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 February 3, 2001

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 O-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 23, 2001, there were 19,971,388 shares of Class A Common Stock and 5,364,317 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 23, 2001 was approximately $224,738,893 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 25, 2001, relating to the 2001 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
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PART I

ITEM 1. BUSINESS:

GENERAL

The Company, founded in 1946, operated 859 women's fashion specialty stores at February 3, 2001 under the names "Cato," "Cato Fashions," "Cato Plus" and "It's Fashion!" in 23 states, principally in the Southeast. The Company offers quality fashion apparel and accessories at everyday low prices in junior/missy and plus sizes. Additionally, the Company offers clothing and accessories for girls ages 7 - 16 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 3,000 to 6,000 square feet and are located primarily in strip shopping centers anchored by national discounters or dominant grocery 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 18% of retail sales in fiscal 2000. See Note 12 to the Consolidated Financial Statements, "Reportable Segment Information" for a discussion of segment information.

BUSINESS

The Company's primary objective is to be the leading fashion 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 mall specialty apparel chains but is generally more fashionable than merchandise offered by discount stores. The Company has positioned itself as the everyday low price leader in its segment.

ITEM 1. BUSINESS: (CONTINUED)

Strip Shopping Center Locations. The Company locates its stores principally in strip centers convenient to customers anchored by national discounters or dominant grocery stores 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 card and a layaway plan to make the purchase of its merchandise more convenient.

Expansion. The Company plans to open new stores and relocate existing stores in rural, middle and metro markets in northern, midwestern and western adjacent states, as well as continuing to "fill-in" existing southeastern core geography.

MERCHANDISING

Merchandising

The Company offers a broad selection of high quality and exceptional value 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 offers on-trend fashion in exciting colors with consistent fit and quality.

The Company's merchandise lines include dressy, career, and casual sportswear, dresses, coats, shoes, lingerie, hosiery, costume jewelry, handbags and millinery. Apparel and accessories for girls ages 7 - 16 are offered in selected stores. Most of the Company's merchandise is sold under its private labels.

The collaboration of the merchandising team with an expanded in-house product development and direct sourcing function has enhanced merchandise offerings delivering quality private label products at lower costs. Product development and the direct sourcing operation provide research on emerging fashion and color trends, technical services and direct sourcing capabilities.

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 associates 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 2000, purchases from the Company's largest vendor accounted for approximately 6% of the Company's total purchases. No other vendor accounted for more than 3% 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 effect 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 sales trends by merchandise category, customer profiles and climatic conditions. A 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 database, 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 to stores is controlled by an on-line 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, radio and in-store advertising as its primary advertising media. The Company uses radio advertising throughout its trade areas. The Company's total advertising expenditures were approximately .9% of retail sales in fiscal 2000.

STORE OPERATIONS

The Company's store operations management team consists of two directors of stores, two territorial managers, fourteen regional managers and eighty-nine district managers. Regional managers 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 store 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 is constantly improving its training programs to develop associates. Nearly 80% of the store and field management are promoted from within, allowing the Company to internally staff an expanding store base. The Company has training programs at each level of store operations. New store managers are trained in training stores managed by experienced associates 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 corporate office.

STORE LOCATIONS

Most of the Company's stores are located in the 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. Stores range in size from 3,000 to 6,000 square feet and average approximately 4,100 square feet.

ITEM 1. BUSINESS: (CONTINUED)

All of the Company's stores are leased. Approximately 93% are located in strip shopping centers, 1% in downtown locations and 6% 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 national discounters or dominant grocery 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 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 since fiscal 1996.

STORE DEVELOPMENT

Fiscal Year	Number of Stores Beginning of Year	Number Opened	Number Closed	Number of Stores End of Year
1996................	671	28	44	655
1997................	655	55	17	693
1998................	693	52	13	732
1999................	732	83	6	809
2000................	809	65	15	859

In Fiscal 2001 the Company plans to open approximately 85 new stores, relocate 30 stores, close 10 stores, and remodel 25 stores.

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 to close underperforming stores. In addition, the Company opportunistically relocates selected stores to more desirable locations in their existing market.

CREDIT AND LAYAWAY

Credit Card Program

The Company offers its own credit card, which accounted for approximately 14% of retail sales in fiscal 2000. The Company's net bad debt expense in fiscal 2000 was 5.5% 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 minimum income criteria. 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 assesses the customer a finance charge.

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 four 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. In fiscal 1999, the Company changed its method of accounting for layaway sales. This change is the result of the issuance of Staff Accounting Bulletin No.101, "Revenue Recognition in Financial Statements" ("SAB 101"). Under the new accounting method the Company defers recognition of layaway sales and its related fees to the accounting period when the customer picks up layaway merchandise. Layaway sales represented approximately 4% of retail sales in fiscal 2000.

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.

ITEM 1. BUSINESS: (CONTINUED)

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.

ASSOCIATES

As of February 3, 2001, the Company employed approximately 9,000 full-time and part-time associates. The Company also employs additional part-time associates during the peak retailing seasons. The Company is not a party to any collective bargaining agreements and considers that its associate 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. In Fiscal 2000, the Company purchased a building of approximately 24,000 square feet located on a 2-acre tract adjacent to the Company's existing location. The new building is used for receiving and staging shipments prior to processing.

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. SUBMISSION OF MATTERS TO A VOTE 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 2000 and 1999.

	Price		
2000	HIGH	LOW	DIVIDEND
First quarter	$12 1/4	$ 9 3/16	$.10
Second quarter	12 1/2	10 1/64	.10
Third quarter	12 7/8	10	.10
Fourth quarter	18	11	.125

	Price		
1999	HIGH	LOW	DIVIDEND
First quarter	$11 7/16	$ 7 9/16	$.055
Second quarter	13 15/16	10 1/2	.075
Third quarter	15 9/16	10 7/8	.075
Fourth quarter	13 3/8	10 1/4	.075

As of March 23, 2001 the approximate number of holders of the Company's Class A Common stock was 3,600 and there were 12 record holders of the Company's Class B Common Stock.

