Risk Factors Comparison 2024-04-02 to 2023-03-28 Form: 10-K

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Our fiscal ~~2022~~ **2023** Annual Report on Form 10- K and information we provide in our Annual Report to Stockholders, press releases, and other investor communications, including those on our corporate website, may contain forward- looking statements with respect to anticipated future events, our projected future financial performance, operations, competitive position, and our planned growth, that are all subject to risks and uncertainties that could cause our actual results to differ materially from those forward- looking statements and from 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: MACROECONOMIC AND RETAIL INDUSTRY BUSINESS RISKS We are subject to impacts from the macroeconomic environment, financial and credit markets, and geopolitical conditions that affect consumer confidence and consumer disposable income, and also increase our costs. Inflation, supply chain disruptions, and other accompanying economic impacts from **geopolitical** ~~the Russia- Ukraine conflict~~ **conflicts** , ~~the COVID- 19~~ **public health crises (such as** ~~pandemic~~ **pandemics)** , or other external events may continue to have significant negative effects on our costs and on consumer confidence, shopping behavior, and spending, which may adversely affect our sales and profitability. Consumer spending levels and shopping behaviors for the merchandise we sell are affected by many external **macroeconomic** factors. Currently, elevated inflation is affecting consumer demand for our products and increasing our costs. Factors such as higher fuel and energy costs, rising food prices, ~~rising~~ **high** interest rates, increases in housing costs, the size and timing of government stimulus programs, wage rates, unemployment levels, income tax rates and the timing of tax refunds, availability of consumer credit, consumer debt levels, and the resulting effects on consumers' disposable income and consumer confidence in future economic conditions all have an impact on consumer spending habits for our merchandise. ~~The ongoing~~ **Ongoing geopolitical** ~~Russia- Ukraine conflict~~ **conflicts** ~~is resulting in major, potentially prolonged economic sanctions and other responses from the United States and other countries, which present significant risks and uncertainties. These events~~ may continue to cause various adverse macroeconomic effects, including **supply chain disruptions, market volatility and uncertainty,** inflation, increases in fuel and energy costs, rising food prices, and depressed financial markets. ~~The effects of~~ **Our business and operations were adversely affected by** the COVID- 19 pandemic **in** ~~continue to present~~ - **recent** ~~significant risks~~ **years,** and **could be affected by another public health event** ~~uncertainty. The widespread pandemic continues to adversely impact global economies and has resulted~~ in **the future** ~~significant economic volatility~~ . The extent and duration of ~~the~~ impacts from **future public health crisis** ~~the COVID- 19 pandemic~~ on our business and our financial results will depend largely on future developments, including the **severity, location, and** duration ~~and spread~~ of ~~outbreaks within the U. S., regional surges in infection, vaccination rates, and acquired immunity rates, the effectiveness of vaccines in controlling current and future variants of the virus, the response by all levels of government in their~~ -- **the issue,** efforts ~~to contain the outbreak and~~ to mitigate the resulting economic disruptions, and the related impact on consumer confidence, shopping behavior, and spending, all of which are highly uncertain and cannot be predicted. ~~There is significant uncertainty over potential changes in consumer behavior and shopping patterns as the pandemic continues and as different regions experience surges.~~ Such impacts have **in the past,** and may in the future **,** adversely affect our profitability, cash flows, financial results, and our capital resources. Elevated inflation, **geopolitical** ~~the Russia- Ukraine conflict~~ **conflicts** , bank failures, ~~the continuing COVID- 19 pandemic~~ **pandemics** , and other potential, adverse developments ~~in these or other areas~~ , could reduce demand for our merchandise, increase our cost of goods, freight, and payroll, decrease our inventory turnover, cause greater markdowns, and negatively affect our sales and margins. All of our stores are located in the United States and its territories, so we are especially susceptible to changes in the U. S. economy. Competitive pressures in the apparel and home- related merchandise retailing industry are high. The retail industry is highly competitive and the marketplace is highly fragmented, as many different retailers compete for market share by utilizing a variety of store and online formats and merchandising strategies. We expect competition to increase in the future. There are limited economic barriers for others to enter the off- price retail sector. We compete for customers, associates, store locations, and merchandise with many other local, regional, and national retailers, traditional department stores, upscale mass merchandisers, other off- price retailers, specialty stores, internet and catalog businesses, and other forms of retail commerce. Our retail competitors constantly adjust their pricing, business strategies, and promotional activity (particularly during holiday periods) in response to changing market conditions or their own financial condition. The substantial sales growth in e- commerce ~~within the last decade~~ has also encouraged the entry of many new competitors, new business models, and an increase in competition from established companies looking for ways to create successful online shopping alternatives. Intense pressures from our competitors, our inability to adapt effectively and quickly to a changing competitive