	243	223	203
Comparable store sales increase (decline) (52-week basis)	13%	2%	2%	(1%)	3%	2%
Sales per square foot of selling space (52-week basis)<F3>	$259	$230	$227	$222	$222	$214
Square feet of selling space at year-end (000)	6,677	6,276	5,901	5,210	4,879	4,518
Number of employees at year-end	14,853	11,935	10,516	8,949	8,156	7,397
Number of common stockholders of record at year-end	826	1,022	1,168	1,275	1,381	1,340

<FN>
<F1> Fiscal 1995 is a 53-week year; all other fiscal years are 52 weeks.
<F2> All per share information is adjusted to reflect the effect of the two-for-one stock split effected in the form of a stock dividend on March 5, 1997.
<F3> Based on average annual selling square footage.
</FN>

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

For the fiscal years ended February 1, 1997, February 3, 1996 and January 28, 1995 (referred to as 1996, 1995 and 1994). All share and per share information has been adjusted to reflect the effect of the company's two-for-one stock split effected in the form of a 100% stock dividend on March 5, 1997.

Results of Operations

Stores. Total stores open at the end of 1996, 1995 and 1994 were 309, 292 and 275, respectively. During 1996, the company opened 21 new stores and closed 4 stores. During 1995, the company opened 21 new stores and closed 4 stores. During 1994, the company opened 35 new stores and closed 3 stores.

Sales. Sales were $1.690 billion, $1.426 billion and $1.263 billion in 1996, 1995 and 1994, with each year consisting of 52, 53 and 52 weeks, respectively. Comparable store sales increased 13% for 1996, increased 2% for 1995 on a 52 week basis and increased 2% for 1994. The increases in sales for 1996, 1995 and 1994 were due to an increase in comparable store sales and a greater number of stores in operation (and the 53rd week in 1995). The company anticipates that the competitive climate for apparel and off-price retailers will continue in 1997. Management expects to address that challenge by continuing to strengthen the merchandise organization, diversify the merchandise mix and purchase goods more opportunistically. Although the company's existing strategies and store expansion program contributed to sales and earnings gains in 1996, 1995 and 1994, there can be no assurance that these strategies will result in a continuation of revenue and profit growth.

Cost of Goods Sold and Occupancy. Cost of goods sold and occupancy as a percentage of sales was 70.7%, 72.3% and 72.9% for 1996, 1995 and 1994, respectively. The reduction in the cost of goods sold and occupancy ratio in 1996 resulted primarily from the higher sales, lower markdowns as a percentage of sales, an increase in the initial mark-up from purchasing more opportunistically and leverage on occupancy costs. The reduction in the cost of goods sold and occupancy ratio in 1995 resulted primarily from increased levels of opportunistic and in-season purchases which created better values for customers. There can be no assurance that the improvement experienced in 1996 will continue in future years.

General, Selling and Administrative Expenses. General, selling and administrative expenses as a percentage of sales were 19.7%, 20.5% and 20.9% for 1996, 1995 and 1994, respectively. During 1996, the ratio as a percentage of sales declined primarily due to the leverage realized from the significant increase in comparable store sales combined with continued strong cost controls. As a result, even with the investments made in expanding the merchandise organization over the years, expenses as a percent of sales each year have decreased from the prior year.

The largest component of general, selling and administrative expenses is payroll. The total number of employees, including both full and part-time, at year-end 1996, 1995 and 1994 was approximately 14,900, 11,900 and 10,500, respectively.

Depreciation and Amortization. Depreciation and amortization as a percentage of sales has remained relatively constant over the last three years, due primarily to the consistent level of assets in each store.

Interest. Due to lower borrowings in 1996, interest expense decreased from 1995. The reduction in borrowings in 1996 was due to higher earnings levels, higher cash flows from issuances under stock plans and improved inventory turnover, which more than offset expenditures for the repurchase of common stock, capital investments and an overall increase in inventory. Similarly, lower borrowings in 1995 resulted in a decrease in interest expense from 1994. The reduction in borrowings in 1995 was due in part to improved inventory turnover which more than offset expenditures for the repurchase of common stock and capital investments.

Insurance Proceeds. In March 1994, a section of the roof at the company's distribution center in Carlisle, Pennsylvania collapsed due to unusually heavy snow accumulation. The distribution center in Newark, California was utilized to support the flow of goods to the stores until July 1994, when the east coast

distribution center began operating at normal capacity again. In October 1994, the company entered into a settlement agreement with its insurance carrier for claims related to the impact on business that resulted from the roof collapse. This settlement included proceeds of $10.4 million for business interruption.

Taxes on Earnings. The company's effective rate for 1996, 1995 and 1994 was 40%, which represents the applicable statutory rates reduced by the federal benefit received for state taxes.

Financial Condition

Liquidity and Capital Resources. During 1996, 1995 and 1994, liquidity and capital requirements were provided by cash flows from operations, bank borrowings and trade credit. The company's store sites, central office, as well as the buying offices, are leased and except for certain leasehold improvements and equipment, do not represent long-term capital investments. Commitments related to operating leases are described in Note D to the Consolidated Financial Statements. The company's east coast distribution center is now owned outright by the company as the mortgage was paid off in full on August 30, 1996. The company has exercised its right to purchase its Newark, California distribution center and corporate headquarters for $24.8 million. Completion of this transaction is pending the landlord's appeal. Short-term trade credit represents a significant source of financing for investments in merchandise inventory. Trade credit arises from customary trade practices with the company's vendors. Management regularly reviews the adequacy of credit available to the company from all sources and has been able to maintain adequate lines to meet the capital and liquidity requirements of the company.

