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

FORM 10-K

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

For the fiscal year ended January 31, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

REGISTRANT: THE CATO CORPORATION
COMMISSION FILE NUMBER 0-3747

State of Incorporation: Delaware	I.R.S. Employer Identification Number: 56-0484485
Address of Principal Executive Offices: 8100 Denmark Road Charlotte, North Carolina 28273-5975	Registrant's Telephone Number: 704/554-8510
SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:	SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
NONE	CLASS A COMMON STOCK

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

Indicate by check mark, if disclosure of delinquent filers pursuant to Item 405 of the Regulation S-K is not contained herein, and will not be contained, to the best of the 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]

As of March 27, 1998, there were 22,237,391 shares of Class A Common Stock and 5,264,317 shares of Convertible Class B Common Stock outstanding. The aggregate market value of the Registrant's Class A Common Stock held by Non-affiliates of the Registrant as of March 27, 1998 was approximately $218,667,352 based on the last reported sale price per share on the NASDAQ National Market System on that date.

Documents incorporated by reference:

Portions of the proxy statement dated April 22, 1998, relating to the 1998 annual meeting of shareholders are incorporated by reference into the following part of this annual report:

Part III - Items 10, 11, 12 and 13

THE CATO CORPORATION
FORM 10-K
TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS:

GENERAL

The Company, founded in 1946, operated 548 women's apparel specialty stores at January 31, 1998 under the names "Cato," "Cato Fashions" and "Cato Plus" in 21 states, principally in non-metropolitan markets in the South and Southeast. The Company's merchandising strategy is to provide a wide variety of value-priced merchandise in misses, junior and large sizes for the fashion conscious low-to-middle income female customer, ages 18 to 50. Additionally, the Company offers clothing and accessories for girls ages 4 - 14 in selected locations. With the objective of offering head-to-toe dressing for its customers, the Company's stores feature a broad assortment of apparel and accessories, including casual and dressy sportswear, dresses, careerwear, coats, hosiery, shoes, costume jewelry, handbags and millinery. A substantial portion of the Company's merchandise is sold under its private labels and is produced by various vendors in accordance with the Company's specifications. Most stores range in size from 4,000 to 6,000 square feet and are located primarily in strip shopping centers anchored by major discount stores. The Company emphasizes customer service and coordinated merchandise presentations in an appealing store environment. The Company offers its own credit card and layaway plan. Credit and layaway sales represented 26% of retail sales in fiscal 1997. In addition to its Cato stores, the Company operated 145 off-price family apparel and accessories stores at January 31, 1998 under the name "It's Fashion!" These stores are managed separately from the Cato stores with respect to merchandising and store operations but use the same administration, distribution and financial systems as the Cato stores.

BUSINESS

The Company's objective is to be the leading women's apparel specialty retailer for fashion conscious low-to-middle income females in its markets. Management believes the Company's success is dependent upon its ability to differentiate its stores from department stores, mass merchandise discount stores and competing women's specialty stores. The key elements of the Company's business strategy are:

Merchandise Assortment. The Company's stores offer a wide assortment of apparel and accessory items in regular and large sizes and emphasize color, product coordination and selection.

Value Pricing. The Company offers quality merchandise that is generally priced below comparable merchandise offered by department stores and higher-end specialty apparel chains but is generally more fashionable than merchandise offered by discount stores.

ITEM 1. BUSINESS: (CONTINUED)

Strip Shopping Center Locations. The Company locates its stores principally in strip centers convenient to our customers anchored by major discount stores, such as Wal-Mart and Kmart, that attract large numbers of potential customers.

Customer Service. Store managers and sales associates are trained to provide prompt and courteous service and to assist customers in merchandise selection and wardrobe coordination.

Credit and Layaway Programs. The Company offers its own credit and a layaway plan to make the purchase of its merchandise more convenient.

Expansion. The Company plans to open new stores and relocate or expand existing stores in small to medium sized towns and selected metropolitan areas, principally in the South and Southeast.

MERCHANDISING

Merchandising

The Company offers a broad selection of apparel and accessories to suit the various lifestyles of the fashion conscious low-to-middle income female, ages 18 to 50. In addition, the Company features a value pricing strategy, product quality and consistent merchandise flow providing color and product coordination.

The Company's merchandise lines include dressy and casual sportswear, dresses, careerwear, coats, shoes, lingerie, hosiery, costume jewelry, handbags and millinery. Clothing and accessories for girls ages 4 - 14 are offered in selected stores. Most of the Company's merchandise is sold under its private labels.

In fiscal 1997, approximately 30% of Cato stores' retail sales represented merchandise for large size customers. This merchandise is marketed in its stores under two formats: as a distinct display area in "Cato" and "Cato Fashions" stores and as a separate department in the combined "Cato Fashions" and "Cato Plus" stores.

ITEM 1. BUSINESS: (CONTINUED)

As a part of its merchandising strategy, members of the Company's merchandising staff frequently visit selected stores, monitor the merchandise offerings of other retailers, regularly communicate with store operations personnel and frequently confer with key vendors. The Company tests most new fashion-sensitive items in selected stores to aid it in determining their appeal before making a substantial purchasing commitment. The Company also takes aggressive markdowns on slow-selling merchandise and does not carry over merchandise to the next season.

Purchasing, Allocation and Distribution

Although the Company purchases merchandise from approximately 1,500 suppliers, most of its merchandise is purchased from approximately 100 primary vendors. In fiscal 1997, purchases from the Company's largest vendor accounted for approximately 8% of the Company's total purchases. No other vendor accounted for more than 5% of total purchases. The Company is not dependent on its largest vendor or any other vendor for merchandise purchases and the loss of any single vendor or group of vendors would not have a material adverse affect on the Company's operating results or financial condition. A substantial portion of the Company's merchandise is sold under its private labels and is produced by various vendors in accordance with the Company's specifications. The Company purchases most of its merchandise from domestic importers and vendors, which typically minimizes the time necessary to purchase and obtain shipments in order to enable the Company to react to merchandise trends in a more timely fashion. Although a significant portion of the Company's merchandise is manufactured overseas, principally in the Far East, any economic, political or social unrest in that region is not expected to have a material adverse effect on the Company's ability to obtain adequate supplies of merchandise.

An important component of the Company's strategy is the allocation of merchandise to individual stores based on an analysis of historical and current sales trends by merchandise category, customer profiles and climatic conditions. A computerized merchandise control system provides current information on the sales activity of each merchandise style in the Company's stores. Point-of-sale terminals in the stores collect and transmit sales and inventory information to the Company's central computer, permitting timely response to sales trends on a store-by-store basis.

All merchandise is shipped directly to the Company's distribution center in Charlotte, North Carolina where it is inspected and allocated by the merchandise distribution staff for shipment to individual stores. The flow of merchandise from receipt at the distribution center to shipment is controlled by an on-line computer system. Shipments are made by common carrier, and each store receives at least one shipment per week.

ITEM 1. BUSINESS: (CONTINUED)

Advertising

The Company uses direct mail, newspapers, radio and in-store advertising as its primary advertising media. Newspaper advertisements typically promote specific items or image. The Company uses radio advertising throughout its trade areas. The Company's total advertising expenditures were approximately 1.6% of retail sales in fiscal 1997.

STORE OPERATIONS

The Company's store operations management team consists of an executive vice president and senior vice president, nine regional vice presidents and 50 district managers. Regional vice presidents receive a salary plus a bonus based on achieving targeted goals for sales, payroll expense, shrinkage control and store profitability. District managers receive a salary plus a bonus based on achieving targeted objectives for district sales increases and shrinkage control. Stores are staffed with a manager, two assistant managers and additional part-time sales associates depending on the size of the stores and seasonal personnel needs. Store managers receive a salary and all other store personnel are paid on an hourly basis. Store managers and assistant managers are eligible for monthly and semi-annual bonuses based on achieving targeted goals for their store's sales increases and shrinkage control.

The Company has training programs at each level of store operations. New store managers are trained in training stores managed by experienced personnel who have achieved superior results in meeting the Company's goals for store sales, payroll expense and shrinkage control. The type and extent of district manager training varies depending on whether the manager is promoted from within or recruited from outside the Company. All district managers receive at a minimum a one-week orientation program at the Company's home office.

STORE LOCATIONS

Most of the Company's stores are located in the South and Southeast in small to medium-sized towns, with populations of 10,000 to 50,000 and retail trade areas of 25,000 to 100,000. Approximately 80 stores, operating under the name "Cato" or "Cato Fashions," average approximately 4,000 square feet. Substantially, all of the remaining stores are combination "Cato Fashions" and "Cato Plus" stores, ranging in size from 4,000 to 6,000 square feet.