landscape, or a failure to effectively execute our off- price model, could reduce demand for our merchandise, decrease our inventory turnover, cause us to take greater markdowns, and negatively affect our sales and margins. Unexpected changes in the level of consumer spending on or preferences for apparel and home- related merchandise could adversely affect us. Our success depends on our ability to effectively buy and ~~resell~~ -- **sell** merchandise that meets customer demand. We work on an ongoing basis to identify customer trends and preferences, and to obtain merchandise inventory to meet anticipated customer needs. It is very challenging to successfully do this well and consistently across our diverse merchandise categories and in the multiple markets in which we operate throughout the United States and its territories. Although our off- price business model provides us certain advantages and may allow us greater flexibility than traditional retailers have in adjusting our merchandise mix to ever- changing consumer tastes, our merchandising decisions may still fail to correctly anticipate and match consumer trends and preferences, particularly in our newer geographic markets. Failure to correctly anticipate and match the trends, preferences, and demands of our customers could adversely affect our business, financial condition, and operating results. Adverse and / or unseasonable weather may affect shopping patterns and consumer demand for seasonal apparel and other merchandise, and may result in temporary store closures and disruptions in deliveries of merchandise to our stores. Unseasonable weather and prolonged, extreme temperatures, as well as events such as storms, affect consumers' buying patterns and willingness to shop, and may adversely affect the demand for merchandise in our stores, particularly in apparel and seasonal merchandise. Among other things, weather conditions may also affect our ability to deliver our products to our stores or require us to close certain stores temporarily, thereby reducing store traffic. Even if stores are not closed, many customers may be unable to go, or may decide to avoid going to stores in bad weather. As a result, adverse or unseasonable weather in any of our markets could lead to ~~disappointing~~ **lower- than- expected** sales and cause us to increase our markdowns, which may negatively affect our sales and margins. ~~A pandemic, natural or man~~ **We may experience volatility in sales and earnings. Our business has slower and busier periods based on holiday and back** - ~~made disaster in California or in~~ **to- school seasons, weather, and** ~~another~~ -- **other factors. Although** ~~region where we have a concentration of stores, offices, or~~ **our** ~~a distribution center~~ **off- price business is historically subject to less seasonality than traditional retailers, we may still experience unexpected decreases in sales from time to time, which** could **result** ~~harm our business. Although no one store accounts for more than one percent of our sales, our corporate headquarters, Los Angeles buying office, nine distribution centers / warehouses, and approximately 22 % of our stores are located~~ in ~~California~~ **increased markdowns and reduced margins** . **Significant operating expenses** ~~Natural or other disasters~~ , such as ~~the COVID- 19 pandemic (~~ **rent expense and associate wages, do not adjust proportionately with** ~~or~~ **our sales. If sales in a certain period are lower than** ~~other future pandemics), wildfires, earthquakes, hurricanes, tornadoes, floods, or~~ **our plans** ~~other extreme weather and climate conditions~~ , ~~or fires~~ **we may not be able to adjust these operating expenses concurrently** , **which** ~~explosions, and acts of war or terrorism, or public health issues, in any of our markets~~ could ~~disrupt~~ **adversely affect** our ~~operations~~ - **operating** ~~or our supply chain, or could shut down, damage, or destroy our stores or distribution facilities. We carry fire, flood, wind, and earthquake insurance to help mitigate the risk of financial loss that may result~~ **results** ~~from such events~~ . STRATEGIC RISKS We depend on the market availability, quantity, and quality of attractive brand name merchandise at desirable discounts, and on the ability of our buyers to purchase merchandise to enable us to offer customers a wide assortment of merchandise at competitive prices. Opportunistic buying, lean inventory levels, and frequent inventory turns are critical elements of our off- price business strategy. Maintaining an overall pricing differential to department and specialty stores is also key to our ability to attract customers and sustain our sales and gross margins. Our opportunistic buying places considerable discretion with our merchants, who are in the marketplace continually and who are generally purchasing merchandise for the current or upcoming season. Our ability to meet or exceed our operating performance targets depends upon the continuous, sufficient availability of high quality merchandise that we can acquire at prices sufficiently below those paid by conventional retailers and that represent a value to our customers. To the extent that certain of our vendors are better able to manage their inventory levels and reduce the amount of their excess inventory, the amount of high quality merchandise available to us could be materially reduced. To the extent that certain of our vendors decide not to sell to us or go out of business, the amount of high quality merchandise available to us could also be materially reduced. Because a significant portion of the apparel and other goods we sell is originally manufactured in other countries, constraints on the availability of shipping capacity, changes in transportation costs or in U. S. tariffs, trade relationships ~~,~~ or tax policies, ~~and~~ **geopolitical conflicts,** natural disasters, or public health issues such as ~~the COVID- 19 pandemic (or other future~~ pandemics ~~)~~ , that