FISCAL YEAR	2000	1999	1998	1997	1996
(Dollars in thousands, except per share data and selected operating data)					
STATEMENT OF OPERATIONS DATA:					
Retail sales	$648,482	$585,085	$524,381	$496,851	$ 477,011
Other income	20,653	19,948	19,283	15,597	14,498
Total revenues	669,135	605,033	543,664	512,448	491,509
Cost of goods sold	445,407	403,655	371,005	354,627	344,919
Gross margin percent	31.3%	31.0%	29.2%	28.6%	27.7%
Selling, general and administrative	154,150	140,741	128,207	124,676	121,837
Selling, general and administrative percent of retail sales	23.8%	24.0%	24.4%	25.1%	25.5%
Depreciation	9,492	8,639	7,638	7,713	8,330
Interest	44	23	19	25	25
Closed store expense	--	--	--	--	5,500
Income before income taxes and cumulative effect of accounting change	60,042	51,975	36,795	25,407	10,898
Income tax expense	21,015	18,191	12,878	8,006	3,869
Income before cumulative effect of accounting change	39,027	33,784	23,917	17,401	7,029
Cumulative effect of accounting change, net of taxes	--	147	--	--	--
Net income	$ 39,027	$ 33,931	$ 23,917	$ 17,401	$ 7,029
Basic earnings per share	$ 1.56	$ 1.28	$ .87	$ .62	$ .25
Diluted earnings per share	$ 1.53	$ 1.26	$ .85	$ .62	$ .25
Cash dividends paid per share	$ .425	$ .28	$ .19	$ .16	$ .16
SELECTED OPERATING DATA:					
Stores open at end of year	859	809	732	693	655
Average sales per store	$781,000	$756,000	$740,000	$748,000	$ 710,000
Average sales per square foot of selling space	$ 187	$ 177	$ 169	$ 163	$ 153
Comparable store sales increase (decrease)	3%	4%	2%	4%	(2)%
BALANCE SHEET DATA:					
Cash and investments	$ 83,112	$ 87,275	$ 86,209	$ 69,487	$ 50,105
Working capital	125,724	124,988	124,024	113,327	105,373
Total assets	310,742	285,789	258,513	241,437	218,243
Total stockholders' equity	$207,757	$188,780	$172,234	$157,516	$ 151,903

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS 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	FEBRUARY 3, 2001	JANUARY 29, 2000	JANUARY 30, 1999
Retail sales	100.0%	100.0%	100.0%
Other income	3.2	3.4	3.7
Total revenues	103.2	103.4	103.7
Cost of goods sold	68.7	69.0	70.8
Selling, general and administrative	23.8	24.0	24.4
Depreciation	1.4	1.5	1.5
Selling, general, administrative and depreciation	25.2	25.5	25.9
Income before income taxes and cumulative effect of accounting change	9.3	8.9	7.0
Net income	6.0%	5.8%	4.6%

FISCAL 2000 COMPARED TO FISCAL 1999

Retail sales increased by 11% to $648.5 million in fiscal 2000 from $585.1 million in fiscal 1999. The fiscal year ended February 3, 2001 contained 53 weeks versus 52 weeks in fiscal year ended January 29, 2000. On a comparable 53 week basis, total sales for the fiscal year ended February 3, 2001 increased 9%, and comparable store sales increased 3% from the prior year. Total revenues, comprised of retail sales and other income (principally finance charges and late fees on customer accounts receivable, interest income and layaway fees), increased by 11% to $669.1 million in fiscal 2000 from $605.0 million in fiscal 1999. The Company operated 859 stores at February 3, 2001 compared to 809 stores operated at January 29, 2000.

The increase in retail sales in fiscal 2000 resulted from the Company's continuation of an everyday low pricing strategy, improved merchandise offerings, and an increase in store development activity. In fiscal 2000, the Company opened 65 new stores, relocated 33 stores, closed 15 stores and remodeled 105 stores.

Other income in fiscal 2000 increased $.7 million or 4% over fiscal 1999. The increase resulted primarily from increased earnings from finance charges and late fee income.

Cost of goods sold was $445.4 million, or 68.7% of retail sales, in fiscal 2000 compared to $403.7 million, or 69.0% of retail sales, in fiscal 1999. The decrease in cost of goods sold as a percent of retail sales resulted primarily by maintaining timely and aggressive markdowns on slow moving merchandise and improving inventory flow. Total gross margin dollars (retail sales less cost of goods sold) increased by 12% to $203.1 million in fiscal 2000 from $181.4 million in fiscal 1999.

Selling, general and administrative expenses (SG&A) were $154.2 million in fiscal 2000 compared to $140.7 million in fiscal 1999, an increase of 10%. As a percent of retail sales, SG&A was 23.8% compared to 24.0% in the prior year. The overall increase in SG&A resulted primarily from increased selling-related expenses and increased infra-structure expenses attributable to the Company's store development activities.

Depreciation expense was $9.5 million in fiscal 2000 compared to $8.6 million in fiscal 1999. The 10% increase in fiscal 2000 resulted primarily from the Company's store development.

FISCAL 1999 COMPARED TO FISCAL 1998

Retail sales increased by 12% to $585.1 million in fiscal 1999 from $524.4 million in fiscal 1998. Comparable store sales increased 4% from the prior year. Total revenues increased by 11% to $605.0 million in fiscal 1999 from $543.7 million in fiscal 1998. The Company operated 809 stores at January 29, 2000 compared to 732 stores operated at January 30, 1999.

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

The increase in retail sales in fiscal 1999 resulted from the Company's adoption of an everyday low pricing strategy, improved merchandise offerings, and an increase in store development activity. In fiscal 1999, the Company increased its number of stores 11% by opening 83 new stores, relocating 21 stores while closing 6 existing stores.

Other income in fiscal 1999 increased $.7 million or 3% over fiscal 1998. The increase resulted primarily from increased earnings from higher finance charges, late fee income and income from cash equivalents and short-term investments partially offset by decreased layaway service charges.