ITEM 1. BUSINESS: (CONTINUED)

All of the Company's stores are leased. Approximately 92% are located in strip shopping centers, 1% in downtown locations and 7% in enclosed shopping malls. Where lease terms are acceptable and a potential location meets the Company's demographic and other site-selection criteria, the Company locates stores in strip shopping centers anchored by major discount stores, such as Wal-Mart and Kmart stores. The Company's strip center locations provide ample parking and shopping convenience for its customers.

The Company's store development activities consist of opening new stores, expanding certain existing stores and relocating other existing stores to more desirable locations in the same market area. The following table sets forth information with respect to the Company's development activities for its Cato stores since fiscal 1993.

CATO STORE DEVELOPMENT

Fiscal Year	Number of Stores Beginning of Year	Number Opened	Number Closed	Number of Stores End of Year
1993............	438	65	13	490
1994............	490	57	9	538
1995............	538	19	7	550
1996............	550	18	32	536
1997............	536	28	16	548

The Cato Division intends to open approximately 30 new stores and to relocate or expand approximately 20 existing stores in fiscal 1998.

The Company periodically reviews its store base to determine whether any particular store should be closed based on its sales trends and profitability. The Company intends to continue this review process and to close underperforming stores or relocate them to more desirable locations in their existing markets.

CREDIT AND LAYAWAY

Credit Card Program

The Company offers its own credit card, which accounted for approximately 18% of retail sales in fiscal 1997. The Company's net bad debt expense in fiscal 1997 was 4.1% of credit sales.

ITEM 1. BUSINESS: (CONTINUED)

Customers applying for the Company's credit card are approved for credit if they have a satisfactory credit record and meet a minimum income test. Customers are required to make minimum monthly payments based on their account balances. If the balance is not paid in full each month, the Company charges a finance charge based on the allowable rates in the customer's state of residence.

Layaway Plan

Under the Company's layaway plan, merchandise is set aside for customers who agree to make periodic payments. The Company adds a nonrefundable administrative fee to each layaway sale. If no payment is made for nine weeks, the customer is considered to have defaulted, and the merchandise is returned to the selling floor and again offered for sale, often at a reduced price. All payments made by customers who subsequently default on their layaway purchase are returned to the customer upon request, less the administrative fee and a restocking fee. Layaway sales represented approximately 8% of retail sales in fiscal 1997.

IT'S FASHION! STORES

The Company operated 145 off-price stores at January 31, 1998 in 11 states in the South and Southeast under the name "It's Fashion!" These stores are smaller than the Cato stores, ranging in size from 3,000 to 4,000 square feet, and offer limited selections of first-quality family apparel and accessories at prices ranging from 20% to 60% off regular retail prices. The Company's credit and layaway plans are not available in these stores. Most of the merchandise for these stores is purchased at close-out prices from manufacturers with excessive inventories due to overruns or order cancellations. The It's Fashion! stores are managed separately from the Cato stores with respect to merchandising and store operations but use the same administrative, distribution and financial systems as the Cato stores. Sales from It's Fashion! stores represented 14% of the Company's retail sales during fiscal 1997. As part of its planned expansion program, the Company currently intends to open approximately 35 new It's Fashion! stores in fiscal 1998.

IT'S FASHION! STORE DEVELOPMENT

Fiscal Year	Number of Stores Beginning of Year	Number Opened	Number Closed	Number of Stores End of Year

1993.............	67	21	3	85
1994.............	85	23	0	108
1995.............	108	18	5	121
1996.............	121	10	12	119
1997.............	119	27	1	145

ITEM 1. BUSINESS: (CONTINUED)

MANAGEMENT INFORMATION SYSTEMS

The Company's systems provide daily financial and merchandising information that is used by management to enhance the timeliness and effectiveness of purchasing and pricing decisions. Management uses a daily report comparing actual sales with planned sales and a weekly best seller/worst seller report to monitor and control purchasing decisions. Weekly reports are also produced which reflect sales, weeks of supply of inventory and other critical data by product categories, by store and by various levels of responsibility reporting. Purchases are made based on projected sales but can be modified to accommodate unexpected increases or decreases in demand for a particular item.

Sales information is projected by merchandise category and, in some cases, is further projected and actual performance measured by stockkeeping unit. Merchandise allocation models are used to distribute merchandise to individual stores based upon historical sales trends, climatic differences, customer demographic differences and targeted inventory turnover rates.

COMPETITION

The women's retail apparel industry is highly competitive. The Company believes that the principal competitive factors in its industry include merchandise assortment and presentation, fashion, price, store location and customer service. The Company competes with retail chains that operate similar women's apparel specialty stores. In addition, the Company competes with local apparel specialty stores, mass merchandise chains, discount store chains and, to some degree, with major department stores. To the extent that the Company opens stores in larger cities and metropolitan areas, competition is expected to be more intense in those markets. Many of the Company's competitors have substantially greater financial, marketing and other resources than the Company.

REGULATION

A variety of laws affect the revolving credit program offered by the Company. The Federal Consumer Credit Protection Act (Truth-in Lending) and Regulation Z promulgated thereunder require written disclosure of information relating to such financing, including the amount of the annual percentage rate and the finance charge. The Federal Fair Credit Reporting Act also requires certain disclosures to potential customers concerning credit information used as a basis to deny credit. The Federal Equal Credit Opportunity Act and Regulation B promulgated thereunder prohibit discrimination against any credit applicant based on certain specified grounds. The Federal Trade Commission has adopted or proposed various trade regulation rules dealing with unfair credit and collection practices and the preservation of consumers' claims and defenses. The Company is also subject to the provisions of the Fair Debt Collection Practices Act, which regulates the manner in which the Company collects payments on revolving credit accounts. In addition, various state laws regulate collection practices, require certain disclosures to credit customers and limit the finance charges, late fees and other charges which may be imposed by the Company.

ITEM 1. BUSINESS: (CONTINUED)

EMPLOYEES

As of January 31, 1998, the Company employed approximately 7,100 full-time and part-time employees. The Company also employs additional part-time employees during the peak retailing seasons. The Company is not a party to any collective bargaining agreements and considers that its employee relations are good.

ITEM 2. PROPERTIES:

The Company's distribution center and general offices are located in a Company-owned building of approximately 492,000 square feet located on a 15-acre tract in Charlotte, North Carolina. The Company's automated merchandise handling and distribution activities occupy approximately 418,000 square feet of this building and its general offices and corporate training center are located in the remaining 74,000 square feet.

Substantially all of the Company's retail stores are leased from unaffiliated parties. Most of the leases have an initial term of five years, with two to three five-year renewal options. Substantially all of the leases provide for fixed rentals plus a percentage of sales in excess of a specified volume.

ITEM 3. LEGAL PROCEEDINGS:

There are no material pending legal proceedings to which the registrant or its subsidiaries is a party, or to which any of their property is subject.

ITEM 4. RESULTS OF VOTES OF SECURITY HOLDERS:

None.

PART II

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

MARKET & DIVIDEND INFORMATION

The Company's Class A Common Stock trades in the over-the-counter market under the NASDAQ National Market System symbol CACOA. Below is the market range and dividend information for the four quarters of fiscal 1997 and 1996.

	Price		
1997	HIGH	LOW	DIVIDEND
First quarter	$ 6 1/4	$3 63 /64	$ .04
Second quarter	7 5/8	4 1/8	.04
Third quarter	10	7	.04
Fourth quarter	12	7	.04

	Price		
1996	HIGH	LOW	DIVIDEND

First quarter	$10 1/8	$7	$ .04
Second quarter	9	5 9/16	.04
Third quarter	7 1/8	4 5/8	.04
Fourth quarter	5 5/8	3 3/4	.04

- - ---

As of March 27, 1998 the approximate number of holders of the Company's Class A Common stock was 3,746 and there were 14 record holders of the Company's Class B Common Stock.