reduce the supply or increase the relative cost of imported goods, could also result in disruptions to our existing supply relationships. Shortages, delays, or disruptions in the availability to us of high quality, value- priced merchandise would likely have a material adverse effect on our sales and margins. Our inability to continually attract, train, and retain associates with the retail talent necessary to execute our off- price retail strategies along with labor shortages, increased turnover, or increased labor costs could adversely affect our operating results. Like other retailers, we face challenges in recruiting and retaining sufficient talent in our buying organization, management, stores, distribution centers, and other key areas. Many of our retail store associates are in entry level or part- time positions with **elevated** ~~historically high~~ rates of turnover. Our ability to control labor costs is subject to numerous external factors, including prevailing wage rates and health and other insurance costs **, potential labor organizing activities** , as well as the impact of legislation or regulations governing minimum wage or healthcare benefits. Any increase in labor costs may adversely impact our profitability or, if we fail to pay competitive wages, may result in increased turnover. Excessive turnover may result in higher costs associated with finding, hiring, and training new associates. If we cannot hire enough qualified associates, or if there is a disruption in the supply of personnel we hire from third- party providers, especially during our peak seasons, our operations could be negatively impacted. Because of the distinctive nature of our off- price model, we must also attract, train, and retain our key associates across the Company, especially within our buying organization. The loss of one or more of our key personnel or the inability to effectively identify a suitable successor for a key role could have a material adverse effect on our business. There is no assurance that we will be able to attract or retain highly qualified associates in the future and any failure to do so could have a material adverse effect on our growth, operations, or financial position. We need to obtain acceptable new store sites with favorable consumer demographics to achieve our planned growth. Successful growth requires us to find appropriate real estate sites in our targeted market areas. We compete with other retailers and businesses for acceptable store locations. For the purpose of identifying locations, we rely on consumer demographics. While we believe consumer demographics are helpful indicators of acceptable store locations, we recognize that this information cannot predict future consumer preferences and buying trends with complete accuracy. Time frames for negotiations and store development vary from location to location and can be subject to unforeseen delays or unexpected cancellations. We may not be able to open new stores or, if opened, operate those new stores profitably. Construction and other delays in store openings could have a negative impact on our business and operating results. Additionally, we may not be able to renegotiate our current lease terms which could negatively impact our operating results. New stores may not achieve the same sales or profit levels as our existing stores and adding stores to existing markets may adversely affect the sales and profitability of other existing stores. If we cannot acquire sites on attractive terms, it could limit our ability to grow or adversely affect the economics of our new stores in various markets. To achieve growth, we need to expand in existing markets and enter new geographic markets. Our growth strategy is based on successfully expanding our off-price model in current markets and in new geographic regions. There are significant risks associated with our ability to continue to expand our current business and to enter new markets. Stores we open in new markets may take longer to reach expected sales and profit levels on a consistent basis and may have higher construction, occupancy, advertising, or operating costs than stores we open in existing markets, thereby affecting our overall profitability. New markets may have competitive conditions, consumer tastes, and discretionary spending patterns that are more difficult to predict or satisfy than our existing markets. Our limited operating experience and limited brand recognition in new markets may require us to build brand awareness in that market through greater investments in marketing, advertising, and promotional activity than we originally planned. We may find it more difficult in new markets to hire, motivate, and retain qualified associates. We are subject to risks associated with selling and importing merchandise produced in other countries. Risks in importing and selling such merchandise include import duties and quotas, ~~compliance with anti- dumping regulations,~~ economic **and supply chain** uncertainties and adverse economic conditions (including shipping capacity limitations, cost increases, inflation, recession, and exchange rate fluctuations), foreign government regulations, employment and labor matters, concerns relating to human rights, working conditions, and other issues in factories or countries where merchandise is produced, transparency of sourcing and supply chains, exposure on product warranty and intellectual property issues, consumer perceptions of the safety of imported merchandise, **geopolitical conflict (including** wars and fears of war **)** , political unrest, natural disasters, regulations to address climate change, and trade restrictions. A predominant portion of the apparel and other goods we sell (even when we purchase it domestically, often as excess inventory sold to us by a domestic vendor) is originally manufactured in other countries. In addition, we directly source a portion of the products sold in our stores from foreign vendors predominantly in Asia (including China). We also buy products