Cost of goods sold was $403.7 million, or 69.0% of retail sales, in fiscal 1999 compared to $371.0 million, or 70.8% of retail sales, in fiscal 1998. The decrease in cost of goods sold as a percent of retail sales resulted primarily by maintaining timely and aggressive markdowns on slow moving merchandise, eliminating unprofitable promotions and improving inventory flow. Total gross margin dollars increased by 18% to $181.4 million in fiscal 1999 from $153.4 million in fiscal 1998.

SG&A expenses were $140.7 million in fiscal 1999 compared to $128.2 million in fiscal 1998, an increase of 10%. As a percent of retail sales, SG&A was 24.0% compared to 24.4% in the prior year. The overall increase in SG&A resulted primarily from increased selling-related expenses and increased infrastructure expenses attributable to the Company's store development activities.

Depreciation expense was $8.6 million in fiscal 1999 compared to $7.6 million in fiscal 1998. The 13% increase in fiscal 1999 resulted primarily from the Company's store development.

Effective for fiscal 1999, the Company changed its policy for recognizing revenues related to layaway sales to comply with the Securities and Exchange Commission's Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101). Revenues for layaway sales and related fees are recognized when the layaway merchandise is delivered to the customer. Previously, revenues were recognized at the time of the sale. The Company accounted for the adoption of SAB 101 as a change in accounting principle and recorded a cumulative effect in the first quarter of fiscal 1999. The cumulative effect of this accounting change resulted in an increase in net income of $147,000, net of income tax of $79,000, or $.01 per share. This increase was driven by the release of the Company's layaway reserve, which slightly exceeded the associated margin on previously recognized layaway sales. The proforma effect of retroactive application of the accounting change on fiscal 1998 is immaterial to the financial statements.

LIQUIDITY, CAPITAL RESOURCES AND MARKET RISK

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 over the next twelve months.

At February 3, 2001, the Company had working capital of $125.7 million compared to $125.0 million at January 29, 2000. Cash provided by operating activities was $44.1 million in fiscal 2000 compared to $44.5 million in fiscal 1999. The decrease in cash provided by operating activities in fiscal 2000 resulted primarily from an increase in net income, depreciation, provision for doubtful accounts, deferred income taxes, loss on disposal of property and equipment offset by an increase in accounts receivable, inventories and other assets and a decrease in accounts payable and other liabilities. At February 3, 2001, the Company had $83.1 million in cash, cash equivalents and short-term investments, compared to $87.3 million at January 29, 2000.

The Company had $1.3 million invested in privately managed investment funds at February 3, 2001, which are reported under other assets of the consolidated balance sheets.

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

At February 3, 2001, the Company had an unsecured revolving credit agreement which provided 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 maintenance of specific financial ratios with which the Company was in compliance. There were no borrowings outstanding under the agreement during the fiscal year ended February 3, 2001 or January 29, 2000.

The Company has a master lease agreement with a lessor to lease $19.5 million of store fixtures, point-of-sale devices and warehouse equipment. 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. If the Company had cancelled the leases at February 3, 2001, the purchase price for the equipment would have been approximately $5,929,000.

Expenditures for property and equipment totaled $27.2 million, $24.0 million and $13.5 million in fiscal 2000, 1999 and 1998, respectively. The expenditures for fiscal 2000 were primarily for store development, store remodels and investments in new technology for an enterprise-wide information system for merchandising, distribution and finance. In fiscal 2001, the Company is planning to invest approximately $31 million for capital expenditures. This includes expenditures to open 85 new stores, relocate 30 stores and close 10 stores. In addition, the Company plans to remodel 25 stores and has planned for investments in technology including an enterprise-wide information system scheduled to be implemented over the next 12 to 24 months.

During 2000, the Company repurchased 1,468,800 shares of Class A Common Stock for $15.4 million, or an average price of $10.52 per share. Over the course of fiscal 2000, the Company increased its quarterly dividend from $.075 per share to $.125 per share. In February 2000, the Board of Directors increased the quarterly dividend by 33% from $.075 per share to $.10 per share. In December 2000, the Board of Directors further increased the quarterly dividend by 25% from $.10 per share to $.125 per share.

The Company does not use derivative financial instruments in its investment portfolio. At February 3, 2001, the Company's investment portfolio was 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 income.

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities". In June 2000, the FASB issued SFAS No. 138, which amended certain provisions of SFAS 133. The Company adopted SFAS 133 and the corresponding amendments under SFAS 138 on February 4, 2001. Management believes that the adoption of this statement has no impact on the Company's consolidated results of operations and financial position.

The Annual Report 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 Annual Report 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. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE:

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT:

The directors and executive officers of the Company and their ages as of March 31, 2001 are as follows:

NAME	AGE	POSITION
Wayland H. Cato, Jr.(1)	78	Chairman of the Board
John P. Derham Cato(1)	50	President, Vice Chairman of the Board and Chief Executive Officer
Edgar T. Cato(1)	76	Former Vice Chairman of the Board, Co-Founder and Director
Michael O. Moore	50	Executive Vice President, Chief Financial Officer and Secretary
Howard A. Severson	53	Executive Vice President, Chief Real Estate and Store Development Officer, Assistant Secretary and Director
B. Allen Weinstein	54	Executive Vice President, Chief Merchandising Officer of the Cato Division
David P. Kempert	51	Executive Vice President, Chief Store Operations Officer of the Cato Division
C. David Birdwell	61	Executive Vice President, President and General Manager of the It's Fashion! Division
Robert C. Brummer	56	Senior Vice President, Human Resources and Assistant Secretary
Clarice Cato Goodyear	54	Special Assistant to the Chairman and the President, Assistant Secretary and Director
Thomas E. Cato	46	Vice President, Divisional Merchandise Manager and Director
Robert W. Bradshaw, Jr.(1)	67	Director
George S. Currin(1)(3)	64	Director
Paul Fulton(1)(2)	66	Director
Grant L. Hamrick(1)(2)(3)	62	Director
James H. Shaw(2)	72	Director
A.F. (Pete) Sloan(1)(2)(3)	71	Director

(1) Member of the Executive/Finance Committee
(2) Member of Compensation Committees
(3) Member of Audit Committee

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT: (CONTINUED)

Wayland H. Cato, Jr. is Chairman of the Board and has been a director of the Company since 1946. From 1991 to May 1999, he served as Chairman of the Board and Chief Executive Officer. From 1970 until 1991, he served as the Chairman of the Board, President and Chief Executive Officer. From 1960 until 1970, he served as President and Chief Executive Officer of the Company.

