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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended November 1, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________to__________________

Commission file number 0-3747

THE CATO CORPORATION AND SUBSIDIARIES
(Exact name of registrant as specified in its charter)

Delaware	56-0484485
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)

8100 Denmark Road, Charlotte, North Carolina 28273-5975
(Address of principal executive offices)
(Zip Code)

(704) 554-8510
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

As of November 18, 1997, there were 22,588,366 shares of Class A Common Stock and 5,264,317 shares of Class B Common Stock outstanding.

THE CATO CORPORATION

FORM 10-Q

NOVEMBER 1, 1997

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PART I FINANCIAL INFORMATION

THE CATO CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

	Three Months Ended		Nine Months Ended	
	November 1, 1997	November 2, 1996	November 1, 1997	November 2, 1996
	(In thousands, except per share data)			
REVENUES				
Retail sales	$ 109,886	$ 108,117	$ 354,038	$ 340,892
Other income (principally finance and layaway charges)	3,857	3,374	11,656	10,093
Total revenues	113,743	111,491	365,694	350,985
COSTS AND EXPENSES				
Cost of goods sold, including occupancy, distribution and buying	80,028	81,467	249,038	241,790
Selling, general and administrative	29,747	29,298	91,428	88,544
Depreciation	1,873	2,055	5,781	6,252
Interest	66	65	197	196
Total expenses	111,714	112,885	346,444	336,782
INCOME (LOSS) BEFORE INCOME TAXES	2,029	(1,394)	19,250	14,203
Income taxes (benefit)	639	(495)	6,064	5,042
NET INCOME (LOSS)	$ 1,390	$ (899)	$ 13,186	$ 9,161
EARNINGS (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE	$ .05	$ (0.03)	$ .46	$ 0.32
DIVIDENDS PER SHARE	$ .04	$ 0.04	$ .12	$ 0.12

See accompanying notes to consolidated financial statements.

THE CATO CORPORATION
CONSOLIDATED BALANCE SHEETS

	November 1, 1997 (Unaudited)	November 2, 1996 (Unaudited)	February 1, 1997
		(In thousands)	
ASSETS			
Current Assets			
Cash and cash equivalents	$ 18,189	$ 10,053	$ 16,593
Short-term investments	33,774	34,646	33,512
Accounts receivable - net	47,453	38,893	43,192
Merchandise inventories	89,365	93,007	63,968
Deferred income taxes	2,014	1,825	2,014
Prepaid expenses	1,833	1,981	2,181
Total Current Assets	192,628	180,405	161,460
Property and Equipment - net	50,229	55,611	51,333
Other Assets	5,554	5,349	5,450
Total	$ 248,411	$ 241,365	$ 218,243
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable	$ 58,317	$ 59,350	$ 38,276
Accrued expenses	17,475	12,590	16,232
Income taxes	4,225	1,865	1,579
Total Current Liabilities	80,017	73,805	56,087
Deferred Income Taxes	3,851	4,491	3,851
Other Noncurrent Liabilities	6,671	7,799	6,402
Stockholders' Equity:			
Class A Common Stock, issued 23,439,466 shares, 23,364,618 shares and 23,366,403 shares at November 1, 1997, November 2, 1996 and February 1, 1997, respectively	781	778	778
Convertible Class B Common Stock, issued and outstanding 5,264,317 shares at November 1, 1997, November 2, 1996 and February 1, 1997, respectively	176	176	176
Preferred Stock, none	-	-	-
Additional paid-in capital	63,677	63,263	63,272
Retained earnings	98,449	92,032	88,656
	163,083	156,249	152,882
Less: Class A Common Stock in treasury, at cost (851,500 shares at November 1, 1997, 175,000 shares at November 2, 1996 and February 1, 1997, respectively)	5,211	979	979
Total Stockholders' Equity	157,872	155,270	151,903
Total	$ 248,411	$ 241,365	$ 218,243

See accompanying notes to consolidated financial statements.