that originate from foreign sources indirectly through domestic vendors and manufacturers' representatives. Although our foreign purchases of merchandise are negotiated and paid for in U. S. dollars, decreases in the value of the U. S. dollar relative to foreign currencies could increase the cost of products we purchase from overseas vendors. When we are the importer of record, we may be subject to regulatory or other requirements similar to those applicable to a manufacturer. To the extent that our vendors are located overseas or rely on overseas sources for a large portion of their products, any event causing a disruption, delay, or increase in the cost of imports, including the imposition of import or other restrictions such as product detention, war, acts of terrorism, natural disasters, or public health issues such as ~~the COVID- 19 pandemic (or other future~~ pandemics ~~)~~ could adversely affect our business. The flow of merchandise from our vendors could also be adversely affected by global shipping capacity limitations, **labor stoppages,** or by financial or political instability in any of the countries in which the goods we purchase are manufactured. Trade restrictions in the form of tariffs or quotas, or both, applicable to the products we sell could also affect the importation of those products and could increase the cost and reduce the supply of products available to us. We cannot predict whether any of the countries from which our products are sourced, or in which our products are currently manufactured or may be manufactured in the future, will be subject to trade restrictions imposed by the U. S. or foreign governments or the likelihood, type, or effect of any such restrictions. Our ability to effectively advertise and market our business could impact customer traffic and demand for our merchandise. Customer traffic and demand for our merchandise is influenced by our advertising and marketing activities, the name recognition and reputation of our brands, and the location of our stores. Although we use marketing and advertising mediums to attract customers to our stores, particularly through **traditional and streaming** television ~~and~~ **,** digital channels **, and new store grand openings** , our competitors may spend more or use different approaches, which could provide them with a competitive advantage. Our advertising and other promotional programs may not be effective or may be perceived negatively, or could require increased expenditures, any of which could adversely affect sales or increase costs. OPERATIONAL RISKS In order to achieve our planned gross margins, we must effectively manage our inventories, markdowns, and inventory shortage. As a result of changes in shopping behaviors due to **factors such as** inflation, the COVID- 19 pandemic **and the possibility of future pandemics** , and disruptions to supply chains and store operations, we are at risk for inventory imbalances and the potential for higher than normal levels of markdowns to sell through our inventory, increased cost of goods, and for lost sales due to insufficient inventory to meet customer demand, any of which would negatively affect our sales, gross margin, and operating results. We purchase the majority of our inventory based on our sales plans. If our actual demand is lower than our sales plans, we may experience excess inventory levels and need to take markdowns on excess or slow- moving inventory, resulting in decreased profit margins. Inflation may continue to cause our costs to purchase inventory to be higher than we planned, and we may not be able to sell the inventory to our customers at correspondingly increased prices, resulting in decreased profit margins. We also may have insufficient inventory to meet customer demand, leading to lost sales opportunities. ~~The~~ **As evidenced by the** COVID- 19 pandemic **, future pandemics** and accompanying economic impacts may ~~continue to~~ change shopping behavior so that our predictions and sales plans become less accurate, and that may lead us to have higher than usual levels of slow- moving or non- salable inventory at our prior planned price levels. We would then need to ~~aggressively and progressively~~ reduce our selling prices **aggressively and progressively** in order to clear out that inventory, which would result in decreased profit margins or losses on sales of that inventory, and adversely affect our results of operations in future periods. As a regular part of our business, we purchase " packaway " inventory 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, but it typically remains in storage less than six months. Packaway inventory is frequently a significant portion of our overall inventory. If we make packaway purchases that do not align with consumer preferences at the later time of release to our stores, we could have significant inventory markdowns. Changes in packaway inventory levels could impact our operating cash flow. Although we have various systems to help protect against loss or theft of our inventory, both when in storage and once distributed to our stores, we may have damaged, lost, or stolen inventory (called " shortage ") in higher amounts than we forecast, which would result in write- offs, lost sales, and reduced margins. Information or data security breaches, including **cyberattacks** ~~cyber- attacks~~ on our transaction processing and computer information systems **(including malware intrusion, data exfiltration, identity theft, and other types of cybersecurity threats)** , could **disrupt our operations,** result in theft or unauthorized disclosure of ~~customer,~~ **our confidential and valuable business information or** credit card **and** ~~, employee, or~~ other **customer** ~~private and valuable~~ information **, and could adversely affect** ~~that we handle in the ordinary course of~~ our business, disrupt our operations, damage our reputation, ~~and~~ increase our costs **, and create significant legal exposure** . Like other large retailers, we