John P. Derham Cato has been employed as an officer of the Company since 1981 and has been a director of the Company since 1986. Since May 1999, Mr. John Cato has served as President, Vice Chairman of the Board and Chief Executive Officer. From June 1997 to May 1999, he served as President, Vice Chairman of the Board and Chief Operating Officer. From August 1996 to June 1997, he served as Vice Chairman of the Board and Chief Operating Officer. From 1992 to August 1996, he served as Executive Vice President and as President and General Manager of the It's Fashion! Division. 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.

Michael O. Moore joined the Company as Executive Vice President, Chief Financial Officer and Secretary in July 1998. From 1997 to 1998, he was Vice President - Chief Financial Officer of The Party Experience, a specialty retailer of party goods. From 1994 to 1997, he was employed by David's Bridal, a specialty retailer of bridalwear and related merchandise, as Executive Vice President - Chief Financial Officer. From 1984 to 1994, he was employed by Bloomingdales where his most recent position was Senior Vice President - Chief Financial Officer.

Howard A. Severson has been employed by the Company since 1985 and has served as a director of the Company since 1995. Since January 1993, he has served as Executive Vice President, Chief Real Estate and Store Development Officer, Assistant Secretary and Director. From August 1989 through January 1993, Mr. Severson served as Senior Vice President - Chief Real Estate Officer.

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 1981 to 1995, he served as Senior Vice President of Merchandising for Beall's, Inc.

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.

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 to 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 to 1992, he was employed as a Chartered Financial Consultant with Jefferson Pilot, based in Greensboro, North Carolina. From 1985 to

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT: (CONTINUED)

1989, he was President/CEO of Maxway Stores, a discount chain headquartered in Sanford, North Carolina.

Robert C. Brummer joined the Company as Senior Vice President, Human Resources and Assistant Secretary in January 2001. From 1999 through 2000, he was employed by Sleepy's, a beddings specialty retailer as Vice President, Human Resources and Payroll. From 1997 through 1998, he was Vice President, Human Resources and Loss Prevention for The Party Experience, a party supplies specialty retailer. From 1995 until 1997, he was Vice President, Human Resources and Loss Prevention for No Body Beats The Wiz, an electronics specialty store chain.

Clarice Cato Goodyear has been employed by the Company since 1975 and has served as a director and officer of the Company since 1979. Since July 1993, she has served as Special Assistant to the Chairman and the 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 of the Company since 1993. Since February 1987, he has served as Vice President, Divisional Merchandise Manager. 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 currently serves of counsel to the firm.

George S. Currin has been a director of the Company since 1973. Since 1989, he has served as Chairman and Managing Director of Fourth Stockton Company LLC and Chairman of Currin-Patterson Properties LLC, both privately held real estate investment companies.

Paul Fulton has been a director of the Company since 1994. Since March 2000, he has served as Chairman of the Board of Directors of Bassett Furniture Industries, Inc. From July 1997 to March 2000, he served as Chairman and Chief Executive Officer of 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, Bank of America Corporation, Lowe's Companies, Inc., Bassett Furniture Industries, Inc., and Coach, Inc.

Grant L. Hamrick has been a director of the Company since 1994. Mr. Hamrick was Senior Vice President and Chief Financial Officer for American City Business Journals, Inc. from 1989 until his retirement in 1996. 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.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT: (CONTINUED)

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 is retired Chairman and Chief Executive Officer of Lance, Inc. where he was employed from 1955 until his retirement in 1990.

ITEM 11. EXECUTIVE COMPENSATION:

Incorporated by reference to Registrant's proxy statement for 2001 annual stockholders' meeting.

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

Incorporated by reference to Registrant's proxy statement for 2001 annual stockholders' meeting.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS:

Incorporated by reference to Registrant's proxy statement for 2001 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 40 of this annual report.

(b) REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the quarter ended February 3, 2001.

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 FEBRUARY 3, 2001

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:

Independent Auditors' Report..Page 24
Consolidated Statements of Income..Page 25
Consolidated Balance Sheets..Page 26
Consolidated Statements of Cash Flows Page ....Page 27
Consolidated Statements of Stockholders' Equity..............................Page 28
Notes to Consolidated Financial Statements...................................Pages 29 - 37

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

SCHEDULE II - Valuation and qualifying accounts..Page 38

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 February 3, 2001 and January 29, 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended February 3, 2001. Our audits also included the financial statement schedule listed in the index at Item 14(A). These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at February 3, 2001 and January 29, 2000, and the results of its operations and its cash flows for each of the three years in the period ended February 3, 2001, in conformity with accounting principles generally accepted in the United States of America. 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 herein.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina
March 16, 2001

THE CATO CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

FISCAL YEAR ENDED	FEBRUARY 3, 2001	JANUARY 29, 2000	JANUARY 30, 1999
(Dollars in thousands, except per share data)			
REVENUES			
Retail sales	$ 648,482	$ 585,085	$ 524,381
Other income (principally finance, late and layaway charges)	20,653	19,948	19,283
Total revenues	669,135	605,033	543,664
COSTS AND EXPENSES			
Cost of goods sold	445,407	403,655	371,005
Selling, general and administrative	154,150	140,741	128,207
Depreciation	9,492	8,639	7,638
Interest	44	23	19
Total operating expenses	609,093	553,058	506,869
Income before income taxes and cumulative effect of accounting change	60,042	51,975	36,795
Income tax expense	21,015	18,191	12,878
Income before cumulative effect of accounting change	$ 39,027	$ 33,784	$ 23,917
Cumulative effect of accounting change, net of tax ($79)	--	147	--
Net income	$ 39,027	$ 33,931	$ 23,917
Basic earnings per share	$ 1.56	$ 1.28	$ .87
Basic weighted average shares	24,988,844	26,486,407	27,522,582
Diluted earnings per share	$ 1.53	$ 1.26	$ .85
Diluted weighted average shares	25,465,232	26,953,948	28,181,585
Dividends per share	$ .425	$ .28	$ .19

See notes to consolidated financial statements.

