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 May 4, 2002

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 May 21, 2002, there were 19,460,363 shares of Class A common stock and 5,985,149 shares of Class B common stock outstanding.

THE CATO CORPORATION

FORM 10-Q

MAY 4, 2002

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PART I FINANCIAL INFORMATION

THE CATO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	THREE MONTHS ENDED	
	MAY 4, 2002 (UNAUDITED)	May 5, 2001 (Unaudited)
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)	
REVENUES		
Retail sales	$196,617	$180,347
Other income (principally finance, late, and layaway charges)	5,024	5,383
Total revenues	201,641	185,730
COSTS AND EXPENSES		
Cost of goods sold	124,460	116,391
Selling, general and administrative	45,383	42,228
Depreciation	3,108	2,616
Interest	7	11
Total expenses	172,958	161,246
INCOME BEFORE INCOME TAXES	28,683	24,484
Income tax expense	10,383	8,569
NET INCOME	$ 18,300	$ 15,915
BASIC EARNINGS PER SHARE	$ .72	$ .63
DILUTED EARNINGS PER SHARE	$ .71	$ .61
DIVIDENDS PER SHARE	$ .135	$ .125

See accompanying notes to condensed consolidated financial statements.

THE CATO CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	MAY 4, 2002 (UNAUDITED)	May 5, 2001 (Unaudited)	February 2, 2002
	(DOLLARS IN THOUSANDS)		
ASSETS			
Current Assets			
Cash and cash equivalents	$ 68,392	$ 38,622	$ 41,772
Short-term investments	40,071	61,232	42,923
Accounts receivable - net	51,614	46,373	52,293
Merchandise inventories	92,578	93,506	80,407
Deferred income taxes	969	1,746	777
Prepaid expenses	5,587	5,112	5,036
Total Current Assets	259,211	246,591	223,208
Property and equipment - net	102,903	88,204	100,137
Other assets	9,158	9,115	8,696
Total	$ 371,272	$ 343,910	$ 332,041
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable	$ 70,785	$ 76,695	$ 57,495
Accrued expenses	25,146	24,684	25,260
Income taxes	11,083	11,219	820
Total Current Liabilities	107,014	112,598	83,575
Deferred income taxes	5,177	5,386	5,177
Other noncurrent liabilities	8,365	7,515	8,591
Shareholders' 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; issued 25,135,542 shares, 24,892,623 shares and 25,011,732 shares at May 4, 2002, May 5, 2001, and February 2, 2002, respectively	838	829	833
Convertible Class B common stock, $.033 par value per share, 15,000,000 shares authorized; issued 5,985,149 shares, 5,364,317 shares and 5,812,649 shares at May 4, 2002, May 5, 2001 and February 2, 2002, respectively	199	179	194
Additional paid-in capital	89,444	78,902	86,948
Retained earnings	219,853	188,006	204,961
Accumulated other comprehensive losses	(876)	(1,193)	(567)
Unearned compensation - restricted stock awards	(320)	(615)	(394)
	309,138	266,108	291,975
Less Class A common stock in treasury, at cost (5,675,179 shares at May 4, 2002, 5,021,648 shares at May 5, 2001, and 5,626,498 shares at February 2, 2002, respectively)	(58,422)	(47,697)	(57,277)
Total Shareholders' Equity	250,716	218,411	234,698
Total	$ 371,272	$ 343,910	$ 332,041

See accompanying notes to condensed consolidated financial statements.

THE CATO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	THREE MONTHS ENDED	
	MAY 4, 2002 (UNAUDITED)	May 5, 2001 (Unaudited)
	(DOLLARS IN THOUSANDS)	
OPERATING ACTIVITIES		
Net income	$ 18,300	$ 15,915
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,108	2,616
Amortization of investment premiums	29	45
Compensation expense related to restricted stock awards	74	73
Loss on disposal of property and equipment	187	57
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	679	599
Merchandise inventories	(12,171)	(14,345)
Other assets	(1,013)	(128)
Accrued income taxes	10,263	5,513
Accounts payable and other liabilities	12,758	16,834
Net cash provided by operating activities	32,214	27,179
INVESTING ACTIVITIES		
Expenditures for property and equipment	(6,061)	(5,058)
Purchases of short-term investments	(645)	(5,971)
Sales of short-term investments	3,159	2,296
Net cash used in investing activities	(3,547)	(8,733)
FINANCING ACTIVITIES		
Dividends paid	(3,408)	(3,184)
Purchases of treasury stock	--	(3,975)
Proceeds from employee stock purchase plan	247	199
Proceeds from stock options exercised	1,114	1,935
Net cash used in financing activities	(2,047)	(5,025)
Net increase in cash and cash equivalents	26,620	13,421
Cash and cash equivalents at beginning of period	41,772	25,201
Cash and cash equivalents at end of period	$ 68,392	$ 38,622

See accompanying notes to condensed consolidated financial statements.