rely on commercially available computer and telecommunications systems to process, transmit, and store payment card and other personal and confidential information, and to provide information or data security for those transactions. ~~Some~~ **Many** of the key information systems and processes we use to handle payment card transactions and check approvals, and the levels of security technology utilized in payment cards, are controlled by the banking and payment card industry, not by us. Cybercriminals may attempt to penetrate our point of sale and other **transaction processing** information systems to misappropriate customer or business information, including but not limited to credit / debit card, personnel, or trade information. Cybercriminals (including state- sponsored actors) may attempt to penetrate our information systems **, including supply chain and logistics systems,** to deprive us from access to necessary business information and to disrupt our operations, as part of so- called " ransomware " extortion activity or otherwise. **A disruption within our logistics or supply chain network could adversely affect our ability to timely and efficiently transport merchandise to our stores or our distribution centers, which could impair our ability to meet customer demand for products and result in lost sales or increased supply chain costs.** Despite security measures we have in place, and our efforts to prevent, monitor, and mitigate attacks and errors, our facilities and systems (or those of third- party service providers we utilize or connect to) may be vulnerable to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and / or human errors, phishing, ransomware attacks, and similar fraudulent attacks, or other similar events. It is also possible that an associate within our Company, or **at** a third party we do business with, may purposefully or inadvertently cause a security breach involving such information. The increasing sophistication of cybercriminals, the increased potential for cyberattacks, ~~and~~ the advances in computer capabilities **and artificial intelligence,** and remote access increases these risks. A breach of our information or data security, a system shut down or other response we may take, or our failure or delay in detecting and mitigating **a system breach and** a loss of personal or business information, could result in damage to our reputation, loss of customer confidence, violation (or alleged violation) of applicable laws (including laws relating to consumer data protection and privacy, and required notifications of data security breaches), and expose us to civil claims, litigation, and regulatory action, and to unanticipated costs and disruption of our operations. Disruptions in our supply chain or in our information systems could impact our ability to process sales and to deliver product to our stores in a timely and cost- effective manner. Various information systems are critical to our ability to operate and to manage key aspects of our business. We depend on the integrity, continuous availability, and consistent operations of these systems to process transactions in our stores, track inventory flow, manage merchandise allocation and distribution logistics, generate performance and financial reports, and support merchandising decisions. We are currently making, and will continue to make, ~~significant~~ technology investments to improve or replace information processes and systems that are key to managing our business. We must monitor and choose sound investments and implement them at the right pace. The risk of system disruption is increased whenever significant system changes are undertaken. An excessive rate of technological change could detract from the effectiveness of adoption and could make it more difficult for us to realize benefits from new technology. Poorly targeting opportunities, failing to make good investments, or making an investment commitment significantly above or below our needs could damage our competitive position and adversely impact our business and results of operations. Additionally, the potential problems and interruptions associated with implementing technology system changes could disrupt or reduce the efficiency of our operations in the short term. These initiatives might not provide us with the anticipated benefits, or may provide them on a delayed schedule or at a higher cost. Our information systems, including our back- up systems, are subject to damage or interruption from power outages, computer and telecommunications failures, cyberattacks, computer viruses, internal or external security breaches, catastrophic events such as severe storms, fires, earthquakes, floods, acts of terrorism, and design or usage errors by our associates or by third parties. If our information systems or our back- up systems are damaged or cease to function properly, we may have to make significant investments to fix or replace them, and we may suffer interruptions in our operations in the interim. Any material interruption in our computer systems could have a material adverse effect on our business and results of operations. A disruption within our logistics or supply chain network could adversely affect our ability to timely and efficiently transport merchandise to our stores or our distribution centers, which could impair our ability to meet customer demand for products and result in lost sales or increased supply chain costs. Such disruptions may result from public health issues such as ~~the COVID- 19 pandemic (or other future~~ pandemics ~~)~~, cyberattacks, damage or destruction to our distribution centers, weather- related events, natural disasters, trade restrictions, tariffs, third- party strikes or ineffective cross- dock operations, work stoppages or slowdowns, shipping capacity constraints, supply or shipping interruptions, or other factors beyond our control. Any such disruptions could negatively impact our financial performance or financial condition. **Damage** ~~The COVID- 19 pandemic may continue~~ to **our corporate reputation or brands could** adversely affect our **sales and operating results. Our reputation is partially based on perceptions of various subjective qualities and overall integrity. Any incident that erodes the trust or confidence of our customers or the general public could adversely affect our reputation and** business, **particularly if the incident results in significant adverse publicity or governmental inquiry. Such an incident could also**