ITEM 6. SELECTED FINANCIAL DATA:

The Cato Corporation
Selected Financial Data

	Fiscal Year Ended				
	JANUARY 31, 1998	February 1, 1997	February 3, 1996	January 28, 1995	January 29, 1994
	(Dollars in thousands, except per share and selected operating data)				
STATEMENT OF OPERATIONS DATA:					
Retail sales	$ 496,851	$ 477,011	$ 476,638	$ 463,737	$ 407,878
Other income	15,597	14,498	13,357	12,449	12,021
Total revenues	512,448	491,509	489,995	476,186	419,899
Cost of goods sold, including occupancy, distribution and buying	354,627	344,919	341,144	324,309	275,090
Gross margin percent, including occupancy, distribution and buying	28.6%	27.7%	28.4%	30.1%	32.6%
Selling, general and administrative	124,439	121,600	122,699	116,144	100,760
Depreciation	7,713	8,330	7,785	6,844	5,465
Interest	262	262	292	377	250
Closed store expense	--	5,500	--	--	--
Income before income taxes	25,407	10,898	18,075	28,512	38,334
Income tax expense	8,006	3,869	6,055	10,407	13,532
Net income	$ 17,401	$ 7,029	$ 12,020	$ 18,105	$ 24,802
Basic earnings per share	$ .62	$ .25	$ .42	$ .64	$ .88
Diluted earnings per share	$ .62	$ .25	$ .42	$ .63	$ .85
Cash dividends paid per share	$ .16	$ .16	$ .16	$ .145	$ .088
SELECTED OPERATING DATA:					
Stores open at end of year	693	655	671	646	575
Average sales per store	$ 748,000	$ 710,000	$ 721,000	$ 749,000	$ 744,000
Average sales per square foot selling space	$ 163	$ 153	$ 158	$ 172	$ 187
Comparable store sales increase (decrease)	4%	(2)%	(5)%	1%	8%
BALANCE SHEET DATA:					
Working capital	$ 113,327	$ 105,373	$ 102,169	$ 94,581	$ 91,569
Total assets	241,437	218,243	209,895	201,322	178,603
Total stockholders' equity	$ 157,516	$ 151,903	$ 149,682	$ 141,508	$ 127,533

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

RESULTS OF OPERATIONS

The table below sets forth certain financial data of the Company expressed as a percentage of retail sales for the years indicated:

	Fiscal Year Ended JANUARY 31, 1998	February 1, 1997	February 3, 1996
Retail sales	100.0%	100.0%	100.0%
Other income	3.1	3.0	2.8
Total revenues	103.1	103.0	102.8
Cost of goods sold, including occupancy, distribution and buying	71.4	72.3	71.6
Selling, general and administrative	25.0	25.4	25.7
Depreciation	1.5	1.7	1.6
Closed store expense	--	1.2	--
Selling, general, administrative, depreciation and closed store expense	26.5	28.3	27.3
Income before income taxes	5.1	2.3	3.8
Net income	3.5%	1.5%	2.5%

FISCAL 1997 COMPARED TO FISCAL 1996

Retail sales increased by 4% to $496.9 million in fiscal 1997 from $477.0 million in fiscal 1996. Same-store sales increased 4% from the prior year. Total revenues, comprised of retail sales and other income (principally finance charges on customer accounts receivable, interest income and layaway fees), increased by 4% to $512.4 million in fiscal 1997 from $491.5 million in fiscal 1996. The Company operated 693 stores at January 31, 1998, compared to 655 stores operated at February 1, 1997.

The increase in retail sales in fiscal 1997 resulted from the Company's adoption of an everyday low pricing strategy, improved merchandise offerings, and an increase in store development activity. In fiscal 1997, the Company increased its selling square footage approximately 3% by opening 55 new stores, relocating or expanding 16 stores while closing 17 existing stores.

Other income in fiscal 1997 increased 8% over fiscal 1996. The increase resulted primarily from increased earnings on cash equivalents and short-term investments and from higher finance charge income partially offset by decreased layaway service charges.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS: (CONTINUED)

Cost of goods sold, including occupancy, distribution and buying, was $354.6 million, or 71.4% of retail sales, in fiscal 1997, compared to $344.9 million, or 72.3% of retail sales, in fiscal 1996. The decrease in cost of goods sold as a percent of retail sales resulted primarily from much improved merchandise offerings, more timely markdowns and tighter merchandise planning and control. Total gross margin dollars (retail sales less cost of goods sold) increased by 8% to $142.2 million in fiscal 1997 from $132.1 million in fiscal 1996.

Selling, general, and administrative expenses (SG&A) were $124.4 million in fiscal 1997, compared to $121.6 million in fiscal 1996, an increase of 2%. As a percent of retail sales, SG&A was 25.0% compared to 25.4% of retail sales in the prior year. The overall increase in SG&A resulted primarily from increased selling-related expenses and increased infrastructure expenses brought about by the Company's store development activities.

Depreciation expense was $7.7 million in fiscal 1997, compared to $8.3 million in fiscal 1996. The 7% decrease in fiscal 1997 resulted primarily from fixed asset dispositions relating to the prior year's store closings.

FISCAL 1996 COMPARED TO FISCAL 1995

Retail sales were flat at $477.0 million in fiscal 1996, which included fifty-two weeks, compared to $476.6 million in fiscal 1995, which included fifty-three weeks. Same-store sales decreased 2% from fiscal 1995. Total revenues increased 0.3% to $491.5 million in fiscal 1996 from $490.0 million in fiscal 1995. The Company operated 655 stores at February 1, 1997, compared to 671 stores operated at February 3, 1996.

The increase in retail sales in fiscal 1996 resulted primarily from the Company's store development activity. In fiscal 1996, the Company's selling square footage declined by approximately 3% by opening 28 new stores, relocating 17 stores and expanding 2 stores while closing 44 existing stores.

Other income in fiscal 1996 increased by 8.5% over fiscal 1995. The increase resulted primarily from higher finance charge income and by increased earnings on cash equivalents and short-term investments.

Cost of goods sold, including occupancy, distribution and buying, was $344.9 million, or 72.3% of retail sales, in fiscal 1996, compared to $341.1 million, or 71.6% of retail sales, in fiscal 1995. The increase in cost of goods sold as a percent of retail sales resulted primarily from weak comp store sales requiring further markdowns in fiscal 1996 and a decrease in merchandise margins. Total gross margin dollars decreased by 2.5% to $132.1 million in fiscal 1996 from $135.5 million in fiscal 1995.

SG&A expenses were $121.6 million in fiscal 1996, compared to $122.7 million in fiscal 1995, a decrease of 0.9%. As a percent of retail sales, SG&A was 25.4% compared to 25.7% of retail sales in the prior year. The overall decrease in SG&A resulted primarily from decreased selling-related expenses and decreased infrastructure expenses.

Depreciation expense was $8.3 million in fiscal 1996, compared to $7.8 million in fiscal 1995. The 7% increase in fiscal 1996 resulted primarily from additions to property and equipment from the Company's store development activities.

The Company closed 40 underperforming stores by the end of the fiscal year. The costs of closing these stores totaled $5.5 million and included asset write-offs, severance pay and the remaining non-cancelable lease payments.

LIQUIDITY, CAPITAL RESOURCES AND MARKET RISK

At January 31, 1998, the Company had working capital of $113.3 million compared to $105.4 million at February 1, 1997. Cash provided by operating activities was $38.9 million in fiscal 1997, compared to $15.6 million in fiscal 1996. The increase in cash provided by operating activities in fiscal 1997 resulted primarily from an increase in net income and in accounts payable and other liabilities, partially offset by the build-up of receivable levels. At January 31, 1998, the Company had $69.5 million in cash, cash equivalents and short-term investments, compared to $50.1 million at February 1, 1997.

At January 31, 1998, the Company had an 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 2000 and the letter of credit facility is renewable annually. The credit agreement contains various financial covenants and limitations, including maintenance of specific financial ratios and a limitation on capital expenditures of $25 million per year (or $60 million during the length of the agreement). The Company feels the terms of the revolving credit agreement support the Company's future working capital needs.

In fiscal 1994, the Company entered into an agreement with a lessor to lease up to $25 million of new store fixtures, point-of-sale devices and warehouse equipment. In January 1995, the Company leased $10 million of assets under this agreement and in fiscal 1995 the Company leased an additional $9.5 million of qualifying assets. The operating leases are for a term of seven years but may be cancelled annually upon proper notice to the lessor. Upon notice of cancellation, the Company would be obligated to purchase the equipment at a prescribed termination value from the lessor.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS: (CONTINUED)

Expenditures for property and equipment totaled $7.4 million, $8.4 million and $9.4 million in fiscal 1997, 1996 and 1995, respectively. The expenditures for fiscal 1997 were primarily for store development. The Company intends to open approximately 65 new stores, to relocate or expand 20 stores, and is currently planning approximately $13.3 million of capital expenditures for fiscal 1998.

During 1997, the Company repurchased 1,196,500 shares of Class A Common Stock for $8.2 million, or an average price of $6.84 per share.

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.

The Company does not use derivative financial instruments in its investment portfolio. The Company's investment policy requires investments in instruments that meet high credit quality standards, limits the investment holding period of an instrument to a maximum of 3 years, and limits the amount of credit exposure to any one issue, issuer and type of instrument. At January 31, 1998, approximately 93% of the Company's investment portfolio was invested in governmental debt securities with maturities of 1 to 33 months, and the remaining 7% was invested in corporate debt securities. These securities are classified as available-for-sale, and are recorded on the balance sheet at fair value with unrealized losses reported as a separate component of retained earnings. Based on the current portfolio, an immediate change in interest rates would not have a material impact on the Company's financial condition.

The Company is in the process of addressing the Year 2000 issue. Certain hardware and software maintained by the Company may require modification. The Company will utilize both internal and external resources to reprogram or replace and test all of its hardware and software for Year 2000 compliance, and the Company expects to complete the project by December 1998. The total cost to the Company has not been and is not anticipated to be material to its financial position or results of operations in any given year. Conclusions regarding the cost of the project and the expected completion date are based on management's best estimates.