THE CATO CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended	
	November 1, 1997	November 2, 1996
	(In thousands)	
OPERATING ACTIVITIES		
Net income	$ 13,186	$ 9,161
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,781	6,252
Amortization of investment premiums	75	146
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	(4,261)	899
Merchandise inventories	(25,397)	(34,567)
Other assets	244	250
Accrued income taxes	2,646	537
Accounts payable and other liabilities	22,179	25,729
Net cash provided by operating activities	14,453	8,407
INVESTING ACTIVITIES		
Expenditures for property and equipment	(5,303)	(7,883)
Purchases of short-term investments	(5,866)	(19,555)
Sales of short-term investments	5,529	6,474
Net cash used in investing activities	(5,640)	(20,964)
FINANCING ACTIVITIES		
Dividends paid	(3,393)	(3,420)
Purchase of treasury stock	(4,232)	(756)
Proceeds from employee stock purchase plan	229	269
Proceeds from stock options exercised	179	334
Net cash used in financing activities	(7,217)	(3,573)
Net Increase (Decrease) in Cash and Cash Equivalents	1,596	(16,130)
Cash and Cash Equivalents at Beginning of Period	16,593	26,183
Cash and Cash Equivalents at End of Period	$ 18,189	$ 10,053

See accompanying notes to consolidated financial statements.

THE CATO CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE MONTHS AND NINE MONTHS ENDED NOVEMBER 1, 1997 AND
NOVEMBER 2, 1996

NOTE 1 - GENERAL:

The consolidated financial statements have been prepared from the accounting records of The Cato Corporation (the Company) and all amounts shown at November 1, 1997 and November 2, 1996 are unaudited. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of the interim period may not be indicative of the entire year.

The Company's short-term investments are classified as available for sale securities, and therefore, are carried at fair value, with unrealized gains and losses, net of income taxes, reported as an adjustment to retained earnings.

Inventories are stated at the lower of cost (first-in, first-out) or market, determined by the retail inventory method.

The provisions for income taxes are based on the Company's estimated annual effective tax rate.

NOTE 2 - EARNINGS (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE:

Earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of Class A and Class B common shares and common stock equivalents outstanding during the respective periods. Common stock equivalents represent the dilutive effect of the assumed exercise of outstanding stock options. The number of shares used in the earnings (loss) per common and common equivalent share computations were 28,214,727 shares and 28,365,202 shares for the three months and nine months ended November 1, 1997, respectively, and 28,577,429 shares and 28,706,072 shares for the three months and nine months ended November 2, 1996, respectively.

THE CATO CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE MONTHS AND NINE MONTHS ENDED NOVEMBER 1, 1997 AND
NOVEMBER 2, 1996

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NOTE 2 - EARNINGS (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE - CONTINUED:

In February 1997, Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS 128) was issued to simplify the standards for computing earnings per share (EPS) and make them comparable to international EPS standards. SFAS 128 is effective for periods ending after December 15, 1997 and can not be adopted at an earlier date. SFAS 128 will require dual presentation of basic and diluted EPS on the face of the statement of current earnings and a reconciliation of the components of the basic and diluted EPS calculations in the notes to the financial statements. Basic EPS excludes dilution and is computed by dividing net earnings by the weighted-average number of common shares outstanding for the period. Diluted EPS is similar to fully diluted EPS pursuant to Accounting Principles Board (APB) Opinion No. 15. The Company will adopt SFAS 128 in the quarter and year ending January 31, 1998. Had the new standard been applied in the quarter ended November 1, 1997, basic and diluted EPS would not have been materially different from primary and fully diluted EPS under APB Opinion No. 15.

NOTE 3 - SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid during the nine months ended November 1, 1997 and November 2, 1996 was $194,000 and $155,000, respectively. Income tax payments for the nine months ended November 1, 1997 and November 2, 1996 were $2,869,000 and $4,494,000, respectively.

NOTE 4 - FINANCING ARRANGEMENTS:

In February 1996, the Company entered into a new unsecured revolving credit agreement which provides for borrowings of up to $20 million and an additional letter of credit facility of $15 million. The revolving credit agreement is committed until May 1999 and the letter of credit facility is renewable annually. The revolving credit agreement contains various financial covenants, including the maintenance of specific financial ratios. The agreement replaced an unsecured revolving credit and term loan agreement, which was committed until May 1998, and provided $35 million of available borrowings and a $15 million letter of credit facility.

In May 1997, the unsecured revolving credit agreement was extended until May 2000 and the letter of credit facility renewed for an additional year.

THE CATO CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain items in the Company's Unaudited Consolidated Statements of Income as percentages of total retail sales:

	Three Months Ended		Nine Months Ended	
	November 1, 1997	November 2, 1996	November 1, 1997	November 2, 1996
Total retail sales	100.0%	100.0%	100.0%	100.0%
Total revenues	103.5	103.1	103.3	103.0
Cost of goods sold, including occupancy, distribution and buying	72.8	75.3	70.3	70.9
Selling, general and administrative	27.0	27.1	25.9	26.0
Income (loss) before income taxes	1.9	(1.3)	5.4	4.2
Net income (loss)	1.3	(0.8)	3.7	2.7

COMPARISON OF THIRD QUARTER AND FIRST NINE MONTHS OF 1997 WITH 1996.