include alleged acts or omissions by, or situations involving, our vendors (or their contractors or subcontractors), the landlords for our stores, or our associates outside of work, and may pertain to social or political issues or protests largely unrelated to our business. Similarly, our responses to events or crises and our position (or perceived lack of position) on environmental, social, and governance (“ ESG ”) matters, such as sustainability, corporate social responsibility, diversity, equality, and inclusion (“ DE & I ”), responsible sourcing, and any perceived lack of transparency about those matters could harm our reputation. The use of social media and other online platforms, including blogs, applications, websites, and other forms of internet- based communications, which allow individuals access to a broad audience of consumers and other interested persons, continues to increase. The availability of information (whether correct or erroneous) on social media and other online platforms is virtually immediate, as is its impact. Many social media and other online platforms immediately publish the content their subscribers and participants post, often without filters or checks on accuracy of the content. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. Information concerning our Company may be posted on such platforms at any time. Information posted may be adverse to our interests or may be inaccurate, which could negatively affect our sales, diminish customer trust, reduce employee morale and productivity, and lead to difficulties in recruiting and retaining qualified associates. The harm may be immediate, without affording us an opportunity for redress or correction. To support our continuing operations, **our new store** and **distribution center growth plans and other capital investment plans, our quarterly dividends, our debt repayments, and our stock repurchase program, we must maintain sufficient liquidity. We depend upon our operations to generate strong cash flows to support our general operating activities, and to finance our operations, make capital expenditures and acquisitions, manage our debt levels, and return value to our stockholders through dividends and stock repurchases. Disruptions to our operations may occur, nationally, regionally, or in specific locations. If we are unable to generate sufficient cash flows from operations to support our activities, our growth plans and our** financial performance **would be adversely affected. If our access to capital is restricted or our borrowing costs increase, our operations** and **financial** condition **could be adversely impacted** . ~~The United States and other countries continue~~ **In addition, if we do not properly allocate our capital resources** to ~~experience~~ **maximize returns, our operations, cash flows, and returns to stockholders could be adversely affected. A pandemic, or natural or man- made disaster in** a **region where we** ~~global pandemic with related, potentially significant, disruptions and cost impacts to retail operations and supply chains, and to general economic activities. The COVID- 19 pandemic continues to evolve, with new virus variants, and has an unknown duration and severity. As the COVID- 19 pandemic continues, our business and operations may be affected by future recommendations and / or mandates from federal, state, and local authorities. Additional outbreaks and spreading of the disease~~ have **a concentration** ~~been occurring across the United States and levels~~ of ~~spread have gone up and down in different regions. Government authorities in affected regions have in the past taken actions, sometimes drastic, including mandatory capacity restrictions, reduced operating hours, and closure of retail operations, in an effort to slow down the spread of the disease. The COVID- 19 pandemic may potentially adversely affect our ability to adequately staff our distribution centers,~~ stores, **offices, or a** ~~and merchant and other support operations. We may still face temporary store and~~ distribution center **could harm** ~~closures nationally, regionally, or~~ **our business** ~~in specific locations~~ . We have a concentration of store locations in the states of California, Texas, and Florida; together those states include almost 50 % of our stores. More than half of our distribution center and warehouse capacity ~~is~~ **, approximately 22 % of our stores, and our corporate headquarters, are** located in California. **Natural** ~~A severe outbreak or temporary closure affecting these facilities would be very disruptive to our~~ - **or** ~~ability to supply merchandise to our stores. Further, the COVID- 19 pandemic continues to impact multiple countries, leading to supply related disruptions, including port of exit / entry congestion, shipping delays, and ocean freight cost increases, which may also adversely affect our ability to access and ship products from affected regions. Damage to our corporate reputation or brands could adversely affect our sales and operating results. Our reputation is partially based on perceptions of various subjective qualities and overall integrity. Any incident that erodes the trust or confidence of our customers or the general public could adversely affect our reputation and business, particularly if the incident results in significant adverse publicity or governmental inquiry. Such an incident could also include alleged acts or omissions by, or situations involving, our vendors (or their~~ - **other disasters** ~~contractors