In June 1997, the Financial Accounting Standards Board (the "Board") issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"), which requires that changes in the amounts of comprehensive income items, currently reported as separate components of equity, be shown in a financial statement, displayed as prominently as other financial statements. Management believes the most significant component of other comprehensive income will be unrealized gains and losses on available-for-sale securities. The Company will adopt SFAS 130 in fiscal 1998.

In June 1997, the Board also issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"), which establishes new standards for business segment reporting. Requirements of SFAS 131 include reporting of (a) financial and descriptive information about reportable operating segments, (b) a measure of segment profit or loss, certain specific revenue and expense items and segment assets with reconciliations of such amounts to the Company's financial statements and (c) information regarding revenues derived from the Company's products and services, information about major customers and information related to geographic areas. SFAS 131 is effective for fiscal years beginning after December 15, 1997, and thus will be adopted by the Company in fiscal 1998. Adoption of SFAS 131 may require reporting of business segment information that is more comprehensive than that currently reported in the financial statements.

Form 10-K includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical facts included in the Form 10-K and located elsewhere herein regarding the Company's financial position and business strategy may constitute forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA:

The response to this Item is submitted in a separate section of this report.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURES:

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS:

The directors and executive officers of the Company and their ages as of March 31, 1998 are as follows:

NAME	AGE	POSITION
Wayland H. Cato, Jr. * ++...........	75	Chairman of the Board and Chief Executive Officer
John P. Derham Cato.................	47	Vice Chairman of the Board, President and Chief Operating Officer

Edgar T. Cato.......................	73	Former Vice Chairman of the Board, Co-Founder and Director
Alan E. Wiley.......................	51	Senior Executive Vice President, Secretary, Chief Financial and Administrative Officer and Director
Howard A. Severson..................	50	Executive Vice President, Assistant Secretary, Chief Real Estate and Store Development Officer and Director
C. David Birdwell...................	58	Executive Vice President, President and General Manager of the It's Fashion! Division
David P. Kempert....................	48	Executive Vice President and Chief Store Operations Officer of the Cato Division
B. Allen Weinstein..................	51	Executive Vice President and Chief Merchandising Officer of the Cato Division
Stephen R. Clark....................	55	Senior Vice President, Human Resources and Assistant Secretary
Clarice Cato Goodyear * ++..........	51	Special Assistant to the Chairman and President, Assistant Secretary and Director
Thomas E. Cato......................	43	Vice President, Divisional Merchandise Manager Accessories and Shoes and Director
Robert W. Bradshaw, Jr. * +.........	64	Director
George S. Currin * +................	61	Director
Paul Fulton * + ...	63	Director
Grant L. Hamrick * +................	59	Director
James H. Shaw * +...................	69	Director
A.F. (Pete) Sloan * + ...	68	Director

*   Members of Compensation Committee
\+   Members of Audit and Stock Option Committees
++ Members of Audit Committee

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS: (CONTINUED)

Wayland H. Cato, Jr. is Chairman of the Board and has been a director of the Company since 1946. Since 1960, he has served as the Company's Chief Executive Officer.

John P. Derham Cato has been employed as an officer of the Company since 1981 and has served as a director since 1986. He currently serves as Vice Chairman of the Board, President and Chief Operating Officer.
Mr. John Cato is a son of Mr. Wayland H. Cato, Jr.

Edgar T. Cato is the Former Vice Chairman of the Board and Co-Founder of the Company, and has been a director of the Company since 1946. Mr. Edgar T.

Cato is the brother of Mr. Wayland H. Cato, Jr.

Alan E. Wiley joined the Company in July 1992. He currently serves as Senior Executive Vice President, Secretary, Chief Financial and Administrative Officer and has been a director since 1994. From 1981 through 1990 he held senior administrative and financial positions with British American Tobacco, U.S. in various companies of their specialty retail division.

Howard A. Severson has been an officer of the Company since 1985. He currently serves as Executive Vice President, Assistant Secretary, Chief Real Estate and Store Development Officer and has been a director since March 1995. Prior to joining the Company, Mr. Severson served for five years as the Director of Real Estate for Minnesota Fabric Company, a Charlotte based retail fabric store chain.

C. David Birdwell joined the Company as Executive Vice President, President and General Manager of the It's Fashion! Division in October 1996. From 1994-1996, he was employed as President/General Merchandise Manager of Allied Stores, a family apparel chain headquartered in Savannah, Georgia. In 1993, he was Executive Vice President/General Merchandise Manager of Ambers, Inc., based in Dallas, Texas. From 1989-1992, he was employed as a Chartered Financial Consultant with Jefferson Pilot, based in Greensboro, North Carolina. From 1985-1989, he was President/CEO of Maxway Stores, a discount chain headquartered in Sanford, North Carolina.

David P. Kempert joined the Company in August 1989. He currently serves as Executive Vice President, Chief Store Operations Officer of the Cato Division. From 1982 until 1989, he was employed by The Gap Stores, an apparel specialty chain, where his most recent position was Zone Vice President of the Northeast Region.

B. Allen Weinstein joined the Company as Executive Vice President, Chief Merchandising Officer of the Cato Division in August 1997. From 1995 to 1997, he was Senior Vice President - Merchandising of Catherines Stores Corporation. From 1985 to 1995, he served as Senior Vice President of Merchandising for Beall's, Inc.

Stephen R. Clark has been an officer of the Company since 1994. He currently serves as Senior Vice President, Human Resources and Assistant Secretary. From 1990 until 1994, he was employed by Gantos, a women's specialty apparel retailer, as Vice President, Human Resources.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS: (CONTINUED)

Clarice Cato Goodyear has been employed by the Company since 1975 and has served as a director and officer of the Company since 1979. She currently serves as Special Assistant to the Chairman and President and as Assistant Secretary. From March 1987 through July 1993, Ms. Goodyear held senior administrative, operational services and human resources positions in the Company; she served as Executive Vice President, Chief Administrative Officer and Assistant Secretary from May 1992 through July 1993. Ms. Goodyear is a daughter of Mr. Wayland H. Cato, Jr.

Thomas E. Cato has been employed by the Company since 1977, has served as an officer since 1986 and has been a director since 1993. He currently serves as Vice President, Divisional Merchandise Manager Accessories and Shoes. Mr. Thomas Cato is a son of Mr. Wayland H. Cato, Jr.

Robert W. Bradshaw, Jr. has been a director of the Company since 1994. Since 1961, he has been engaged in the private practice of law with Robinson, Bradshaw & Hinson, P.A. and is a shareholder, officer and director of the firm. The law firm serves as General Counsel to the Company.

George S. Currin has been a director of the Company since 1973. From 1978 to 1989, Mr. Currin was the President and Chief Executive Officer and a director of Southeastern Savings Bank, Inc. Since 1989, he has served as Chairman and Managing Director of Fourth Stockton Company and Chairman of Currin - - - Patterson Properties LLC.

Paul Fulton has been a director of the Company since 1994. He currently serves as Chairman and Chief Executive Officer for Bassett Furniture Industries, Inc. From January 1994 until 1997, Mr. Fulton served as Dean of the Kenan-Flagler Business School of the University of North Carolina at Chapel Hill. From July 1988 to December 1993, Mr. Fulton served as President of Sara Lee Corporation. Mr. Fulton is currently a director of Sonoco Products, NationsBank Corporation, Lowe's Companies, Inc., Bassett Furniture Industries, Inc., and Hudson's Bay Company.

Grant L. Hamrick has been a director of the Company since 1994. From 1961 to 1985, Mr. Hamrick was employed by the public accounting firm Price Waterhouse and served as Managing Partner of the Charlotte, North Carolina office. From 1989 until his retirement in 1996, Mr. Hamrick served as Senior Vice President and Chief Financial Officer for American City Business Journals, Inc.

James H. Shaw has been a director of the Company since 1989. Mr. Shaw was Chairman of Consolidated Ivey's, a regional department store chain, from 1988 until his retirement in 1989, Chairman and Chief Executive Officer of J.B. Ivey & Company from 1986 to 1988 and Chairman and Chief Executive Officer of Ivey's Carolinas from 1983 to 1986.

A.F. (Pete) Sloan has been a director of the Company since 1994. Mr. Sloan was Chairman of the Board of Lance, Inc. where he was employed from 1955 until his retirement in 1990. Mr. Sloan is currently a director of Bassett Furniture Industries, Inc., PCA International, Inc., and Richfood, Inc.

ITEM 11. EXECUTIVE COMPENSATION:

Incorporated by reference to Registrant's proxy statement for 1998 annual stockholders' meeting.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT:

Incorporated by reference to Registrant's proxy statement for 1998 annual stockholders' meeting.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS:

Incorporated by reference to Registrant's proxy statement for 1998 annual stockholders' meeting.