During 1996, the primary uses of cash, other than for operating expenditures, were for merchandise inventory and property and equipment to open 21 new stores, a planned increase in packaway inventory, the remodeling of seven stores, the repurchase in the open market of 4.5 million shares of the company's common stock, and quarterly dividend payments. During 1995, the primary uses of cash, other than for operating expenditures, were for merchandise inventory and property and equipment to open 21 new stores, the remodeling of eight stores, the repurchase in the open market of 1.5 million shares of the company's common stock, and quarterly dividend payments. During 1994, the primary uses of cash, other than for operating

expenditures, were for merchandise inventory and property and equipment to open 35 new stores, the remodeling of 32 stores, a planned increase in packaway merchandise, the repurchase in the open market of 1.6 million shares of the company's common stock, the acquisition of lease rights for eight new stores, and quarterly dividend payments. In 1996, 1995 and 1994, the company spent approximately $37 million, $42 million and $52 million, respectively, for capital expenditures, net of leased equipment, that included fixtures and leasehold improvements to open 21, 21 and 35 stores, respectively, remodeling costs for seven, eight and 32 stores, respectively, modifications to the New York buying office, purchase of previously leased equipment and various expenditures for existing stores and the central office. Also in 1996, 1995 and 1994, the company spent approximately $80.4 million, $12.1 million and $12.9 million, respectively, for repurchases of the company's common stock in the open market.

The company currently anticipates opening 15 to 25 stores annually through 1998. The company anticipates that this growth will be financed primarily from cash flows from operating activities and available credit facilities.

The company's Board of Directors declared quarterly dividends of $.03 per common share in January, May, August and November 1995, and $.035 per common share in January, May, August and November 1996. In January 1997, a 29% increase in the quarterly dividend payment to $.045 per common share was declared by the Board of Directors, payable on or about April 7, 1997. The company uses cash flows from operating activities and available cash resources to provide for dividends.

In February 1996, the company announced that its Board of Directors authorized an expansion in the company's stock repurchase program. The company repurchased a total of 4.5 million shares in 1996. The buyback of an additional three million shares has been authorized for 1997. The company anticipates funding this program through cash flows from operating activities and available credit facilities.

The company has available under its principal bank credit agreement a $110 million revolving credit facility, which expires in July 1998 and short-term credit facilities at February 1, 1997 totaling $35 million. These facilities are available until canceled by either party. At year-end 1996, 1995 and 1994, there were no

outstanding balances under any credit facility. In June 1994, the company signed a revolving term loan credit agreement with a bank due July 2001 for $60 million. The company had no outstanding balance on this term loan at year-end 1996. For additional information relating to these obligations, refer to Note C to the Consolidated Financial Statements.

Working capital was $135 million at the end of 1996, compared to $122 million at the end of 1995 and $132 million at the end of 1994. At year-end 1996, 1995 and 1994, the company's current ratios were 1.4:1, 1.6:1 and 1.7:1, respectively. The percentage of long-term debt to total capitalization at year-end 1996, 1995 and 1994 was 0%, 3% and 15%, respectively.

The company's primary source of liquidity is the sale of its merchandise inventory. Management regularly reviews the age and condition of the merchandise and is able to maintain current inventory in its stores through the replenishment processes and liquidation of non-current merchandise through markdowns and clearances.

The company realized stronger cash flows in 1996 and 1995 due to increased earnings, tighter inventory controls with improved inventory turnover and increased cash generated by the issuance of common stock related to stock plans. These resources enabled the company to pay down all bank borrowings at each year-end.

The company estimates that cash flows from operations, bank credit lines and trade credit are adequate to meet operating cash needs as well as to provide for the three million share stock repurchase, dividend payments and planned capital additions during the upcoming year.

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TEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

CONSOLIDATED BALANCE SHEETS

($000, except per share data)	February 1, 1997	February 3, 1996
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$44,777	$23,426
Accounts receivable	7,832	7,598
Merchandise inventory	373,689	295,965
Prepaid expenses and other	13,289	13,474
Total Current Assets	439,587	340,463
PROPERTY AND EQUIPMENT		
Land and buildings	24,115	24,102
Fixtures and equipment	164,980	156,811
Leasehold improvements	135,810	123,829
Construction-in-progress	23,798	16,808
	348,703	321,550
Less accumulated depreciation and amortization	156,056	140,174
	192,647	181,376
Deferred income taxes and other assets	27,244	19,313
Total Assets	$659,478	$541,152
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$184,101	$137,653
Accrued expenses and other	61,761	42,944
Accrued payroll and benefits	36,356	27,619
Income taxes payable	22,567	10,555
Total Current Liabilities	304,785	218,771
Long-term debt		9,806
Deferred income taxes and other liabilities	25,850	21,059
STOCKHOLDERS' EQUITY		
Common stock, par value $.01 per share Authorized 100,000,000 shares Issued and outstanding 49,332,000 and 49,202,000 shares	493	492
Additional paid-in capital	164,166	133,163
Retained earnings	164,184	157,861
	328,843	291,516

Total Liabilities and Stockholders' Equity	$659,478	$541,152

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS

($000, except share data)	Year Ended February 1, 1997	Year Ended February 3, 1996<F1>	Year Ended January 28, 1995
SALES	$1,689,810	$1,426,397	$1,262,544
COSTS AND EXPENSES			
Cost of goods sold and occupancy	1,194,136	1,031,455	920,265
General, selling and administrative	332,439	293,051	263,777
Depreciation and amortization	28,754	27,033	24,017
Interest expense (income)	(360)	2,737	3,528
Insurance proceeds			(10,412)
	1,554,969	1,354,276	1,201,175
Earnings before taxes	134,841	72,121	61,369
Provision for taxes on earnings	53,936	28,849	24,548
Net earnings	$80,905	$43,272	$36,821
EARNINGS PER SHARE			
Primary	$1.58	$.87	$.75
Fully-diluted	$1.57	$.86	$.74
WEIGHTED AVERAGE SHARES OUTSTANDING (000)			
Primary	51,311	49,504	49,414
Fully-diluted	51,397	50,112	49,446

<FN>
<F1> Fiscal 1995 is a 53-week year; all other years are 52 weeks.
</FN>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(000)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Total
BALANCE AT JANUARY 29, 1994	49,390	$494	$121,826	$105,902	$228,222
Common stock issued under stock plans, including tax benefit	1,116	10	7,495		7,505
Stock repurchased	(1,640)	(16)	(4,114)	(8,725)	(12,855)
Net earnings				36,821	36,821
Dividends declared				(5,142)	(5,142)
BALANCE AT JANUARY 28, 1995	48,866	488	125,207	128,856	254,551
Common stock issued under stock plans, including tax benefit	1,848	18	11,954		11,972
Stock repurchased	(1,512)	(14)	(3,998)	(8,128)	(12,140)
Net earnings				43,272	43,272
Dividends declared				(6,139)	(6,139)
BALANCE AT FEBRUARY 3, 1996	49,202	492	133,163	157,861	291,516
Common stock issued under stock plans, including tax benefit	4,617	46	44,301		44,347
Stock repurchased	(4,487)	(45)	(13,298)	(67,087)	(80,430)
Net earnings				80,905	80,905