or subcontractors), the landlords for our stores, or our associates outside of work, and may pertain to social or political issues or protests largely unrelated to our business. Similarly, our responses to events or crises and our position (or perceived lack of position) on environmental, social, and governance (“ ESG ”) matters~~ , such as ~~sustainability~~ **wildfires** , **earthquakes** ~~corporate social responsibility~~ , ~~diversity~~ **hurricanes** , ~~equality~~ **tornadoes** , **floods, or other extreme weather** and ~~inclusion~~ **climate conditions, or fires, explosions, and acts of war or terrorism, or public health issues** (**such as pandemics** ~~“ DE & I ”~~), **in** ~~responsible sourcing, and~~ any ~~perceived lack~~ of **our markets** ~~transparency about those matters~~ could **disrupt** ~~harm our reputation. The use of social media and other online platforms, including blogs, applications, websites, and other forms of internet- based communications, which allow individuals access to a broad audience of consumers and other interested persons, continues to increase. The availability of information (whether correct or~~ **our operations** ~~erroneous) on social media and other online platforms is virtually immediate, as is its impact. Many social media and other online platforms immediately publish the content their subscribers and participants post, often without filters or checks on accuracy of the content. The opportunity for~~ - **or** ~~dissemination of information, including inaccurate information, is seemingly limitless and readily available. Information concerning our Company may be posted on such platforms at any time. Information posted may be adverse to our interests or~~ **our supply chain** ~~may be inaccurate~~ , which **or** could ~~negatively affect~~ **shut down, damage,** ~~our~~ - **or destroy** ~~sales, diminish customer trust, reduce employee morale and productivity, and lead to difficulties in recruiting and retaining qualified associates. The harm may be immediate, without affording us an opportunity for redress or~~ **our** ~~correction~~ **stores or distribution facilities** . We are subject to impacts from instances of damage to our stores and losses of merchandise accompanying protests or demonstrations, which may result in

temporary store closures. In recent years, there have been demonstrations and protests in cities throughout the United States. While they have generally been peaceful, in some locations they have been accompanied by violence, damage to retail stores, and the loss of merchandise. While generally subject to coverage by insurance, the repairs of damage to our stores and replacement of lost merchandise may increase our costs and temporarily disrupt store operations, and we may incur increased operating costs for additional security. Governmental authorities in affected cities and regions may take action in an effort to protect people and property while permitting lawful and non- violent protests, including curfews and restrictions on business operations, which may be disruptive to our operations. These activities, governmental responses, and resulting media coverage may also harm consumer confidence and perceptions of personal well- being and security, which may negatively affect shopping behavior and our sales. COMPLIANCE, REGULATORY, AND LEGAL RISKS Consumer problems or legal issues involving the quality, safety, or authenticity of products we sell could harm our reputation, result in lost sales, and / or increase our costs. Various governmental authorities regulate the quality and safety of merchandise we sell. These regulations and related laws frequently change, and the ultimate cost of compliance cannot be precisely estimated. Because of our opportunistic buying strategies, we sometimes obtain merchandise in new categories or from new vendors we have not previously dealt with. Although our vendor arrangements typically place contractual responsibility on the vendor for resulting liability and we generally rely on our vendors to provide authentic merchandise that matches the stated quality attributes and complies with applicable product safety and other laws, any non- compliance with consumer product safety laws may subject us to product recalls, make certain products unsalable, or require us to incur significant compliance costs. We require our vendors (for both import and domestic purchasing) to contractually confirm that they adhere to various conduct, compliance, and other requirements, including those relating to environmental, employment and labor (including wages and working conditions), health, safety, and anti- bribery standards. From time to time, our vendors, their contractors, or their subcontractors may be alleged to not be in compliance with these standards or with applicable local laws. Although we have implemented policies and procedures to promote compliance with laws and regulations relating to doing business in foreign markets and importing merchandise, and to monitor the compliance of our suppliers, this does not guarantee that suppliers and other third parties with whom we do business will not violate (or not allegedly violate) such laws and regulations or our policies. Significant or continuing **non-** ~~noncompliance~~ --- **compliance** (or alleged **non-** ~~noncompliance~~ --- **compliance**) with such standards and laws by one or more vendors could have a negative impact on our reputation, could subject us to claims and liability, and could have an adverse effect on our results of operations. Regardless of fault, any real or perceived issues with the quality and safety of merchandise we offer (particularly products such as food and children' s items), issues with the authenticity of merchandise, or our inability or that of our vendors, to comply on a timely basis with laws and regulatory requirements, could adversely affect our reputation, result in lost sales, inventory write- offs, uninsured product liability or other legal claims, penalties or