THE CATO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MAY 4, 2002 AND MAY 5, 2001

NOTE 1 - GENERAL:

The consolidated financial statements have been prepared from the accounting records of The Cato Corporation and its wholly-owned subsidiaries (the Company), and all amounts shown as of and for the periods ended May 4, 2002 and May 5, 2001 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 interim financial statements should be read in conjunction with the financial statements and notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2002.

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 a component of other comprehensive income.

Total comprehensive income for the quarters ended May 4, 2002 and May 5, 2001 was $17,991,000 and $15,606,000, respectively. Total comprehensive income is composed of net income and net unrealized gains and losses on available-for-sale securities.

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

In the first quarter of fiscal 2002, the Company accepted 48,681 mature shares of Class A common stock in an option transaction for $1,145,000, or an average price of $23.52 per share. In the first quarter of fiscal 2001, the Company repurchased 262,500 shares of Class A common stock for $3,974,000, or an average price of $15.14 per share.

In May 2002, the Board of Directors increased the quarterly dividend by 11% from $.135 per share to $.15 per share.

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

THE CATO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MAY 4, 2002 AND MAY 5, 2001

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS:

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets". SFAS 142 includes requirements to test goodwill and indefinite lived intangible assets for impairment rather than amortize them. The Company adopted SFAS No. 142 on February 3, 2002, and the adoption of this statement had no impact on the Company's consolidated results of operations and financial position.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 supercedes SFAS No. 121, "Accounting for Impairment of Long-Lived Assets to be Disposed Of" and Accounting Principles Board Opinion (APB) No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". Along with establishing a single accounting model, based on the framework established in SFAS No. 121 for impairment of long-lived assets, this standard retains the basic provisions of APB No. 30 for the presentation of discontinued operations in the income statement, but broadens that presentation to include a component of the entity. The Company adopted SFAS No. 144 on February 3, 2002, and the adoption of this statement had no material impact on the Company's consolidated results of operations and financial position.

NOTE 3 - EARNINGS PER SHARE:

Earnings per share is calculated by dividing net income by the weighted-average number of Class A and Class B common shares outstanding during the respective periods. The weighted-average shares outstanding is used in the basic earnings per share calculation, while the weighted-average shares and equivalents outstanding is used in the diluted earnings per share calculation.

	THREE MONTHS ENDED	
	MAY 4, 2002	May 5, 2001
Weighted-average shares outstanding	25,279,022	25,286,456
Dilutive effect of stock options	589,567	634,217
Weighted-average shares and equivalents outstanding	25,868,589	25,920,673

THE CATO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MAY 4, 2002 AND MAY 5, 2001

NOTE 4 - SUPPLEMENTAL CASH FLOW INFORMATION:

Income tax payments, net of refunds received, for the three months ended May 4, 2002 and May 5, 2001 were $119,000 and $3,481,000, respectively.

NOTE 5 - FINANCING ARRANGEMENTS:

At May 4, 2002, the Company had an unsecured revolving credit agreement which provides for borrowings of up to $35 million. The revolving credit agreement is committed until July 2003. The credit agreement contains various financial covenants and limitations, including the maintenance of specific financial ratios with which the Company was in compliance. There were no borrowings outstanding during the three months ended May 4, 2002 or the fiscal year ended February 2, 2002.

NOTE 6 - REPORTABLE SEGMENT INFORMATION:

The Company has two reportable segments: retail and credit. The following schedule summarizes certain segment information (in thousands):

	THREE MONTHS ENDED	
	MAY 4, 2002	May 5, 2001
Revenues:		
Retail	$198,314	$182,384
Credit	3,327	3,346
Total	$201,641	$185,730
Income before income taxes:		
Retail	$ 27,435	$ 23,574
Credit	1,248	910
Total	$ 28,683	$ 24,484

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 Condensed Consolidated Statements of Income as a percentage of total retail sales:

	THREE MONTHS ENDED	
	MAY 4, 2002	May 5, 2001
Total retail sales	100.0%	100.0%
Total revenues	102.6	103.0
Cost of goods sold	63.3	64.5
Selling, general and administrative	23.1	23.4
Income before income taxes	14.6	13.6
Net income	9.3	8.8

COMPARISON OF FIRST QUARTER OF 2002 WITH 2001.

Total retail sales for the first quarter were $196.6 million, an increase of 9% over sales of $180.3 million for the first quarter last year. Same-store sales increased 2% in this year's first quarter. The increase in retail sales for the first quarter resulted from the Company's continued everyday low price strategy, improved merchandise offerings, and an increase in store development activity. The Company operated 949 stores at May 4, 2002 compared to 872 stores at the end of last year's first quarter.

Other income for the first quarter of 2002 decreased 7%, over the prior year's comparable periods. The decrease in the current year resulted primarily from decreased late charge fee income on the Company's customer accounts receivable and decreased earnings from interest income from investments.

Cost of goods sold were 63.3% of total retail sales for the current year's first quarter, compared to 64.5% for last year's first three months. The decrease in cost of goods sold as a percent of retail sales resulted from strong sell-through of regular priced goods, improved purchasing programs and tightly managed inventory in the first quarter.