Dividends declared				(7,495)	(7,495)
BALANCE AT FEBRUARY 1, 1997	49,332	$493	$164,166	$164,184	$328,843

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

($000)	Year Ended February 1, 1997	Year Ended February 3, 1996<F1>	Year Ended January 28, 1995
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings	$80,905	$43,272	$36,821
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	28,754	27,033	24,017
Other amortization	6,613	4,982	4,995
Deferred income taxes	(7,366)	(2,898)	923
Change in assets and liabilities:			
Merchandise inventory	(77,724)	(20,782)	(46,254)
Other current assets - net	(49)	(4,380)	2,543
Accounts payable	45,964	27,813	19,787
Other current liabilities - net	39,566	7,976	7,261
Other	437	4,968	(4,877)
Net cash provided by operating activities	117,100	87,984	45,216
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	(37,105)	(41,706)	(52,055)
Net cash used in investing activities	(37,105)	(41,706)	(52,055)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds (repayment) of long-term debt	(9,905)	(36,349)	12,666
Issuance of common stock related to stock plans	38,703	7,946	3,202
Repurchase of common stock	(80,430)	(12,140)	(12,855)
Dividends paid	(7,012)	(5,890)	(4,900)
Net cash (used in) financing activities	(58,644)	(46,433)	(1,887)
Net increase (decrease) in cash and cash equivalents	21,351	(155)	(8,726)
Cash and cash equivalents:			
Beginning of year	23,426	23,581	32,307
End of year	$44,777	$23,426	$23,581

<FN>
<F1> Fiscal 1995 is a 53-week year; all other years are 52 weeks.
</FN>
See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 1997, February 3, 1996 and January 28, 1995 (referred to as 1996, 1995 and 1994).

Note A: Summary of Significant Accounting Policies

Business. The company is an off-price retailer of first quality, in-season, branded apparel, shoes, gift items for the home, bed and bath items, and accessories for the entire family.

At February 1, 1997, the company operated 309 stores. The company's headquarters, one distribution center and 45% of its stores are located in California.

Principles of Consolidation. The consolidated financial statements include the accounts of all subsidiaries. Intercompany transactions and accounts have been eliminated. Certain reclassifications have been made in the 1994 and 1995 financial statements to conform to the 1996 presentations. The 1995 year consisted of 53 weeks while 1996 and 1994 each had 52 weeks.

Stock Dividend. All share and per share information have been adjusted to reflect the effect of the company's two-for-one stock split effected in the form of a 100% stock dividend on March 5, 1997.

Accounting Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents. Cash equivalents are highly liquid, fixed income instruments purchased with a maturity of three months or less.

Merchandise Inventory. Merchandise inventory is stated at the lower of cost or market determined under the unit cost method.

Deferred Store Opening Expenses. Pre-opening expenses are deferred until the store's grand opening date, at which time the deferred costs are expensed.

Advertising. Advertising costs are expensed when incurred. In 1996, 1995 and 1994, advertising expenses were $39 million, $37 million and $37 million, respectively.

Deferred Rent. Many of the company's leases signed since 1988 contain fixed escalations of the minimum annual lease payments during the original term of the lease. For these leases, the company recognizes rental expense on a straight-line basis and records the difference between the average rental amount charged to expense and the amount payable under the lease as deferred rent. At the end of 1996 and 1995, the balance of deferred rent was $9.7 million and $8.9 million, respectively, and is included in other long-term liabilities.

Intangible Assets. Included in other assets are lease rights and interests, consisting of payments made to acquire store leases, which are amortized over the remaining applicable life of the lease. Also included in other assets is the excess of cost over the acquired net assets, which is amortized on a straight-line basis over a period of 40 years.

Property and Equipment. Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful life of the asset, typically ranging from five to twelve years for equipment and 20 to 40 years for real property. 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 are included in fixtures and equipment and are amortized over their useful life of five years.

Estimated Fair Value of Financial Instruments. The carrying value of cash and cash equivalents, accounts receivable, accounts payable and long-term debt approximates their estimated fair value.

Stock-Based Compensation. The company accounts for stock-based awards to employees using the intrinsic value method in accordance with APB Opinion No. 25, Accounting for Stock Issued to Employees.

Impact of New Accounting Standards. Effective February 3, 1996, the company adopted Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of, (SFAS 121), which requires that long-lived assets, including identifiable intangible assets, used by an entity be reviewed for impairment whenever events or changes indicate that the carrying amount of that asset may not be recoverable. Based upon the company's review as of February 1, 1997 and February 3, 1996, no adjustments were required to the carrying value of such assets.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, (SFAS 128), Earnings per Share (EPS). SFAS 128 requires dual presentation of basic EPS and diluted EPS on the face of all income statements issued after December 15, 1997 for all entities with complex capital structures. Basic EPS is computed as net income divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options, warrants and other convertible securities. The pro forma effect assuming adoption of SFAS 128 at the beginning of each period is presented below.

	1996	1995	1994
Pro forma EPS:			
Basic	$1.62	$.88	$.75
Diluted	$1.58	$.87	$.75

Taxes on Earnings. Income taxes are accounted for under an asset and liability approach that 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 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 rates.

Earnings Per Share. Earnings per share are based on primary and fully-diluted weighted average common shares and common stock equivalents outstanding during the year, as calculated under the treasury stock method. The company's common stock equivalents consist of outstanding stock options.

Note B: Statements of Cash Flows Supplemental Disclosures

Total cash paid for interest and taxes is as follows:

($000)	1996	1995	1994
Interest	$831	$3,421	$3,828
Income taxes	$42,590	$24,239	$24,614

Note C: Long-Term Debt

Long-term debt at year-end consists of the following:

($000)	1996	1995
Mortgage	$ 0	$9,806
	$ 0	$9,806

The weighted average interest rates on borrowings during 1996, 1995 and 1994 were 8.3%, 7.1% and 7.1%, respectively. The increase in 1996 over 1995 reflects the 9.5% interest rate on the mortgage debt on the east coast distribution center and the lower level of borrowings during the year which resulted in the mortgage debt becoming a larger percent of the average debt during the year.