PART IV

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

(a) 1.& 2. LIST OF FINANCIAL STATEMENTS AND SCHEDULE

The response to this portion of Item 14 is submitted as a separate section of this report.

(a) 3. LIST OF EXHIBITS

See Exhibit Index at page 45 of this annual report.

(b) REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the quarter ended January 31, 1998.

ANNUAL REPORT ON FORM 10-K

ITEM 8, ITEM 14(A), (1) AND (2), (C) AND (D)

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

LIST OF FINANCIAL STATEMENTS

CERTAIN EXHIBITS

FINANCIAL STATEMENT SCHEDULE

YEAR ENDED JANUARY 31, 1998

THE CATO CORPORATION

CHARLOTTE, NORTH CAROLINA

ITEM 14(A) 1. AND 2. LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE:

THE CATO CORPORATION

The following consolidated financial statements of The Cato Corporation are included in Item 8:

The following consolidated financial statement schedule of the Cato Corporation is included in Item 14 (d):

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS
OF THE CATO CORPORATION

We have audited the accompanying consolidated balance sheets of The Cato Corporation and subsidiaries (the Company) as of January 31, 1998 and February 1, 1997, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended January 31, 1998. Our audits also included the financial statement schedule listed in the index at Item 14(A). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule 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 companies at January 31, 1998 and February 1, 1997, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 1998, in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

Charlotte, North Carolina
March 13, 1998

The Cato Corporation
Consolidated Statements of Income

	Fiscal Year Ended		
	JANUARY 31, 1998	February 1, 1997	February 3, 1996
	(Dollars in thousands, except per share data)		
REVENUES			
Retail sales	$496,851	$477,011	$476,638

Other income (principally finance and layaway charges)	15,597	14,498	13,357
Total revenues	512,448	491,509	489,995
COSTS AND EXPENSES			
Cost of goods sold, including occupancy, distribution and buying	354,627	344,919	341,144
Selling, general and administrative	124,439	121,600	122,699
Depreciation	7,713	8,330	7,785
Interest	262	262	292
Closed store expense	--	5,500	--
Total operating expenses	487,041	480,611	471,920
INCOME BEFORE INCOME TAXES	25,407	10,898	18,075
Income tax expense	8,006	3,869	6,055
NET INCOME	$ 17,401	$ 7,029	$ 12,020
BASIC EARNINGS PER SHARE	$ .62	$ .25	$ .42
DILUTED EARNINGS PER SHARE	$ .62	$ .25	$ .42
DIVIDENDS PER SHARE	$ .16	$ .16	$ .16

See notes to consolidated financial statements.

The Cato Corporation
Consolidated Balance Sheets

	JANUARY 31, 1998	February 1, 1997
	(Dollars in thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 41,644	$ 16,593
Short-term investments	27,843	33,512
Accounts receivable, net of allowance for doubtful accounts of $3,701 at January 31, 1998 and $3,401 at February 1, 1997	47,186	43,192

Merchandise inventories	64,226	63,968
Deferred income taxes	2,958	2,014
Prepaid expenses	1,686	2,181
Total Current Assets	185,543	161,460
Property and Equipment - net	49,801	51,333
Other Assets	6,093	5,450
Total Assets	$241,437	$218,243
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 52,931	$ 38,276
Accrued expenses	17,244	16,232
Income taxes	2,041	1,579
Total Current Liabilities	72,216	56,087
Deferred Income Taxes	5,296	3,851
Other Noncurrent Liabilities (primarily deferred rent)	6,409	6,402
Stockholders' Equity:		
Preferred Stock, $100 par value per share, 100,000 shares authorized, none issued	--	--
Class A Common Stock, $.033 par value per share, 50,000,000 shares authorized; 23,502,647 shares issued at January 31, 1998 and 23,366,403 shares issued at February 1, 1997	783	778
Convertible Class B Common Stock, $.033 par value per share, 15,000,000 shares authorized; 5,264,317 shares issued and outstanding at January 31, 1998 and February 1, 1997	176	176
Additional paid-in capital	64,187	63,272
Retained earnings	101,537	88,656
	166,683	152,882
Less Class A Common Stock in treasury, at cost (1,371,500 shares at January 31, 1998 and 175,000 shares at February 1, 1997)	9,167	979
Total Stockholders' Equity	157,516	151,903
Total Liabilities and Stockholders' Equity	$241,437	$218,243

See notes to consolidated financial statements.

The Cato Corporation
Consolidated Statements of Cash Flows

	Fiscal Year Ended		
	JANUARY 31, 1998	February 1, 1997	February 3, 1996

	(Dollars in thousands)		
OPERATING ACTIVITIES			
Net income	$ 17,401	$ 7,029	$ 12,020
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	7,713	8,330	7,785
Amortization of investment premiums	95	183	280
Provision for doubtful accounts	3,675	3,585	2,918
Deferred income taxes	496	(771)	216
Loss on disposal of property and equipment	1,196	412	--
Changes in operating assets and liabilities which provided (used) cash:			
Accounts receivable	(7,669)	(6,985)	(4,784)
Merchandise inventories	(258)	(5,528)	(3,766)
Other assets	(148)	(51)	(283)
Accrued income taxes	760	251	419
Accounts payable and other liabilities	15,674	9,176	93
Net cash provided by operating activities	38,935	15,631	14,898
INVESTING ACTIVITIES			
Expenditures for property and equipment	(7,377)	(8,371)	(9,415)
Purchases of short-term investments	(24,553)	(23,312)	(10,442)
Sales of short-term investments	30,122	11,164	11,566
Net cash used in investing activities	(1,808)	(20,519)	(8,291)
FINANCING ACTIVITIES			
Dividends paid	(4,510)	(4,558)	(4,554)
Purchase of treasury stock	(8,188)	(756)	(223)
Proceeds from employee stock purchase plan	234	279	381
Proceeds from stock options exercised	388	333	9
Net cash used in financing activities	(12,076)	(4,702)	(4,387)
Net Increase (Decrease) in Cash and Cash Equivalents	25,051	(9,590)	2,220
Cash and Cash Equivalents at Beginning of Year	16,593	26,183	23,963
Cash and Cash Equivalents at End of Year	$ 41,644	$ 16,593	$ 26,183

See notes to consolidated financial statements.

The Cato Corporation
Consolidated Statements of Stockholders' Equity

	CLASS A COMMON STOCK	CONVERTIBLE CLASS B COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK
			(Dollars in thousands)		
BALANCE-- JANUARY 28, 1995	$ 770	$ 176	$ 62,278	$ 78,284	$ --

Net income				12,020	
Dividends paid ($.16 per share)				(4,554)	
Class A Common Stock sold through employee stock purchase plan-- 68,720 shares	3		378		
Class A Common Stock sold through stock option plans-- 3,600 shares	--		9		
Purchase of treasury shares -- 40,000 shares					223
Unrealized gains on available for sale securities, net of deferred income taxes of $311,000				541	
BALANCE-- FEBRUARY 3, 1996	773	176	62,665	86,291	223
Net income				7,029	
Dividends paid ($.16 per share)				(4,558)	
Class A Common Stock sold through employee stock purchase plan-- 51,506 shares	2		277		
Class A Common Stock sold through stock option plans-- 110,250 shares	3		330		
Purchase of treasury shares-- 135,000 shares					756
Unrealized losses on available for sale securities, net of deferred income tax benefit of $58,000				(106)	
BALANCE-- FEBRUARY 1, 1997	778	176	63,272	88,656	979
Net income				17,401	
Dividends paid ($.16 per share)				(4,510)	
Class A Common Stock sold through employee stock purchase plan-- 47,194 shares	2		232		
Class A Common Stock sold through stock option plans-- 89,050 shares	3		385		
Income tax benefit from stock options exercised			298		
Purchase of treasury shares-- 1,196,500 shares					8,188
Unrealized losses on available for sale securities, net of deferred income taxes of $5,000				(10)	
BALANCE-- JANUARY 31, 1998	$ 783	$ 176	$ 64,187	$ 101,537	$ 9,167

See notes to consolidated financial statements.

THE CATO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation -- The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Description of Business and Fiscal Year -- The Company has principally one segment of business --operation of women's apparel specialty stores. The Company's stores operate under the names Cato, Cato Fashions, Cato Plus and It's Fashion! and are located primarily in strip shopping centers in non-metropolitan markets in the South and Southeastern United States. The Company's fiscal year ends on the Saturday nearest January 31. Fiscal years ended January 31, 1998 and February 1, 1997 each included fifty-two weeks. The fiscal year ended February 3, 1996 included fifty-three weeks.

Use of Estimates -- The preparation of the Company's 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 disclosure 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 and Short-Term Investments -- Cash equivalents consist of highly liquid investments with original maturities of three months or less. Investments with original maturities beyond three months are classified as short-term investments. The fair values of short-term investments are based on quoted market prices.