THE CATO CORPORATION
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)	FEBRUARY 3, 2001	JANUARY 29, 2000
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 25,201	$ 30,389
Short-term investments	57,911	56,886
Accounts receivable, net of allowance for doubtful accounts of $5,422 at February 3, 2001 and $5,101 at January 29, 2000	46,972	45,458
Merchandise inventories	79,161	69,497
Deferred income taxes	1,579	4,093
Prepaid expenses	4,665	2,494
Total Current Assets	215,489	208,817
Property and equipment - net	85,819	69,338
Other assets	9,434	7,634
Total Assets	$ 310,742	$ 285,789
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 59,681	$ 54,707
Accrued expenses	24,378	24,392
Income taxes	5,706	4,730
Total Current Liabilities	89,765	83,829
Deferred income taxes	5,386	5,806
Other noncurrent liabilities (primarily deferred rent)	7,834	7,374
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; 24,643,420 and 24,173,480 shares issued at February 3, 2001 and January 29, 2000, respectively	821	805
Convertible Class B common stock, $.033 par value per share, 15,000,000 shares authorized; 5,364,317 shares issued at February 3, 2001 and January 29, 2000	179	179
Additional paid-in capital	76,778	71,974
Retained earnings	175,275	146,881
Accumulated other comprehensive losses	(884)	(1,801)
Unearned compensation - restricted stock awards	(689)	(984)
	251,480	217,054
Less Class A common stock in treasury, at cost (4,759,148 and 3,290,348 shares at February 3, 2001 and January 29, 2000, respectively)	(43,723)	(28,274)
Total Stockholders' Equity	207,757	188,780
Total Liabilities and Stockholders' Equity	$ 310,742	$ 285,789

See notes to consolidated financial statements.

THE CATO CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

FISCAL YEAR ENDED	FEBRUARY 3, 2001	JANUARY 29, 2000	JANUARY 30, 1999
(Dollars in thousands)			
OPERATING ACTIVITIES			
Net income	$ 39,027	$ 33,931	$ 23,917
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	9,492	8,639	7,638
Amortization of investment premiums	126	187	123
Provision for doubtful accounts	5,292	4,850	4,081
Deferred income taxes	1,600	175	38
Compensation expense related to restricted stock awards	295	196	--
Loss on disposal of property and equipment	1,257	727	942
Changes in operating assets and liabilities which provided (used) cash:			
Accounts receivable	(6,806)	(5,772)	(1,431)
Merchandise inventories	(9,664)	(8,385)	3,114
Other assets	(3,971)	(1,584)	(765)
Accrued income taxes	2,025	4,712	(463)
Accounts payable and other liabilities	5,420	6,845	3,705
Net cash provided by operating activities	44,093	44,521	40,899
INVESTING ACTIVITIES			
Expenditures for property and equipment	(27,230)	(23,964)	(13,519)
Purchases of short-term investments	(11,906)	(22,544)	(24,624)
Sales of short-term investments	12,166	4,496	10,717
Net cash used in investing activities	(26,970)	(42,012)	(27,426)
FINANCING ACTIVITIES			
Dividends paid	(10,633)	(7,416)	(5,204)
Purchases of treasury stock	(15,449)	(9,572)	(10,112)
Proceeds from employee stock purchase plan	448	447	336
Proceeds from stock options exercised	3,323	353	3,931
Net cash used in financing activities	(22,311)	(16,188)	(11,049)
Net increase (decrease) in cash and cash equivalents	(5,188)	(13,679)	2,424
Cash and cash equivalents at beginning of year	30,389	44,068	41,644
Cash and cash equivalents at end of year	$ 25,201	$ 30,389	$ 44,068

See notes to consolidated financial statements.

THE CATO CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Dollars in thousands)	CLASS A COMMON STOCK	CONVERTIBLE CLASS B COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	UNEARNED COMPEN-SATION RESTRICTED STOCK AWARDS	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY
BALANCE -- JANUARY 31, 1998	$783	$ 176	$ 64,187	$101,653	$ (116)	$	$ (9,167)	$157,516
* Comprehensive income:								
Net income				23,917				23,917
Unrealized gains on available-for-sale securities, net of deferred income taxes of $174					340			340
Dividends paid ($.19 per share)				(5,204)				(5,204)
Class A common stock sold through employee stock purchase plan -- 37,122 shares	1		335					336
Class A common stock sold through stock option plans -- 530,750 shares	18		3,913					3,931
Income tax benefit from stock options exercised			1,381					1,381
Purchase of treasury shares -- 1,006,500 shares							(10,112)	(10,112)
Contribution of treasury stock to Employee Stock Purchase Plan - 10,000 shares			62				67	129
BALANCE -- JANUARY 30, 1999	802	176	69,878	120,366	224		(19,212)	172,234
* Comprehensive income:								
Net income				33,931				33,931
Unrealized losses on available-for-sale securities, net of deferred income tax benefit of $1,091					(2,025)			(2,025)
Dividends paid ($.28 per share)				(7,416)				(7,416)
Class A common stock sold through employee stock purchase plan -- 53,811 shares	2		445					447
Class A common stock sold through stock option plans -- 49,150 shares	1		352					353
Income tax benefit from stock options exercised			100					100
Purchase of treasury shares -- 985,400 shares							(9,572)	(9,572)
Contribution of treasury stock to Employee Stock Purchase Plan -- 63,052 shares			22				510	532
Unearned compensation - restricted stock awards		3	1,177			(984)		196
BALANCE -- JANUARY 29, 2000	805	179	71,974	146,881	(1,801)	(984)	(28,274)	188,780
* Comprehensive income:								
Net income				39,027				39,027
Unrealized gains on available-for-sale securities, net of deferred income taxes of $494					917			917
Dividends paid ($.425 per share)				(10,633)				(10,633)
Class A common stock sold through employee stock purchase plan -- 44,590 shares	2		446					448
Class A common stock sold through stock option plans -- 425,350 shares	14		3,309					3,323
Income tax benefit from stock options exercised			1,049					1,049
Purchase of treasury shares -- 1,468,800 shares							(15,449)	(15,449)
Unearned compensation - restricted stock awards						295		295
BALANCE -- FEBRUARY 3, 2001	$821	$ 179	$ 76,778	$175,275	$ (884)	$ (689)	$(43,723)	$207,757