Mortgage. On August 8, 1991, the company obtained a $10.8 million mortgage at 9.5% interest, collateralized by the land and building of its east coast distribution center, with interest and principal based on a 20-year amortization period. On August 30, 1996, the company paid in full the outstanding balance on the mortgage loan. The outstanding principal and accrued interest paid was $9.7 million.

Term Loan. On June 22, 1994, and amended on June 20, 1995 and June 12, 1996, the company signed a term loan credit agreement with a bank due July 2001 for $60 million. Capital repayment is not required until the end of the loan period, July 1, 2001, and no amounts were outstanding as of year-end 1996. The interest rate is based on the London Interbank Offered Rate (LIBOR).

Bank Credit Facilities. The company has available under its principal credit agreement a $110 million revolving credit facility which expires in July 1998. The credit facility is also available for the issuance of letters of credit. Interest is payable monthly under several pricing options, including the bank's prime rate. At year-end 1996 and 1995, the company had $12.2 million and $13.3 million, respectively, in outstanding letters of credit. Borrowing under the credit facility is subject to the company maintaining certain levels of tangible net worth, fixed charge coverage and leverage ratios. As of February 1, 1997, the company is in compliance with these bank covenants.

In addition, the company has $35 million in short-term bank lines of credit which are available until canceled by either party. When utilized, interest is payable upon maturity under several pricing options.

Included in accounts payable are checks outstanding in excess of cash balances of approximately $35.4 million and $20.3 million at year-end 1996 and 1995, respectively. The company can utilize its revolving line of credit to cover payment of these checks as they clear the bank.

Note D: Leases

The company leases its distribution center and corporate office located in Newark, California under a 15-year, noncancelable lease agreement expiring 2002. The lease contains six renewal options of five years each. The company has exercised its right to purchase its Newark, California distribution center and corporate headquarters for $24.8 million.

Completion of this transaction is pending the landlord's appeal. In addition, the company leases its store sites, selected computer and related equipment, and distribution center equipment under operating leases with original, noncancelable terms that in general range from three to fifteen years, expiring through 2012. Store leases typically contain provisions for two to three renewal options of five years each. Most store leases also provide for minimum annual rentals, with provisions for additional rent based on percentage of sales and for payment of certain expenses.

The aggregate future minimum annual lease payments under leases in effect at year-end 1996 are as follows:

($000)	Amounts
1997	$99,778
1998	95,840
1999	89,828
2000	74,004
2001	62,517
Later years	180,048
Total	$602,015

Total rent expense for all operating leases is as follows:

($000)	1996	1995	1994
Minimum rentals	$91,746	$84,340	$76,593

Note E: Taxes on Earnings

The provision for taxes consists of the following:

($000)	1996	1995	1994
CURRENTLY PAYABLE			
Federal	$49,628	$25,746	$18,987
State	11,674	6,001	4,638
	61,302	31,747	23,625
DEFERRED			
Federal	(6,385)	(2,715)	565
State	(981)	(183)	358
	(7,366)	(2,898)	923
Total	$53,936	$28,849	$24,548

In 1996, 1995 and 1994, the company realized tax benefits of $6.3 million, $1.7 million and $0.7 million, respectively, related to stock options exercised and the vesting of restricted stock which were credited to additional paid-in capital.

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

	1996	1995	1994
Federal income taxes at the statutory rate	35%	35%	35%
Increased income taxe resulting from state income taxes, net of federal benefit	5%	5%	5%
	40%	40%	40%

The components of the net deferred tax liability at year-end are as follows:

($000)	1996	1995
DEFERRED TAX ASSETS		
California franchise taxes	$2,031	$1,055
Straight-line rent	4,135	3,782
Deferred compensation	5,986	4,273
Reserve for uninsured losses	1,323	1,370
Employee benefits	6,011	4,902
All other	3,234	1,602
	22,720	16,984
DEFERRED TAX LIABILITIES		
Depreciation	(14,789)	(14,046)
Prepaid expenses	(2,794)	(5,250)
Supplies	(1,535)	(1,465)
Other	(39)	(26)
	(19,157)	(20,787)
NET DEFERRED TAX ASSETS (LIABILITIES)	$3,563	($3,803)

Note F: Insurance Proceeds

In March 1994, a section of the roof at the company's distribution center in Carlisle, Pennsylvania collapsed due to unusually heavy snow accumulation. In October 1994, the company entered into a settlement agreement with its insurance carrier for claims related to the impact on business that resulted from the roof collapse. This settlement included proceeds of $10.4 million for business interruption.

Note G: Employee Benefit Plans

The company has available to certain employees a profit sharing retirement plan. 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. In 1987, the company adopted an Incentive Compensation Program, which provides cash awards to key management employees based on the company's and the individual's performance. In 1991, the company began offering an Executive

Supplemental Retirement Plan, which allows eligible employees to purchase individual life insurance policies and/or annuity contracts. In 1993, the company made available to management a Nonqualified Deferred Compensation Plan which allows management

to contribute on a pre-tax basis in addition to the 401(k) Plan. This plan does not qualify under Section 401(k) of the Internal Revenue Code.

Note H: Stockholders' Equity

Preferred Stock. The company has four million shares of preferred stock authorized, with a par value of $.01 per share. No preferred stock has been issued or outstanding during the past three years.

Common Stock. The company's Board of Directors has approved repurchase programs over the past several years that resulted in the buyback of 1,640,000 shares at an average price of $7.84 in 1994, 1,511,000 shares at an average price of $8.03 in 1995, and 4,489,000 shares at an average price of $17.93 in 1996. In February 1997, the company's Board of Directors authorized an expansion and continuation of these repurchase programs for an additional 3,000,000 shares of the company's common stock.

Dividends. The company's Board of Directors declared dividends of $.03 per common share in January, May, August and November 1995; $.035 per common share in January, May, August and November 1996; and $.045 per common share in January 1997.