The Company's short-term investments held at January 31, 1998 and

February 1, 1997 are classified as available-for-sale. Available-for-sale securities are carried at fair value, with unrealized gains and losses, net of income taxes, reported as an adjustment to retained earnings. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. The amortization of premiums, accretion of discounts and realized gains and losses are included in other income.

Accounts Receivable -- Accounts receivable include customer trade accounts, customer layaway receivables and miscellaneous trade receivables. Customer receivables related to layaway sales are reflected net of a reserve for unrealized profit. Net layaway receivables totaled approximately $1,749,000 and $2,862,000 at January 31, 1998 and February 1, 1997, respectively.

Supplemental Cash Flow Information -- Interest paid during the fiscal years ended January 31, 1998, February 1, 1997 and February 3, 1996 was $255,000, $308,000 and $375,000, respectively. Income tax payments, net of refunds received, for the fiscal years ended January 31, 1998, February 1, 1997 and February 3, 1996 were $6,754,000, $4,324,000 and $5,577,000, respectively.

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

Property and Equipment -- Property and equipment are recorded at cost. Maintenance and repairs are charged to operations as incurred; renewals and betterments are capitalized. Depreciation of property and equipment is provided on the straight-line method over the estimated useful lives of the related assets, which are as follows:

CLASSIFICATION	ESTIMATED USEFUL LIVES
Land improvements	10 years
Buildings	30 - 40 years
Leasehold improvements	5 - 10 years
Fixtures and equipment	3 - 10 years

Retail Sales -- Revenues from retail sales (including layaway transactions) are recognized at the time of the sale, net of returns, and exclude sales taxes.

Advertising -- Advertising costs are expensed in the period in which they are incurred. Advertising expense was $7,334,000, $8,898,000 and $8,803,000 for the fiscal years ended January 31, 1998, February 1, 1997 and February 3, 1996, respectively.

Earnings Per Share -- In February 1997, Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128") was issued. In accordance with SFAS 128, the Company has retroactively adopted the new standard in the quarter and year ended January 31, 1998. SFAS 128 requires dual presentation of basic and diluted earnings per share (EPS) on the face of the consolidated statements of income and a reconciliation of the components of the basic and diluted EPS calculations in the notes to the financial statements. Basic EPS excludes dilution of stock options and is computed by dividing net earnings by the weighted-average number of Class A and Class B common shares outstanding for the respective periods. The weighted-average number of shares used in the basic earnings per share computations was 28,058,934, 28,499,843 and 28,429,130 for the fiscal years ended January 31, 1998, February 1, 1997 and February 3, 1996, respectively. The weighted-average number of shares representing the dilutive effect of stock options was 73,450, 69,732 and 131,213 for the fiscal years ended January 31, 1998, February 1, 1997 and February 3, 1996, respectively. The weighted-average number of shares used in the diluted earnings per share computations was 28,132,384, 28,569,575 and 28,560,343 for the fiscal years ended January 31, 1998, February 1, 1997 and February 3, 1996, respectively.

Income Taxes -- The Company and its subsidiaries file a consolidated federal income tax return. Income taxes are provided based on the asset and liability method of accounting, whereby deferred income taxes are provided for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities.

Store Opening and Closing Costs -- Costs relating to the opening of new stores or the relocating or expanding of existing stores are expensed as incurred. The Company evaluates all long-lived assets, including certain identifiable intangibles and goodwill related to those assets, for impairment. Impairment losses are recognized when expected future cash flows from the use of the assets are less than the assets' carrying values.

Closed Store Lease Obligations -- At the time stores are closed, provision is made for the rentals required to be paid over the remaining lease terms. Rentals due the Company under non-cancelable subleases are offset against the related obligations in the year the sublease is signed. There is no offset for assumed sublease revenues.

Recent Accounting Pronouncements -- In June 1997, the Financial Accounting Standards Board (the "Board") issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"), which requires that changes in the amounts of comprehensive income items, currently reported as separate components of equity, be shown in a financial statement, displayed as prominently as other financial statements. Management believes the most significant component of other comprehensive income will be unrealized gains and losses on available-for-sale securities. The Company will adopt SFAS 130 in fiscal 1998.

In June 1997, the Board also issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"), which establishes new standards for business segment reporting. Requirements of SFAS 131 include reporting of (a) financial and descriptive information about reportable operating segments, (b) a measure of segment profit or loss, certain specific revenue and expense items and segment assets with reconciliations of such amounts to the Company's financial statements and (c) information regarding revenues derived from the Company's products and services, information about major customers and information related to geographic areas. SFAS 131 is effective for fiscal years beginning after December 15, 1997, and thus will be adopted by the Company in fiscal 1998. Adoption of SFAS 131 may require reporting of business segment information that is more comprehensive than that currently reported in the financial statements.

Fair Value of Financial Instruments -- The Company's carrying values of financial instruments, other than short-term investments, approximate their fair values due to their short terms to maturity and/or their variable interest rates.

Reclassifications -- Certain reclassifications have been made to the consolidated financial statements for prior fiscal years to conform with classifications used for the 1997 fiscal year.

2. SHORT-TERM INVESTMENTS:

Short-term investments at January 31, 1998 include the following:

SECURITY TYPE	COST	UNREALIZED (LOSSES)	ESTIMATED FAIR VALUE

(In thousands)

Obligations of states and political subdivisions	$26,012	$ (94)	$25,918
Corporate debt securities	2,000	(75)	1,925
Total	$28,012	$(169)	$27,843

Short-term investments at February 1, 1997 include the following:

SECURITY TYPE	COST	UNREALIZED (LOSSES)	ESTIMATED FAIR VALUE
		(In thousands)	
Obligations of states and political subdivisions	$30,249	$ (85)	$30,164
Corporate debt securities	2,000	(20)	1,980
Subtotal	32,249	(105)	32,144
Equity securities	1,427	(59)	1,368
Total	$33,676	$(164)	$33,512

The unrealized losses at January 31, 1998 and February 1, 1997 of $116,000 and $106,000, respectively, net of an income tax benefit of $53,000 and $58,000, respectively, are included in stockholders' equity as an adjustment to retained earnings.

The amortized cost and estimated fair value of debt securities at January 31, 1998, by contractual maturity, are shown below:

SECURITY TYPE	COST	ESTIMATED FAIR VALUE
	(In thousands)	
Due in one year or less	$12,869	$12,728
Due in one year through three years	15,143	15,115
Total	$28,012	$27,843

3. ACCOUNTS RECEIVABLE:

Accounts receivable consist of the following:

	JANUARY 31, 1998	February 1, 1997
	(In thousands)	
Customer accounts - principally deferred payment accounts	$48,948	$44,044
Miscellaneous trade receivables	1,939	2,549
Total	50,887	46,593
Less allowance for doubtful accounts	3,701	3,401
Accounts receivable - net	$47,186	$43,192

Finance charge and late charge revenue on customer deferred payment accounts totaled $8,262,000, $6,937,000 and $6,535,000 for the fiscal years ended January 31, 1998, February 1, 1997 and February 3, 1996, respectively, and the provision for doubtful accounts was $3,675,000, $3,585,000 and $2,918,000, for the fiscal years ended January 31, 1998, February 1, 1997 and February 3, 1996, respectively. The provision for doubtful accounts is classified as a component of selling, general and administrative expenses.

4. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	JANUARY 31, 1998	February 1, 1997
	(In thousands)	
Land and improvements	$ 1,661	$ 1,661
Buildings	15,445	15,445
Leasehold improvements	17,484	15,665
Fixtures and equipment	61,635	59,047
Construction in progress	298	251
Total	96,523	92,069
Less accumulated depreciation	46,722	40,736
Property and equipment - net	$49,801	$51,333

5. ACCRUED EXPENSES:

Accrued expenses consist of the following:

	JANUARY 31, 1998	February 1, 1997
	(In thousands)	
Accrued bonus and retirement savings plan contributions	$ 3,761	$ 1,919
Accrued payroll and related items	2,492	2,849
Closed store expense	2,901	4,689
Property and other taxes	1,451	1,159
Contingent rent	579	545
Advertising	937	1,136
Accrued credit expenses	500	394
Accrued data processing expenses	439	269
Accrued health care plan contributions	938	669
Other	3,246	2,603
Total accrued expenses	$17,244	$16,232

6. FINANCING ARRANGEMENTS:

At January 31, 1998, the Company had an 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 2000 and the letter of credit facility is renewable annually. The revolving credit agreement contains various financial covenants, including the maintenance of specific financial ratios. There were no borrowings outstanding under the agreement at January 31, 1998 or February 1, 1997.

The Company had approximately $7,641,000 and $4,877,000 at January 31, 1998 and February 1, 1997, respectively, of outstanding irrevocable letters of credit relating to purchase commitments. Upon satisfaction of the terms of the letters of credit, the Company is obligated to pay the issuing bank the dollar amount of the commitment.