losses, merchandise recalls, and increased costs. An adverse outcome in various legal, regulatory, or tax matters could damage our reputation or brand and increase our costs. As an ordinary part of our business, we are involved in various legal proceedings, regulatory reviews, tax audits, and / or other legal matters. These may include lawsuits, inquiries, demands, or other claims or proceedings by governmental entities and private plaintiffs, including those relating to employment and employee benefits (including classification, employment rights, discrimination, harassment, wage and hour, and retaliation), workplace safety, securities, real estate, tort, commercial, consumer protection, privacy, product compliance and safety, advertising, environmental, comparative pricing, product labeling, intellectual property, tax, escheat, and whistle- blower claims. We continue to be involved in a number of employment- related lawsuits, including class / representative actions which are primarily in California. We are subject to federal, state, and local rules and regulations in the United States, and to various international laws, which change from time to time. These legal requirements collectively affect multiple aspects of our business, including the cost of health care, workforce management and employee benefits, minimum wages, advertising, comparative pricing, import / export, sourcing and manufacturing, data protection (including customer and associate data privacy, choice, and notification rights), intellectual property, and others. If we fail to comply (or are alleged not to comply) with any of these requirements, we may be subject to fines, settlements, penalties, or other costs. In addition, an adverse outcome (or the adverse publicity from the claims) in any of these matters may damage our reputation or brand. We are also subject to the continuous examination of our tax returns and reports by federal, state, and local tax authorities and these examining authorities may challenge positions we take. Significant judgment is required in evaluating and estimating our tax provisions and reserves for legal claims. Actual results may differ and our costs may exceed the reserves we establish in estimating the probable outcomes. In addition, applicable accounting principles and interpretations may change from time to time, and those changes could have material effects on our reported operating results and financial condition. Changes in U. S. tax or trade policy regarding apparel and home- related merchandise produced in other countries could adversely affect our business. A predominant portion of the apparel and other goods we sell is originally manufactured in other countries. The U. S. government has at times indicated a willingness to significantly change existing trade policies, including those with China. This exposes us to risks of disruption and cost increases in our established patterns for sourcing our merchandise and creates increased uncertainties in planning our sourcing strategies and forecasting our margins. Changes in U. S. tariffs, quotas, trade relationships, or tax provisions that reduce the supply or increase the relative cost of goods produced in other countries could increase our cost of goods and / or increase our effective tax rate. Although such changes would have implications across the entire industry, we may fail to effectively adapt and to manage the adjustments in strategy that would be necessary in response to those changes. In addition to the general uncertainty and overall risk from potential changes in U. S. laws and policies, as we make business decisions in the face of uncertainty as to potential changes, we may incorrectly anticipate the outcomes, miss out on business opportunities, or fail to effectively adapt our business strategies and manage the adjustments that are necessary in response to those changes. These risks could adversely affect our revenues and expenses, increase our effective tax rates, and reduce our profitability. **17**
~~GENERAL RISKS We may experience volatility in sales and earnings. Our business has slower and busier periods based on~~

~~holiday and back- to- school seasons, weather, and other factors. Although our off- price business is historically subject to less seasonality than traditional retailers, we may still experience unexpected decreases in sales from time to time, which could result in increased markdowns and reduced margins. Significant operating expenses, such as rent expense and associate wages, do not adjust proportionately with our sales. If sales in a certain period are lower than our plans, we may not be able to adjust these operating expenses concurrently, which could adversely affect our operating results. To support our continuing operations, our new store and distribution center growth plans and other capital investment plans, our quarterly dividends, and our stock repurchase program, we must maintain sufficient liquidity; the COVID- 19 pandemic and related economic disruptions are adding significant uncertainty and challenges. We depend upon our operations to generate strong cash flows to support our general operating activities, and to finance our operations, make capital expenditures and acquisitions, manage our debt levels, and return value to our stockholders through dividends and stock repurchases. While the pandemic continues, disruptions to our operations may occur, nationally, regionally, or in specific locations. The situation continues to evolve and has an unknown duration and severity. If we are unable to generate sufficient cash flows from operations to support our activities, our growth plans and our financial performance would be adversely affected. If our access to capital is restricted or our borrowing costs increase, our operations and financial condition could be adversely impacted. In addition, if we do not properly allocate our capital resources to maximize returns, our operations, cash flows, and returns to stockholders could be adversely affected. 16~~