Stock-Based Compensation Plans. At February 1, 1997, the company had four stock-based compensation plans which are described below. In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, (SFAS 123), which establishes a fair value method of accounting for stock options and other equity instruments. Had compensation cost for these stock option and stock purchase plans been determined based on the fair value at the grant dates for awards under those plans consistent with the methods of SFAS 123, the company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

($000, except per share data)		1996	1995
Net Income	As reported	$80,905	$43,272
	Pro forma	$79,011	$42,480
Primary earnings per share	As reported	$1.58	$0.87
	Pro forma	$1.54	$0.86
Fully-diluted earnings per share	As reported	$1.57	$0.86
	Pro forma	$1.54	$0.85

The impact of outstanding non-vested stock options granted prior to 1995 has been excluded from the pro forma calculation; accordingly, the 1995 and 1996 pro forma adjustments are not indicative of future period pro forma adjustments, when the calculation will apply to all applicable stock options.

1992 Stock Option Plan. The company's 1992 Stock Option Plan allows for the granting of incentive and non-qualified stock options. Stock options are to be granted at prices not less than the fair market value of the common shares on the date the option is granted, expire ten years from the date of grant, and normally vest over a period not exceeding four years from the date of grant. Options under the plan are exercisable upon grant, subject to the company's conditional right to repurchase unvested shares.

Outside Directors Stock Option Plan. The company's Outside

Directors Stock Option Plan provides for the automatic grant of stock options at pre-established times and for fixed numbers of shares to each non-employee director. Stock options are to be granted at exercise prices not less than the fair market value of the common shares on the date the option is granted, expire ten years from the date of grant, and normally vest over a period not exceeding three years from the date of the grant.

A summary of the activity under the company's two option plans for 1994, 1995 and 1996 is presented below:

(000)	Number of Shares	Weighted-Average Exercise Price
Outstanding and exercisable at January 29, 1994	4,766	$ 7.11
Granted	1,490	$ 7.79
Exercised	(363)	$ 4.25
Forfeited	(183)	$ 8.90
Outstanding and exercisable at January 28, 1995	5,710	$ 7.41
Granted	1,534	$ 6.19
Exercised	(967)	$ 4.84
Forfeited	(278)	$ 7.87
Outstanding and exercisable at February 3, 1996	5,999	$ 7.49
Granted	1,286	$15.07
Exercised	(3,904)	$ 7.95
Forfeited	(148)	$ 9.01
Outstanding and exercisable at February 1, 1997	3,233	$ 9.89

At year-end 1994, 1995 and 1996, there were 2.2 million, 3.3 million and 2.3. million shares, respectively, available for future issuance under these plans.

The weighted average fair values per share of options granted during 1995 and 1996 were $1.89 and $4.72, respectively. For determining pro forma earnings per share, the fair values for each option granted were estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions for 1995 and 1996, respectively: (i) dividend yield of 1.1% and 0.8%, (ii) expected volatility of 43.2% and 43.8%, (iii) risk-free interest rate of 6.7% and 5.9%, and (iv) expected life of 3.3 years and 3.4 years. The company's calculations are based on a multiple option approach, and forfeitures are recognized as they occur.

The following table summarizes information about stock options outstanding and exercisable at February 1, 1997:

Range of Exercise Prices	Number of Shares (000)	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$2.88 to $4.31	234	3.94	$4.24
$4.94 to $5.88	827	8.12	5.85
$5.94 to $7.94	592	7.37	7.38
$8.00 to $13.44	462	7.16	9.95
$13.56 to $13.56	823	9.13	13.56

$13.63 to $26.19	295	9.65	20.43
Totals	3,233	7.94	$9.89

Employee Stock Purchase Plan. Under the Employee Stock Purchase Plan, eligible full-time employees can choose to have up to 10% of their annual base earnings withheld to purchase the company's common stock. The purchase price of the stock is 85% of the lower of the beginning of the offering period or end of the offering period market price. During 1996, 1995 and 1994, employees purchased approximately 155,000, 261,000 and 232,000 shares, respectively, of the company's common stock under the plan at weighted average per share prices of $17.78, $8.96 and $4.78, respectively. The weighted average fair values of the 1995 and 1996 awards were $3.02 and $6.72 per share, respectively. Through February 1, 1997, approximately 1,438,000 shares had been issued under this plan and 562,000 shares remained available for future issuance.

For determining pro forma earnings per share, the fair value of the employees' purchase rights was estimated using the Black-Scholes option pricing model using the following assumptions for 1995 and 1996, respectively: (i) dividend yield of 1.7% and 0.8%, (ii) expected volatility of 34.8% and 48.1%, (iii) risk-free interest rate of 5.9% and 5.5%, and (iv) expected life of 1.0 year and 1.0 year.

Restricted Stock Plan. The company's Restricted Stock Plan provides for stock awards to officers and certain key employees. All awards under the plan entitle the participant to full dividend and voting rights. Unvested shares are restricted as to disposition and subject to forfeiture under certain circumstances. Upon issuance of restricted shares, unearned compensation is charged to stockholders' equity for the cost of restricted stock and recognized as amortization expense ratably over the vesting period of generally two to five years. At year-end 1996, 1995 and 1994, the unamortized compensation expense was $7.1 million, $4.1 million and $4.7 million, respectively. A summary of restricted stock award activity follows:

Restricted Stock Plan (000)	1996	1995	1994
Shares available for grant beginning of year	1,431	451	990
New shares authorized	2,000	1,600	
Restricted shares granted	(559)	(666)	(556)
Restricted shares forfeited		46	17
Awards available for grant at end of year	2,872	1,431	451
Weighted average market value per share on grant date	$15.46	$6.31	$7.93

Note I: Legal Proceedings

The company is party to various legal proceedings arising from normal business activities. In the opinion of management, resolution of these matters will not have a material adverse effect on the company's consolidated financial statements taken as a whole.