See notes to consolidated financial statements.

* Total comprehensive income for the years ended February 3, 2001, January 29, 2000 and January 30, 1999 was $39,944, $31,906 and $24,257, respectively.

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 Cato Corporation and its wholly-owned subsidiaries ("the Company"). All significant intercompany accounts and transactions have been eliminated.

Description of Business and Fiscal Year: The Company has two business segments - -- the operation of women's fashion specialty stores and a credit card division. The apparel specialty stores operate under the names "Cato", "Cato Fashions", "Cato Plus" and "It's Fashion!" and are located primarily in strip shopping centers in the Southeast. The Company's fiscal year ends on the Saturday nearest January 31. Fiscal year 2000 included 53 weeks, and fiscal years 1999 and 1998 each included 52 weeks.

Use of Estimates: The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States 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. Significant accounting estimates reflected in 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.

Cash and 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 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 a component of accumulated other comprehensive income. The 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.

Concentration of Credit Risk: Financial instruments that potentially subject the Company to a concentration of credit risk principally consist of cash equivalents and accounts receivable. The Company places its cash equivalents with high credit qualified institutions and, by practice, limits the amount of credit exposure to any one institution. Concentrations of credit risks with respect to accounts receivable are limited due to the dispersion across different geographies of the Company's customer base.

Supplemental Cash Flow Information: Income tax payments, net of refunds received, for the fiscal years ended February 3, 2001, January 29, 2000 and January 30, 1999 were $17,435,000, $13,895,000 and $13,394,000, 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 is provided on the straight-line method over the estimated useful lives of the related assets, 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, net of returns, are recognized upon delivery of the merchandise to the customer and exclude sales taxes.

Advertising: Advertising costs are expensed in the period in which they are incurred. Advertising expense was $5,812,000, $5,109,000 and $5,755,000 for the fiscal years ended February 3, 2001, January 29, 2000 and January 30, 1999, respectively.

THE CATO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Earnings Per Share: Basic earnings per share 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 24,988,844, 26,486,407 and 27,522,582 for the fiscal years ended February 3, 2001, January 29, 2000 and January 30, 1999, respectively. The weighted-average number of shares representing the dilutive effect of stock options was 476,388, 467,541 and 659,003 for the fiscal years ended February 3, 2001, January 29, 2000 and January 30, 1999, respectively. The weighted-average number of shares used in the diluted earnings per share computations was 25,465,232, 26,953,948 and 28,181,585 for the fiscal years ended February 3, 2001, January 29, 2000 and January 30, 1999, respectively.

Income Taxes: The Company files 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 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.

Insurance: 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 $250,000.

Fair Value of Financial Instruments: The Company's carrying values of financial instruments, such as cash and cash equivalents, approximate their fair values due to their short terms to maturity and/or their variable interest rates.

Recent Accounting Pronouncements: In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities". In June 2000, the FASB issued SFAS No. 138, which amended certain provisions of SFAS 133. The Company adopted SFAS 133 and the corresponding amendments under SFAS 138 on February 4, 2001. Management believes that the adoption of this statement has no impact on the Company's consolidated results of operations and financial position.

Effective for fiscal 1999, the Company changed its policy for recognizing revenues related to layaway sales to comply with the Securities and Exchange Commission's Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101). Revenues for layaway sales and related fees are recognized when the layaway merchandise is delivered to the customer. Previously, revenues were recognized at the time of the sale. The Company accounted for the adoption of SAB 101 as a change in accounting principle and recorded a cumulative effect in the first quarter of fiscal 1999. The cumulative effect of this accounting change resulted in an increase in net income of $147,000, net of income tax of $79,000, or $.01 per share. This increase was driven by the release of the Company's layaway reserve, which slightly exceeded the associated margin on previously recognized layaway sales. The proforma effect of retroactive application of the accounting change on fiscal 1998 is immaterial to the financial statements.

Reclassifications: Certain reclassifications have been made to the consolidated financial statements for prior fiscal years to conform with presentation for fiscal 2000.

THE CATO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SHORT-TERM INVESTMENTS:

Short-term investments at February 3, 2001 include the following (in thousands):

SECURITY TYPE	COST	UNREALIZED (LOSSES)	ESTIMATED FAIR VALUE
Obligations of federal, state and political subdivisions	$59,271	$ (1,360)	$57,911

Short-term investments at January 29, 2000 include the following (in thousands):

SECURITY TYPE	COST	UNREALIZED (LOSSES)	ESTIMATED FAIR VALUE
Obligations of federal, state and political subdivisions	$59,657	$ (2,771)	$56,886

The accumulated unrealized losses at February 3, 2001 of ($884,000), net of an income tax benefit of $476,000, and the accumulated unrealized losses at January 29, 2000 of ($1,801,000), net of an income tax benefit of $970,000, are reflected in other comprehensive income.