7. STOCKHOLDERS' EQUITY:

The holders of Class A Common Stock are entitled to one vote per share, whereas the holders of Class B Common Stock are entitled to ten votes per share. Each share of Class B Common Stock may be converted at any time into one share of Class A Common Stock. Subject to the rights of the holders of any shares of Preferred Stock that may be outstanding at the time, in the event of liquidation, dissolution or winding up of the Company, holders of Class A Common Stock are entitled to receive a preferential distribution of $1.00 per share of the net assets of the Company. Cash dividends on the Class B Common Stock cannot be paid unless cash dividends of at least an equal amount are paid on the Class A Common Stock.

The Company's charter provides that shares of Class B Common Stock may be transferred only to certain "Permitted Transferees" consisting generally of the lineal descendants of holders of Class B Stock, trusts for their benefit, corporations and partnerships controlled by them and the Company's employee benefit plans. Any transfer of Class B Common Stock in violation of these restrictions, including a transfer to the Company, results in the automatic conversion of the transferred shares of Class B Common Stock held by the transferee into an equal number of shares of Class A Common Stock.

In October 1993, the Company registered 250,000 shares of Class A Common Stock available for issuance under an Employee Stock Purchase Plan (the "Plan"). Under the terms of the Plan, substantially all employees may purchase Class A Common Stock through payroll deductions of up to 10% of their salary. The Class A Common Stock is purchased at the lower of 85% of market value on the first or last business day of a six-month payment period. Additionally, each April 15, employees are given the opportunity to make a lump sum purchase of up to $10,000 worth of Class A Common Stock at 85% of market value. The number of shares purchased by participants through the plan were 47,194 shares and 51,506 shares for the years ended January 31, 1998 and February 1, 1997, respectively. In December 1997, the Board of Directors proposed to amend the Plan to increase the maximum number of Class A shares of Common Stock authorized to be issued from 250,000 to 500,000 shares, subject to shareholder approval.

The Company has an Incentive Stock Option Plan and a Non-Qualified Stock Option Plan for key employees of the Company. Total shares issuable under the plans are 3,900,000, of which 825,000 shares are issuable under the Incentive Stock Option Plan and 3,075,000 shares are issuable under the Non-Qualified Stock Option Plan. The purchase price of the shares under option must be at least 100 percent of the fair market value of Class A Common Stock at the date of the grant and must be exercisable not later than 10 years after the date of the grant unless otherwise expressly authorized by the Board of Directors.

Option plan activity for the three fiscal years ended January 31, 1998 is set forth below:

	NUMBER OF SHARES	WEIGHTED AVERAGE PRICE
Outstanding options, January 28, 1995	2,992,300	$ 8.62
Granted	883,250	7.67
Exercised	(3,600)	2.51
Cancelled	(854,150)	12.41
Outstanding options, February 3, 1996	3,017,800	7.28
Granted	76,000	6.70
Exercised	(110,250)	3.03
Cancelled	(151,800)	7.61
Outstanding options, February 1, 1997	2,831,750	7.41
Granted	1,023,000	8.10
Exercised	(89,050)	4.36
Cancelled	(979,968)	7.51
Outstanding options, January 31, 1998	2,785,732	$ 7.73
Exercisable at January 31, 1998	1,272,482	$ 7.49

As of January 31, 1998, the weighted average contractual life remaining for the outstanding options was 7 years with exercise prices ranging from $1.50

to $9.31.

Outstanding options at January 31, 1998 covered 317,000 shares of Class B Common Stock and 2,468,732 shares of Class A Common Stock. Outstanding options at February 1, 1997 covered 927,168 shares of Class B Common Stock and 1,904,582 shares of Class A Common Stock. Options available to be granted under the option plans were 391,368 shares at January 31, 1998 and 434,400 shares at February 1, 1997.

The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations in accounting for its stock options plans. Accordingly, no compensation expense has been recognized for stock-based compensation where the option price of the stock approximated the fair market value of the stock on the date of grant. Had compensation expense for fiscal 1997, 1996 and 1995 stock options granted been determined consistent with Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation", the Company's net income and basic and diluted earnings per share amounts for fiscal 1997, 1996 and 1995 would approximate the following proforma amounts (dollars in thousands, except per share data):

	AS REPORTED	PROFORMA
Net Income-- Fiscal 1997	$ 17,401	$ 16,476
Basic Earnings Per Share	$ .62	$ .59
Diluted Earnings Per Share	$ .62	$ .59
Net Income-- Fiscal 1996	$ 7,029	$ 6,668
Basic Earnings Per Share	$ .25	$ .23
Diluted Earnings Per Share	$ .25	$ .23
Net Income-- Fiscal 1995	$ 12,020	$ 11,628
Basic Earnings Per Share	$ .42	$ .41
Diluted Earnings Per Share	$ .42	$ .41

The fair value of each option granted during fiscal 1997, 1996 and 1995 is estimated as $4.02, $3.34 and $3.34 per share, respectively. The fair value of each option grant is estimated using the Black-Scholes option-pricing model with the following assumptions for grants issued in 1997, 1996 and 1995, respectively: expected dividend yield of 1.49%, 2.67% and 2.67%; expected volatility of 58.14%, 59.24% and 59.24%, adjusted for expected dividends; risk-free interest rate of 5.44%, 6.69% and 6.69%; and an expected life of 5 years, 4 years and 4 years. The effects of applying SFAS 123 in this proforma disclosure are not indicative of future amounts.

In February 1998, the Board of Directors increased the quarterly dividend by 12.5% from $.04 per share to $.045 per share.

8. EMPLOYEE BENEFIT PLANS:

The Company has a defined contribution retirement savings plan (401(k)) which covers all employees who meet minimum age and service requirements. The 401(k) plan allows participants to contribute up to 16% of their annual compensation. The Company is obligated to make a minimum contribution and further Company contributions, at the discretion of the Board of Directors, based on a formula of percentages of pre-tax profits. The Company's contributions for the years ended January 31, 1998, February 1, 1997 and February 3, 1996 were approximately $1,177,000, $798,000 and $961,000, respectively. The Company has an Employee Stock Ownership Plan (ESOP), which covers substantially all employees who meet minimum age and service requirements. The Board of Directors determines contributions to the ESOP. The contribution for the fiscal year ended January 31, 1998 was $130,000. No contributions were made to the ESOP for the years ended February 1, 1997 and February 3, 1996, respectively. The Company is self-insured with respect to employee health, workers compensation and general liability claims. Employee health claims are funded through a VEBA trust to which the Company makes periodic contributions. The Company has stop-loss insurance coverage for individual claims in excess of $200,000. Contributions to the VEBA trust were $3,854,000, $3,200,000 and $3,115,000 in fiscal 1997, 1996 and 1995, respectively.

9. LEASES:

The Company has operating lease arrangements for store facilities and equipment. Facility leases generally are for periods of five years with renewal options, and most provide for additional contingent rentals based on a percentage of store sales in excess of stipulated amounts. Equipment leases are generally for three-to seven-year periods. During the years ended February 3, 1996 and January 28, 1995, the Company entered into an agreement with a lessor to lease $9.5 million and $10 million, respectively, of store fixtures, point-of-sale devices and warehouse equipment. These leases, which do not meet criteria for capital lease accounting, are being accounted for as operating leases and have terms of seven years. However, these leases may be cancelled annually upon proper notice to the lessor. Upon notice of cancellation, the Company would be obligated to purchase the equipment at a prescribed termination value from the lessor. If the Company cancelled the leases, the purchase price for the equipment would be approximately $13,743,000.