Note J: Quarterly Financial Data (Unaudited)

($000, except per share data)	13 Weeks Ended May 4, 1996	13 Weeks Ended August 3, 1996	13 Weeks Ended November 2, 1996	13 Weeks Ended February 1, 1997	52 Weeks Ended February 1, 1997
Sales	$370,948	$405,656	$403,383	$509,823	$1,689,810
Gross margin, after occupancy	106,890	120,038	119,586	149,160	495,674
Net earnings	13,936	18,649	16,354	31,966	80,905
Net earnings per fully-diluted share<F1>	.27	.36	.32	.63	1.57
Dividends declared per share on common stock<F1>		.035	.035	.08<F2>	.150
Closing stock price<F1><F4>					
High	17 7/16	20 13/16	21 5/16	26 3/16	26 3/16
Low	9 15/16	14 1/2	16 111/128	20 7/16	9 15/16

<FN>
<F1> All per share information is adjusted to reflect the effect of the two-for-one stock split effected in the form of a stock dividend on March 5, 1997.
<F2> Includes $.035 per share dividend declared November 1996 and $.045 per share dividend declared January 1997.
<F3> Includes $.030 per share dividend declared November 1995 and $.035 dividend declared in January 1996.
<F4> Ross Stores, Inc. common stock trades on the Nasdaq National Market tier of The Nasdaq Stock Market (SM) under the symbol ROST.
</FN>

($000, except per share data)	13 Weeks Ended April 29, 1995	13 Weeks Ended July 29, 1995	13 Weeks Ended October 28, 1995	14 Weeks Ended February 3, 1996	53 Weeks Ended February 3, 1996
Sales	$297,434	$351,202	$330,682	$447,079	$1,426,397
Gross margin, after occupancy	78,815	96,972	93,127	126,028	394,942
Net earnings	3,868	10,336	7,909	21,159	43,272
Net earnings per fully-diluted share<F1>	.08	.21	.16	.42	.86
Dividends declared per share on common stock<F1>		.030	.030	.065<F3>	.125
Closing stock price<F1><F4>					
High	6 1/8	6 5/16	8 15/32	10 3/8	10 3/8
Low	4 13/16	4 29/32	5 127/128	9 1/8	4 13/16

<FN>
<F1> All per share information is adjusted to reflect the effect of the two-for-one stock split effected in the form of a stock dividend on March 5, 1997.
<F2> Includes $.035 per share dividend declared November 1996 and $.045 per share dividend declared January 1997.
<F3> Includes $.030 per share dividend declared November 1995 and $.035 per share dividend declared in January 1996.
<F4> Ross Stores, Inc. common stock trades on the Nasdaq National Market tier of The Nasdaq Stock Market(SM) under the symbol ROST.
</FN>

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Ross Stores, Inc. and subsidiaries (the "Company") as of February 1, 1997 and February 3, 1996, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended February 1, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of February 1, 1997 and February 3, 1996, and the results of its operations and its cash flows for each of the three years in the period ended February 1, 1997 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
San Francisco, California

March 7, 1997

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required by this item is incorporated herein by reference to the sections entitled (i) "Executive Officers of the Registrant" at the end of Part I of this report; (ii) "Information Regarding Nominees and Incumbent Directors" of the Ross Stores, Inc. Proxy Statement for the Annual Meeting of Stockholders to be held on Wednesday, July 16, 1997 (the "Proxy Statement"); and (iii) "Compliance With Section 16(a) of the Exchange Act" in the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to the sections of the Proxy Statement entitled (i) "Compensation Committee Interlocks and Insider Participation"; (ii) "Compensation of Directors"; (iii) "Employment Contracts,

Termination of Employment and Change-in-Control Arrangements"; and (iv) the following tables, and their footnotes, Summary Compensation, Option Grants in Last Fiscal Year and Aggregated Option Exercises and Year-End Value.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item 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

The information required by this item is incorporated herein by reference to the sections of the Proxy Statement entitled (i) "Compensation of Directors" and (ii) "Certain Transactions".

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

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

1. List of Financial Statements.

   The following consolidated financial statements included herein as Item 8:

   Consolidated Balance Sheets at February 1, 1997 and February 3, 1996.
   Consolidated Statements of Earnings for the years ended February 1, 1997, February 3, 1996 and January 28, 1995.
   Consolidated Statements of Stockholders' Equity for the years ended February 1, 1997, February 3, 1996 and January 28, 1995.
   Consolidated Statements of Cash Flows for the years ended February 1, 1997, February 3, 1996 and January 28, 1995.
   Notes to Consolidated Financial Statements.
   Independent Auditors' Report.

2. List of Financial Statement Schedules.

   Schedules are omitted because they are not required, not applicable, or shown in the financial statements or notes thereto which are contained 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 which begins on page 33 of this Report.

(b) Reports on Form 8-K.

None.

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 30, 1997

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	April 30, 1997
/s/M. Wilmore Melvin A. Wilmore	President, Chief Operating Officer, Principal Financial and Accounting Officer and Director	April 30, 1997
/s/Norman A. Ferber Norman A. Ferber	Chairman of the Board	April 30, 1997
/s/Stuart G. Moldaw Stuart G. Moldaw	Chairman Emeritus	April 30, 1997
/s/G. Orban George P. Orban	Director	April 30, 1997
/s/Philip Schlein Philip Schlein	Director	April 30, 1997
/s/Donald H. Seiler Donald H. Seiler	Director	April 30, 1997
/s/D. L. Weaver Donna L. Weaver	Director	April 30, 1997