The amortized cost and estimated fair value of debt securities at February 3, 2001, by contractual maturity, are shown below (in thousands):

SECURITY TYPE	COST	ESTIMATED FAIR VALUE
Due in one year or less	$ 9,594	$ 9,520
Due in one year through three years	49,677	48,391
Total	$ 59,271	$ 57,911

3. ACCOUNTS RECEIVABLE:

Accounts receivable consist of the following (in thousands):

	FEBRUARY 3, 2001	JANUARY 29, 2000
Customer accounts - principally deferred payment accounts	$ 48,429	$ 47,702
Miscellaneous trade receivables	3,965	2,857
Total	52,394	50,559
Less allowance for doubtful accounts	5,422	5,101
Accounts receivable - net	$ 46,972	$ 45,458

Finance charge and late charge revenue on customer deferred payment accounts totaled $13,689,000, $11,870,000 and $11,113,000 for the fiscal years ended February 3, 2001, January 29, 2000 and January 30, 1999, respectively, and the provision for doubtful accounts was $5,292,000, $4,850,000 and $4,081,000, for the fiscal years ended February 3, 2001, January 29, 2000 and January 30, 1999, respectively. The provision for doubtful accounts is classified as a component of selling, general and administrative expenses in the accompanying statements of income.

4. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following (in thousands):

	FEBRUARY 3, 2001	JANUARY 29, 2000

Land and improvements	$ 1,947	$ 1,739
Buildings	17,656	15,806
Leasehold improvements	25,988	23,145
Fixtures and equipment	84,535	75,566
Construction in progress	20,723	12,195
Total	150,849	128,451
Less accumulated depreciation	65,030	59,113
Property and equipment - net	$ 85,819	$ 69,338

Construction in progress primarily represents investments in technology including an enterprise-wide information system scheduled to be implemented over the next 12 to 24 months.

THE CATO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. ACCRUED EXPENSES:

Accrued expenses consist of the following (in thousands):

	FEBRUARY 3, 2001	JANUARY 29, 2000
Accrued bonus and retirement savings plan contributions	$ 8,242	$ 9,502
Accrued payroll and related items	3,636	3,735
Closed store lease obligations	1,671	1,878
Property and other taxes	3,216	2,925
Accrued health care plan	2,894	1,981
Other	4,719	4,371
Total	$ 24,378	$ 24,392

6. FINANCING ARRANGEMENTS:

At February 3, 2001, the Company had an unsecured revolving credit agreement which provided 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 fiscal year ended February 3, 2001 or January 29, 2000.

The Company had approximately $3,977,000 and $4,594,000 at February 3, 2001 and January 29, 2000, respectively, of outstanding irrevocable letters of credit relating to purchase commitments.

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"). In May 1998, the shareholders approved an amendment to 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. 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 of Class A Common Stock at 85% of market value. The number of shares purchased by participants through the plan were 44,590 shares, 53,811 shares and 37,122 shares for the years ended February 3, 2001, January 29, 2000 and January 30, 1999, respectively.

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 the option must be at least 100 percent of the fair market value of Class A Common Stock at the date of the grant. Options granted under these plans vest over a 5-year period and expire 10 years after the date of the grant unless otherwise expressly authorized by the Board of Directors.

THE CATO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In August 1999, the Board of Directors adopted the 1999 Incentive Compensation Plan, of which 1,000,000 shares are issuable. No awards shall be granted after July 31, 2004 and shares must be exercisable not later than 10 years after the date of the grant unless otherwise expressly authorized by the Board of Directors.

In August 1999, the Board of Directors granted under the 1999 Incentive Compensation Plan, restricted stock awards of 100,000 shares of Class B Common Stock, with a per share fair value of $11.81 to a key executive. These stock awards vest over four years and the unvested portion is included in stockholders' equity as unearned compensation in the accompanying financial statements. The charge to compensation expense for these stock awards in 2000 was $295,000 and in 1999 was $196,000.

Option plan activity for the three fiscal years ended February 3, 2001 is set forth below:

	OPTIONS OUTSTANDING	RANGE OF OPTION PRICES	WEIGHTED AVERAGE PRICE
Outstanding options, January 31, 1998	2,785,732	$ 1.50 - $ 9.31	$ 7.73
Granted	302,000	10.66 - 14.59	13.03
Exercised	(530,750)	1.50 - 9.31	7.38
Cancelled	(95,000)	4.94 - 12.56	7.63
Outstanding options, January 30, 1999	2,461,982	1.50 - 14.59	8.45
Granted	670,000	9.36 - 13.25	12.51
Exercised	(48,950)	1.50 - 8.25	7.25
Cancelled	(110,250)	3.21 - 12.69	8.23
Outstanding options, January 29, 2000	2,972,782	1.50 - 14.59	9.39
Granted	46,250	9.59 - 14.38	11.66
Exercised	(425,350)	4.94 - 13.44	7.82
Cancelled	(56,300)	6.94 - 13.44	10.23
Outstanding options, February 3, 2001	2,537,382	$ 4.94 - $ 14.59	$ 9.68

The following tables summarize stock option information at February 3, 2001:

OPTIONS OUTSTANDING

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE
$ 4.94 - $ 7.63	691,432	1.32 years	$ 7.48
$ 7.69 - $ 8.25	863,900	6.16 years	$ 8.13
$ 9.25 - $ 14.59	982,050	8.30 years	$ 12.59
$ 4.94 - $ 14.59	2,537,382	5.67 years	$ 9.68

OPTIONS EXERCISABLE

RANGE OF EXERCISE PRICES	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$ 4.94 - $ 7.63	672,232	$ 7.55
$ 7.69 - $ 8.25	546,300	$ 8.07
$ 9.25 - $ 14.59	241,200	$ 12.70
$ 4.94 - $ 14.59	1,459,732	$ 8.60

Outstanding options at February 3, 2001 covered 1,337,832 shares of Class B Common Stock and 1,199,550 shares of Class A Common Stock. Outstanding options at January 29, 2000 covered 717,000 shares of Class B Common Stock and 2,255,782 shares of Class A Common Stock. Options available to be granted under the option plans were 535,468 at February 3, 2001 and 526,018 at January 29, 2000.