OPERATING RESULTS

Total retail sales for the third quarter were $109.9 million compared to last year's third quarter sales of $108.1 million, a 2% increase. Same-store sales increased 3% in this year's third quarter. For the nine months ended November 1, 1997, total retail sales increased 4% over the prior year's first nine months, while same-store sales increased 5% for the comparable nine month period. The increase in retail sales for the first nine months of 1997 resulted from the Company's store development activity, a more customer attuned merchandise offering and more aggressive pricing. The Company operated 688 stores at November 1, 1997 compared to 694 stores at the end of last year's third quarter.

Other income for the third quarter and first nine months of 1997 increased 14% and 15%, respectively, over the prior year's comparable periods. The increase in the current year resulted primarily from increased finance charge income on the Company's customer accounts receivable and by increased earnings from cash equivalents and short-term investments.

Cost of goods sold, including occupancy, distribution and buying expenses were 72.8% and 70.3% of total retail sales for the third quarter and first nine months of 1997, respectively, compared to 75.3% and 70.9% for last year's comparable three and nine month periods. The decrease in cost of goods sold as a percent of retail sales resulted primarily from a decrease in initial mark-up and lower markdowns.

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OPERATING RESULTS - CONTINUED

Selling, general and administrative (SG&A) expenses were $29.7 million and $91.4 million for the third quarter and first nine months of this year, respectively, compared to $29.3 million and $88.5 million for last year's comparable three and nine months periods, respectively. Expenses remained well controlled and were under planned levels.

LIQUIDITY AND CAPITAL RESOURCES

At November 1, 1997, the Company had working capital of $112.6 million, compared to $106.6 million at November 2, 1996 and $105.4 million at February 1, 1997. Cash provided from operating activities was $14.5 million for the nine months ended November 1, 1997, compared to $8.4 million for last year's comparable nine month period. The Company had no borrowings under its revolving credit agreement at November 1, 1997 or November 2, 1996. At November 1, 1997, the Company had cash, cash equivalents, and short-term investments of $52.0 million, compared to $44.7 million at November 2, 1996 and $50.1 million at February 1, 1997.

In February 1996, the Company entered into a new unsecured revolving credit agreement which provides for borrowings of up to $20 million and an additional letter of credit facility of $15 million. The revolving credit agreement is committed until May 1999 and the letter of credit facility is renewable annually. The revolving credit agreement contains various financial covenants, including the maintenance of specific financial ratios. The agreement replaced an unsecured revolving credit and term loan agreement, which was committed until May 1998, and provided $35 million of available borrowings and a $15 million letter of credit facility.

In May 1997, the unsecured revolving credit agreement was extended until May 2000 and the letter of credit facility for an additional year.

Expenditures for property and equipment totaled $5.3 million for the nine months ended November 1, 1997, compared to $7.9 million of expenditures in last year's first nine months. The Company expects total capital expenditures to be approximately $9.0 million for the current fiscal year. The Company intends to open 55 new stores and to relocate or expand 16 stores during the current fiscal year. For the nine months ended November 1, 1997, the Company had opened 46 new stores, relocated or expanded 14 stores, and closed 13 stores.

The Company believes that its cash, cash equivalents and short-term investments, together with cash flow from operations and borrowings available under its revolving credit agreement, will be adequate to fund the Company's proposed capital expenditures and other operating requirements.

PART II OTHER INFORMATION

THE CATO CORPORATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN THE RIGHTS OF THE COMPANY'S SECURITY HOLDERS

None

ITEM 3. DEFAULTS BY THE COMPANY ON ITS SENIOR SECURITIES

Not Applicable

ITEM 4. RESULT OF VOTES OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) 27 Financial Data Schedule (for SEC use only)

(B) No Reports on Form 8-K were filed during the quarter ended November 1, 1997.

PART II OTHER INFORMATION (CONTINUED)

THE CATO CORPORATION

Pursuant to the requirements 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.

THE CATO CORPORATION

December 10, 1997	/s/ Wayland H. Cato, Jr.
Date	Wayland H. Cato, Jr. Chairman of the Board of Directors and Chief Executive Officer
December 10, 1997	/s/ Alan E. Wiley
Date	Alan E. Wiley Senior Executive Vice President-Secretary, Chief Financial and Administrative Officer

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET AND INCOME STATEMENT AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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JAN-31-1998
NOV-01-1997
18,189
33,774
51,835
4,382
89,365
192,628
95,603
45,374
248,411
80,017
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13,186
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