INDEX TO EXHIBITS

Exhibit Number	Exhibit
3.1	Certificate of Incorporation, as amended, incorporated by reference to Exhibit 3.1 to the Registration Statement on Form 8-B (the "Form 8-B") filed September 1, 1989 by Ross Stores, Inc., a Delaware corporation ("Ross Stores").
3.2	Amended By-laws, dated August 25, 1994, incorporated by reference to Exhibit 3.2 to the Form 10-Q filed by Ross Stores for its quarter ended July 30, 1994.
10.1	Agreement of Lease, dated November 24, 1986, for Ross Stores' corporate headquarters and distribution center in Newark, CA, incorporated by reference to Exhibit 10.5 to the Form 8-B.
10.2	Revolving Credit Agreement, dated July 31, 1993, among Ross Stores, Wells Fargo Bank, National Association, Bank of America, National Trust and Savings Association, and Security Pacific National Bank ("Banks"); and Wells Fargo Bank, National Association ("Wells Fargo"), as agent for Banks, incorporated by reference to Exhibit 10.17 on the Form 10-Q filed by Ross Stores for its quarter ended July 31, 1993.
10.3	First Amendment to Revolving Credit Agreement, effective on July 31, 1994, by and among Ross Stores, Banks and Wells Fargo, as agent for Banks, incorporated by reference to Exhibit 10.5 to the Form 10-Q filed by Ross Stores for its quarter ended July 30, 1994.
10.4	Second Amendment to Revolving Credit Agreement, effective on June 15, 1995, by and among Ross Stores, Banks and Wells Fargo, as agent for Banks, incorporated by reference to Exhibit 10.4 to the Form 10-Q filed by Ross Stores for its quarter ended July 29, 1995.
10.5	Third Amendment to Revolving Credit Agreement, effective on December 2, 1996, by and among Ross Stores, Banks and Wells Fargo, as agent for Banks.
10.6	Credit Agreement, dated as of June 22, 1994, among Ross Stores, Bank of America National Trust and Savings Association as Agent, the Industrial Bank of Japan as Co-Agent and the other financial institutions party thereto, incorporated by reference to Exhibit 10.6 to the Form 10-Q filed by Ross Stores for its quarter ended July 30, 1994.
10.7	First Amendment to Credit Agreement, dated as of June 20, 1995, among Ross Stores, Bank of America National Trust and Savings Association as Agent, the Industrial Bank of Japan as Co-Agent, incorporated by reference to Exhibit 10.6 to the Form 10-Q filed by Ross Stores for its quarter ended July 29, 1995.
10.8	Second Amendment to Credit Agreement, dated as of June 12, 1996, Ross Stores, Bank of America National Trust and Savings Association as Agent, the Industrial Bank of Japan as Co-Agent, incorporated by reference to Exhibit 10.7 to the Form 10-Q filed by Ross Stores for its quarter ended August 3, 1996.

MANAGEMENT CONTRACTS AND COMPENSATORY PLANS (EXHIBITS 10.9 - 10.34)

10.9 Amended and Restated 1992 Stock Option Plan, incorporated by reference to the appendix to the Proxy Statement filed by Ross Stores on April 24, 1995 for its Annual Stockholders Meeting held May 25, 1995 ("1995 Proxy Statement").

Exhibit Number	Exhibit
10.10	Third Amended and Restated Ross Stores Employee Stock Purchase Plan, incorporated by reference to the appendix to the 1995 Proxy Statement.
10.11	Third Amended and Restated Ross Stores 1988 Restricted Stock Plan, incorporated by reference to the appendix to the Proxy Statement filed by Ross Stores on April 24, 1996 for its Annual Stockholders Meeting held May 30, 1996 ("1996 Proxy Statement").
10.12	1991 Outside Directors Stock Option Plan, incorporated by reference to the appendix to the 1996 Proxy Statement.
10.13	Ross Stores Executive Medical Plan, incorporated by reference to Exhibit 10.13 to the 1993 Form 10-K filed by Ross Stores for its year ended January 29, 1994 ("1993 Form 10-K").
10.14	Third Amended and Restated Ross Stores Executive Supplemental Retirement Plan, incorporated by reference to Exhibit 10.14 to the 1993 Form 10-K.
10.15	Ross Stores Non-Qualified Deferred Compensation Plan, incorporated by reference to Exhibit 10.15 to the 1993 Form 10-K.
10.16	Ross Stores Incentive Compensation Plan, incorporated by reference to the appendix to the 1996 Proxy Statement.
10.17	Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber, effective as of June 1, 1995, incorporated by reference to Exhibit 10.17 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.
10.18	Amendment to Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber, entered into July 29, 1996, incorporated by reference to Exhibit 10.17 to the Form 10-Q filed by Ross Stores for its quarter ended August 3, 1996.
10.19	Agreement between Ross Stores and Norman A. Ferber, dated August 22, 1995, incorporated by reference to Exhibit 10.18 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.
10.20	Employment Agreement between Ross Stores and Melvin A. Wilmore, effective as of March 15, 1994, incorporated by reference to Exhibit 10.20 to the Form 10-Q filed by Ross Stores for its quarter ended April 30, 1994.
10.21	Amendment to Employment and Stock Grant Agreement by and between Ross Stores and Melvin A. Wilmore, effective as of March 16, 1995, incorporated by reference to Exhibit 10.20 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.
10.22	Second Amendment to Employment Agreement by and between Ross Stores and Melvin A. Wilmore, effective as of June 1, 1995,

incorporated by reference to Exhibit 10.21 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.

10.23	Third Amendment to Employment Agreement by and between Ross Stores and Melvin A. Wilmore, entered into July 29, 1996, incorporated by reference to Exhibit 10.22 to the Form 10-Q filed by Ross Stores for its quarter ended August 3, 1996.
10.24	Agreement between Ross Stores and Melvin A. Wilmore, dated August 22, 1995, incorporated by reference to Exhibit 10.22 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.

Exhibit Number	Exhibit
10.25	Employment Agreement between Ross Stores and Michael Balmuth, effective as of February 1, 1995, incorporated by reference to Exhibit 10.15 to the Form 10-Q filed by Ross Stores for its quarter ended April 29, 1995.
10.26	Amendment to Employment Agreement between Ross Stores and Michael Balmuth, effective as of June 1, 1995, incorporated by reference to Exhibit 10.24 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.
10.27	Second Amendment to Employment Agreement between Ross Stores and Michael Balmuth, entered July 29, 1996, incorporated by reference to Exhibit 10.26 to the Form 10-Q filed by Ross Stores for its quarter ended August 3, 1996.
10.28	Employment Agreement between Ross Stores and Barry S. Gluck, effective as of March 1, 1996, incorporated by reference to Exhibit 10.23 to the Form 10-Q filed by Ross Stores for its quarter ended May 4, 1996.
10.29	First Amendment to Employment Agreement between Ross Stores and Barry S. Gluck, dated September 1, 1996, incorporated by reference to Exhibit 10.28 to the Form 10-Q filed by Ross Stores for its quarter ended October 2, 1996.
10.30	Employment Agreement between Ross Stores and Irene S. Jamieson, effective as of March 1, 1996, incorporated by reference to Exhibit 10.24 to the Form 10-Q filed by Ross Stores for its quarter ended May 4, 1996.
10.31	First Amendment to Employment Agreement between Ross Stores and Irene A. Jamieson, dated September 1, 1996, incorporated by reference to Exhibit 10.30 to the Form 10-Q filed by Ross Stores for its quarter ended October 2, 1996.
10.32	Employment Agreement between Ross Stores and Barbara Levy, effective as of March 1, 1996, incorporated by reference to Exhibit 10.25 to the Form 10-Q filed by Ross Stores for its quarter ended May 4, 1996.
10.33	First Amendment to Employment Agreement between Ross Stores and Barbara Levy, dated September 1, 1996, incorporated by reference to Exhibit 10.32 to the Form 10-Q filed by Ross Stores for its quarter ended October 2, 1996.
10.34	Consulting Agreement between Ross Stores and Stuart G. Moldaw, effective as of March 16, 1995, incorporated by reference to Exhibit 10.16 to the Form 10-Q filed by Ross Stores for its quarter ended April 29, 1995.