The minimum commitments relating to future payments under non-cancelable operating leases are (in thousands):

FISCAL YEAR	
1998	$27,114
1999	19,374
2000	15,294
2001	12,026
2002	7,930
2003 and thereafter	5,118
Total minimum lease payments	$86,856

The following schedule shows the composition of total rental expense for all leases:

	Fiscal Year Ended		
	JANUARY 31,	February 1,	February 3,

	1998	1997	1996
	(In thousands)		
Minimum rentals	$29,660	$30,028	$28,666
Contingent rent	226	218	363
Total rental expense	$29,886	$30,246	$29,029

10. INCOME TAXES:

The provision for income taxes consists of the following:

	Fiscal Year Ended		
	JANUARY 31, 1998	February 1, 1997	February 3, 1996
	(In thousands)		
Current income taxes:			
Federal	$ 6,825	$ 4,056	$ 4,976
State	685	584	863
Total	7,510	4,640	5,839
Deferred income taxes:			
Federal	205	(477)	861
State	291	(294)	(645)
Total	496	(771)	216
Total income tax expense	$ 8,006	$ 3,869	$ 6,055

Significant components of the Company's deferred tax assets and liabilities as of January 31, 1998 and February 1, 1997 are as follows:

	JANUARY 31, 1998	February 1, 1997
	(In thousands)	
Deferred tax assets:		
Bad debt reserve	$ 1,432	$ 1,373
Inventory valuation	1,197	938
Unrealized losses on short-term investments	53	58
Reserves	1,202	678
Total deferred tax assets	3,884	3,047

Deferred tax liabilities:		
Tax over book depreciation	6,426	5,113
Other, net	(204)	(229)
Total deferred tax liabilities	6,222	4,884
Net deferred tax liabilities	$ 2,338	$ 1,837

The reconciliation of the Company's effective income tax rate with the statutory rate is as follows:

	Fiscal Year Ended		
	JANUARY 31, 1998	February 1, 1997	February 3, 1996
Federal income tax rate	35.0%	35.0%	35.0%
State income taxes	2.9	4.0	2.8
Other	(6.4)	(3.5)	(4.3)
Effective income tax rate	31.5%	35.5%	33.5%

11. QUARTERLY FINANCIAL DATA (UNAUDITED):

Summarized quarterly financial results are as follows (dollars in thousands, except per share data):

FISCAL 1997	FIRST	SECOND	THIRD	FOURTH
Retail sales	$ 123,251	$ 120,901	$ 109,886	$ 142,813
Total revenues	127,500	124,451	113,743	146,754
Cost of goods sold, including occupancy, distribution and buying	83,056	85,954	80,028	105,589
Net income	8,020	3,776	1,390	4,215
Basic earnings per share	$ .28	$ .13	$ .05	$ .15
Diluted earnings per share	$ .28	$ .13	$ .05	$ .15
FISCAL 1996				
Retail sales	$ 120,028	$ 112,747	$ 108,117	$ 136,119
Total revenues	123,539	115,955	111,491	140,524
Cost of goods sold, including occupancy, distribution and buying	79,774	80,549	81,467	103,129
Net income (loss)	7,721	2,339	(899)	(2,132)
Basic earnings (loss) per share	$ .27	$ .08	$ (.03)	$ (.07)
Diluted earnings (loss) per share	$ .27	$ .08	$ (.03)	$ (.07)

12. STORE CLOSINGS:

In the normal course of business, the Company routinely closes or relocates those stores which fail to demonstrate the ability to consistently generate an acceptable return on investment and contribution to corporate overhead. Although such closings generally occur throughout the year as a result of management's ongoing profitability analysis, in the fourth quarter of fiscal 1996 the Company, in an effort to better align store operations with the current apparel industry environment, decided to close 40 underperforming stores by the end of the fiscal year. All of these stores were closed by late January 1997. The costs of closing these stores included the write-off of leasehold improvements and store fixtures that will not be utilized at other stores, employee severance pay and the remaining non-cancelable lease payments. Total costs were $5,500,000, of which $998,000 and $3,772,000 was unpaid and accrued at January 31, 1998 and February 1, 1997, respectively. The remaining accrued lease payments at January 31, 1998 will be paid over the remaining lease terms which range from 11 to 35 months.

13. COMMITMENTS AND CONTINGENCIES:

Workers compensation and general liability claims are settled through a claims administrator and are limited by stop-loss insurance coverage for individual claims in excess of $250,000 and $100,000, respectively. The Company paid claims of $970,000, $1,158,000 and $967,000 in fiscal 1997, 1996 and 1995, respectively. The Company had approximately $1,832,000 at January 31, 1998 and February 1, 1997, of outstanding letters of credit relating to such claims. See Note 6 for letters of credit related to purchase commitments, Note 8 for 401(k) plan contribution obligations and Note 9 for lease commitments.

The Company is a defendant in legal proceedings considered to be in the normal course of business and none of which, singularly or collectively, are considered to be material to the Company as a whole.

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS

	Allowance for Doubtful Accounts (a)	Reserve for Rental Commitments (b)
	(In thousands)	
Balance at January 28, 1995	$ 3,401	$ 415
Additions charged to costs and expenses	2,918	1,199
Additions (Deductions) charged to other accounts	758 (d)	--
Deductions	(3,676)(c)	(955)
Balance at February 3, 1996	3,401	659
Additions charged to costs and expenses	3,585	926
Additions (Deductions) charged to other accounts	896 (d)	--

Deductions	(4,481)(c)	(668)
Balance at February 1, 1997	3,401	917
Additions charged to costs and expenses	3,675	2,001
Additions (Deductions) charged to other accounts	853 (d)	--
Deductions	(4,228)(c)	(1,015)
Balance at January 31, 1998	$ 3,701	$ 1,903

(a) Deducted from trade accounts receivable.

(b) Provision for the difference between costs and revenues from non-cancelable subleases over the lease terms of closed stores.

(c) Uncollectible accounts written off.

(d) Recoveries of amounts previously written off.

SIGNATURES

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

The Cato Corporation

By /s/ Wayland H. Cato, Jr.
Wayland H. Cato, Jr.
Chairman of the Board of Directors and Chief Executive Officer

By /s/ Robert M. Sandler
Robert M. Sandler
Senior Vice President - Controller

By /s/ Alan E. Wiley
Alan E. Wiley
Senior Executive Vice President - Secretary, Chief Financial and Administrative Officer

Date: April 22, 1998

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 date indicated:

/s/ Wayland H. Cato, Jr.
Wayland H. Cato, Jr.
(Director)

/s/ Robert W. Bradshaw, Jr.
Robert W. Bradshaw, Jr.
(Director)

/s/ John P. Derham Cato

/s/ George S. Currin

John P. Derham Cato (Director)	George S. Currin (Director)
/s/ Edgar T. Cato	/s/ Paul Fulton
Edgar T. Cato (Director)	Paul Fulton (Director)
/s/ Alan E. Wiley	/s/ Grant L. Hamrick
Alan E. Wiley (Director)	Grant L. Hamrick (Director)
/s/ Howard A. Severson	/s/ James H. Shaw
Howard A. Severson (Director)	James H. Shaw (Director)
/s/ Clarice Cato Goodyear	/s/ A.F. (Pete) Sloan
Clarice Cato Goodyear (Director)	A.F. (Pete) Sloan (Director)
/s/ Thomas E. Cato	
Thomas E. Cato (Director)	

EXHIBIT INDEX

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

NAME OF SUBSIDIARY	STATE OF INCORPORATION	NAME UNDER WHICH SUBSIDIARY DOES BUSINESS
CHW Corporation	Delaware	CHW Corporation
Providence Insurance Company, Limited	A Bermudian Company	Providence Insurance Company, Limited
CatoSouth LLC	North Carolina	CatoSouth LLC
Cato of Texas L.P.	Texas	Cato of Texas L.P.
Cato Southwest, Inc.	Delaware	Cato Southwest, Inc.
CaDel LLC	Delaware	CaDel LLC
CatoWest LLC	Nevada	CatoWest LLC
Cedar Hill National Bank	A Nationally Chartered Bank	Cedar Hill National Bank

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-41314) pertaining to The Cato Corporation Employee Incentive Stock Option Plan, in the Registration Statement (Form S-8 No. 33-41315) pertaining to The Cato Corporation Non-qualified Stock Option Plan, and in the Registration Statement (Form S-8 No. 33-69844) pertaining to The Cato Corporation Employee Stock Purchase Plan, of our report dated March 13, 1998, with respect to the consolidated financial statements and financial statement schedule of The Cato Corporation included in the Annual Report on Form 10-K for the year ended January 31, 1998.

DELOITTE & TOUCHE LLP

Charlotte, North Carolina
April 22, 1998

<ARTICLE> 5
<LEGEND>
THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET AND INCOME STATEMENT OF THE CATO CORPORATION AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
<MULTIPLIER> 1,000

<PERIOD-TYPE>	YEAR	
<FISCAL-YEAR-END>		JAN-31-1998
<PERIOD-END>		JAN-31-1998
<CASH>		41,644
<SECURITIES>		27,843
<RECEIVABLES>		51,847
<ALLOWANCES>		4,661
<INVENTORY>		64,226
<CURRENT-ASSETS>		185,543
<PP&E>		96,523
<DEPRECIATION>		46,722
<TOTAL-ASSETS>		241,437
<CURRENT-LIABILITIES>		72,216
<BONDS>		0
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		959
<OTHER-SE>		156,557
<TOTAL-LIABILITY-AND-EQUITY>		241,437
<SALES>		496,851
<TOTAL-REVENUES>		512,448
<CGS>		354,627
<TOTAL-COSTS>		354,627
<OTHER-EXPENSES>		0
<LOSS-PROVISION>		3,675
<INTEREST-EXPENSE>		262
<INCOME-PRETAX>		25,407
<INCOME-TAX>		8,006
<INCOME-CONTINUING>		17,401
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		17,401
<EPS-PRIMARY>		0.62
<EPS-DILUTED>		0.62