Selling, general and administrative (SG&A) expenses were $45.4 million, or 23.1% of retail sales, for this year's first quarter compared to $42.2 million, or 23.4% of retail sales, in last year's first quarter. SG&A expenses as a percentage of retail sales declined 30 basis points. The overall increase in SG&A expenses resulted primarily from increased selling-related expenses and increased infrastructure expenses attributable to the Company's store development activities.

CRITICAL ACCOUNTING POLICIES

The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgement. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements. The most significant accounting estimates inherent in the preparation of the Company's financial statements include the allowance for doubtful accounts receivable, reserves relating to workers' compensation, general and auto insurance liabilities and reserves for inventory markdowns. Historically, actual results have not significantly deviated from those determined using the estimates described above.

LIQUIDITY AND CAPITAL RESOURCES

At May 4, 2002, the Company had working capital of $152.2 million, compared to $134.0 million at May 5, 2001 and $139.6 million at February 2, 2002. Cash provided by operating activities was $32.2 million for the three months ended May 4, 2002, compared to $27.2 million for last year's comparable three month period. The increase in net cash provided by operating activities resulted primarily from an increase in net income, accrued income taxes and a smaller increase in inventories than in the prior year offset by the change in other assets and accounts payable and other liabilities. At May 4, 2002, the Company had cash, cash equivalents, and short-term investments of $108.5 million, compared to $99.9 million at May 5, 2001 and $84.7 million at February 2, 2002.

Net cash used in investing activities totaled $3.5 million for the first three months of 2002 compared to $8.7 million for the comparable period of 2001. Cash was used to fund capital expenditures for new, relocated and remodeled stores and for investments in new technology for an enterprise-wide information system for merchandising, distribution and finance. The decrease in cash used was primarily related to a decrease in the purchase of short-term investments in fiscal 2002 as compared to fiscal 2001.

Expenditures for property and equipment totaled $6.1 million for the three months ended May 4, 2002, compared to $5.1 million of expenditures in last year's first three months. The Company expects total capital expenditures to be approximately $29 million for the current fiscal year. The Company intends to open approximately 90 new stores, close 10 stores and to relocate 20 stores during the current fiscal year. For the three months ended May 4, 2002, the Company had opened 12 new stores and relocated 7 stores.

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Net cash used in financing activities totaled $2.0 million for the first three months of 2002 compared to $5.0 million for the comparable period of 2001. The decrease was due primarily to a reduction in its share buyback program and an increase in stock options exercised, which were partially offset by an increase in dividends paid in fiscal 2002 as compared to fiscal 2001.

At May 4, 2002, the Company had an unsecured revolving credit agreement which provides for borrowings of up to $35 million. The revolving credit agreement is committed until July 2003. The credit agreement contains various financial covenants and limitations, including the maintenance of specific financial ratios with which the Company was in compliance. There were no borrowings outstanding during the three months ended May 4, 2002, or the fiscal year ended February 2, 2002.

In May 2002, the Board of Directors increased the quarterly dividend by 11% from $.135 per share to $.15 per share.

The Company does not use derivative financial instruments. At May 4, 2002, May 5, 2001, and February 2, 2002, the Company's investment portfolio was primarily invested in governmental debt securities with maturities of up to 36 months. These securities are classified as available-for-sale, and are recorded on the balance sheet at fair value with unrealized gains and losses reported as accumulated other comprehensive losses.

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 during fiscal 2002.

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets". SFAS 142 includes requirements to test goodwill and indefinite lived intangible assets for impairment rather than amortize them. The Company adopted SFAS No. 142 on February 3, 2002, and the adoption of this statement had no impact on the Company's consolidated results of operations and financial position.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 supercedes SFAS No. 121, "Accounting for Impairment of Long-Lived Assets to be Disposed Of" and Accounting Principles Board Opinion (APB) No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". Along with establishing a single accounting model, based on the framework established in SFAS No. 121 for impairment of long-lived assets, this standard retains the basic provisions of APB

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

No. 30 for the presentation of discontinued operations in the income statement, but broadens that presentation to include a component of the entity. The Company adopted SFAS No. 144 on February 3, 2002, and the adoption of this statement had no material impact on the Company's consolidated results of operations and financial position.

Form 10-Q 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-Q 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.

PART II OTHER INFORMATION

THE CATO CORPORATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

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

None

ITEM 5. OTHER INFORMATION

The Company has begun the process of listing its Class A common stock on the New York Stock Exchange. The Company's stock begins trading on the New York Stock Exchange on Thursday, June 13, 2002 under the symbol "CTR". As of June 13, 2002, the Company's shares will no longer trade on Nasdaq.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) None

(B) No Reports on Form 8-K were filed during the quarter ended May 4, 2002.

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

June 11, 2002	/s/ John P. Derham Cato
Date	John P. Derham Cato President, Vice Chairman of the Board and Chief Executive Officer
June 11, 2002	/s/ Michael O. Moore
Date	Michael O. Moore Executive Vice President Chief Financial Officer and Secretary
June 11, 2002	/s/ Robert M. Sandler
Date	Robert M. Sandler Senior Vice President Controller