11	Statement re: Computation of Per Share Earnings.
23	Independent Auditors' Consent.
27	Financial Data Schedules (submitted for SEC use only).

THIRD AMENDMENT TO REVOLVING CREDIT AGREEMENT

This THIRD AMENDMENT TO REVOLVING CREDIT AGREEMENT (the "Third Amendment") is entered into on, and will be effecitve on, December 2, 1996, and is the third amendment to the Revolving Credit Agreement dated as of July 31, 1993, as amended by a First Amendment To Revolving Credit Agreement effective as of July 31, 1994 and by a Second Amendment To Revolving Credit Agreement effective as of June 15, 1995 (the "Agreement") by and among ROSS STORES, INC. ("Borrower"), each of the financial institutions listed in Schedule I to the Agreement, as amended from time to time, (such financial institutions being referred to in the Agreement and in this Third Amendment collectively as the "Banks" and individually as a "Bank"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Wells Fargo"), as agent for the Banks (in such capacity, "Agent").

RECITALS

WHEREAS, the Borrower has requested that the limitation on the Borrower's and any Subsidiary's entering into any sale and leaseback agreement covering any fixed assets and on expenditures for the acquisition or leasing of fixed assets under Section 6.4 of the Agreement be eliminated starting on the first day of the Borrower's fiscal year beginning in 1996; and

WHEREAS, the Banks agree to this request if the Borrower signs this Third Amendment;

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Third Amendment hereby agree as follows:

1. DEFINITIONS. Terms defined in the Agreement and used, but not defined, in this Third Amendment are used in this Third Amendment with their meanings as defined in the Agreement as amended by this Third Amendment.

2. EFFECTIVE DATE. The Borrower and the Banks agree that this Third Amendment will be effective on and after December 2, 1996.

3. CAPITAL EXPENDITURES LIMITATION. The Borrower and the Banks agree that the prohibition in Section 6.4 of the Agreement to the Borrower entering into, or permitting any Subsidiary to enter into, any sale and leaseback agreement or agreements covering any of its fixed assets or to expending or incurring, or permitting any subsidiary to expend or incur, obligations for the acquisition of fixed assets or the leasing of fixed assets will be eliminated from the Agreement. To that end, Section 6.4 of the Agreement is hereby deleted in its entirety from the Agreement as of the first day of the start of the fiscal year of the Borrower beginning in 1996, and Sections 6.5 and 6.6 of the Agreement are hereby renumbered Sections 6.4 and 6.5.

4. REPRESENTATIONS AND WARRANTIES. In order to induce the Banks to enter into this Third Amendment and to amend the Agreement in the manner provided in this Third Amendment, the Borrower hereby represents and warrants that (a) the representations and warranties contained in Article IV of the Agreement are true and correct on the date of this Third Amendment, with the same effect as though such representations and warranties had been made on and as of such date, and (b) no Event of Default, as specified in Section 7.1 of the Agreement, and no condition, event or act which with the giving of notice or the passage of time or both would constitute such an Event of Default, has occurred, is continuing or is existing on the date of this Third Amendment.

5. AGREEMENT OTHERWISE UNALTERED. Except as expressly modified by this Third Amendment, the Agreement shall continue to be and shall remain in full force and effect.

6. GOVERNING LAW. The validity, construction and effect of this Third Amendment shall be governed by, and be construed under, the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment by their duly authorized officers as of the day and year first above written.

ROSS STORES, INC.

By: /s/ John Vuko
Title: Senior Vice President and Controller

WELLS FARGO BANK, NATIONAL ASSOCIATION, individually and as Agent

By: /s/ Mathew Harvey
Title: Vice President

NATIONSBANK OF TEXAS, N.A.

BY: /s/ Chas McDonell
Title: Vice President

BANQUE NATIONALE DE PARIS

By: /s/ Katherine Wolfe & Charles H. Day
Title:Vice President Asst. Vice President

BANK OF AMERICA, N.T. & S.A.

By: /s/ Jean A. Brinkmann
Title: Vice President

EXHIBIT 11

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

	Year Ended		
	February 1, 1997	February 3, 1996	January 28, 1995
	(000, except per share amounts)		
Primary			
Net Earnings	$80,905	$43,272	$36,821
Weighted average shares outstanding:			
Common shares	50,031	49,036	48,990
Common equivalent shares:			
Stock Options	1,280	468	424
Weighted average common and common equivalent shares outstanding, as adjusted	51,311	49,504	49,414
Earnings per common and common equivalent share	$1.58	$.87	$.75
Fully Diluted			
Net Earnings	$80,905	$43,272	$36,821
Weighted average shares outstanding:			
Common shares	50,031	49,036	48,990
Common equivalent shares:			
Stock Options	1,366	1,076	456
Weighted average common and common equivalent shares outstanding, as adjusted	51,397	50,112	49,446
Earnings per common and common equivalent share	$1.57	$.86	$.74

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 333-06119, 33-61373, 33-51916, 33-51896, 33-51898, 33-41415, 33-41413 and 33-29600 of Ross Stores, Inc. on Form S-8 of our report dated March 7, 1997, appearing in this Annual Report on Form 10-K of Ross Stores, Inc. for the year ended February 1, 1997.

Deloitte & Touche LLP
San Francisco, California
April 29, 1997

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF EARNINGS FOR THE TWELVE MONTHS ENDED FEBRUARY 1, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS
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