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 2000, 1999 and 1998 stock options granted been determined consistent with SFAS No. 123, "Accounting for Stock-Based Compensation", the Company's net income and basic and diluted earnings per share amounts for fiscal 2000, 1999 and 1998 would approximate the following proforma amounts (dollars in thousands, except per share data):

THE CATO CORPORATION
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	AS REPORTED	PROFORMA
Net income -- Fiscal 2000	$ 39,027	$ 37,431
Basic earnings per share	$ 1.56	$ 1.50
Diluted earnings per share	$ 1.53	$ 1.47
Net income -- Fiscal 1999	$ 33,931	$ 32,329
Basic earnings per share	$ 1.28	$ 1.22
Diluted earnings per share	$ 1.26	$ 1.20
Net income -- Fiscal 1998	$ 23,917	$ 22,822
Basic earnings per share	$ .87	$ .83
Diluted earnings per share	$ .85	$ .81

The weighted-average fair value of each option granted during fiscal 2000, 1999 and 1998 is estimated as $5.45, $6.12 and $6.71 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 2000, 1999 and 1998, respectively: expected dividend yield of 2.42%, 2.62% and 2.20%; expected volatility of 60.34%, 62.10% and 66.44%, adjusted for expected dividends; risk-free interest rate of 4.71%, 6.40% and 5.07%; and an expected life of 5 years for 2000, 1999 and 1998. The effects of applying SFAS 123 in this proforma disclosure are not indicative of future amounts.

In February 2000, the Board of Directors increased the quarterly dividend by 33% from $.075 per share to $.10 per share. In December 2000, the Board of Directors further increased the quarterly dividend by 25% from $.10 per share to $.125 per share.

Total comprehensive income for the years ended February 3, 2001, January 29, 2000 and January 30, 1999 is as follows (in thousands):

FISCAL YEAR ENDED	FEBRUARY 3, 2001	JANUARY 29, 2000	JANUARY 30, 1999
Net income	$ 39,027	$ 33,931	$ 23,917
Unrealized gains (losses) on available-for-sale securities	1,411	(3,116)	514
Income tax effect	(494)	1,091	(174)
Unrealized gains (losses) net of taxes	917	(2,025)	340
Total comprehensive income	$ 39,944	$ 31,906	$ 24,257

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 to cover plan administrative expenses. Further Company contributions are at the discretion of the Board of Directors. The Company's contributions for the years ended February 3, 2001, January 29, 2000 and January 30, 1999 were approximately $2,348,000, $2,145,000 and $1,606,000, 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. No contribution was made to the ESOP for the year ended February 3, 2001. The contributions for the fiscal years ended January 29, 2000 and January 30, 1999 were $1,913,000 and $531,000, respectively.

The Company is self-insured with respect to employee health, workers compensation and general liability claims. The Company has stop-loss insurance coverage for individual claims in excess of $250,000 for workers compensation and employee health and $100,000 for general liability. Employee health claims are funded through a VEBA trust to which the Company makes periodic contributions. Contributions to the VEBA trust were $6,964,000, $5,214,000 and $4,177,000 in fiscal 2000, 1999 and 1998, 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. The Company has a master lease agreement with a lessor to lease $19.5 million of store fixtures, point-of-sale devices and warehouse equipment, which do not meet criteria for capital lease accounting and are being accounted for as operating leases with 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 had cancelled the leases at February 3, 2001, the purchase price for the equipment would have been approximately $5,929,000.

The minimum rental commitments under non-cancelable operating leases are (in thousands):

FISCAL YEAR	
2001	$34,615
2002	25,977
2003	17,060
2004	8,921
2005	3,312
Thereafter	60
Total minimum lease payments	$89,945

The following schedule shows the composition of total rental expense for all leases (in thousands):

FISCAL YEAR ENDED	FEBRUARY 3, 2001	JANUARY 29, 2000	JANUARY 30, 1999
Minimum rentals	$34,449	$32,453	$30,313
Contingent rent	479	257	270
Total rental expense	$34,928	$32,710	$30,583

10. INCOME TAXES:

The provision for income taxes consists of the following (in thousands):

FISCAL YEAR ENDED	FEBRUARY 3, 2001	JANUARY 29, 2000	JANUARY 30, 1999
Current income taxes:			
Federal	$18,461	$17,826	$ 12,502
State	954	190	338
Total	19,415	18,016	12,840
Deferred income taxes:			
Federal	1,319	81	(190)
State	281	94	228
Total	1,600	175	38
Total income tax expense	$21,015	$18,191	$ 12,878

Significant components of the Company's deferred tax assets and liabilities as of February 3, 2001 and January 29, 2000 are as follows (in thousands):

	FEBRUARY 3, 2001	JANUARY 29, 2000
Deferred tax assets:		

Bad debt reserve	$2,085	$1,969
Inventory valuation	1,335	1,411
Unrealized losses on short-term investments	476	970
Other accruals	1,104	1,108
Total deferred tax assets	5,000	5,458
Deferred tax liabilities:		
Tax over book depreciation	6,167	6,527
Other, net	2,640	644
Total deferred tax liabilities	8,807	7,171
Net deferred tax liabilities	$3,807	$1,713

THE CATO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

FISCAL YEAR ENDED	FEBRUARY 3, 2001	JANUARY 29, 2000	JANUARY 30, 1999
Federal income tax rate	35.0%	35.0%	35.0%
State income taxes	1.6	0.5	1.2
Other	(1.6)	(0.5)	(1.2)
Effective income tax rate	35.0%	35.0%	35.0%

11. QUARTERLY FINANCIAL DATA (UNAUDITED):

Summarized quarterly financial results have been restated for the effects of SAB 101 in 1999 and are as follows (in thousands, except per share data):

FISCAL 2000	FIRST	SECOND	THIRD	FOURTH
Retail sales	$162,154	$163,375	$136,856	$186,097
Total revenues	167,240	168,682	141,620	191,594
Cost of goods sold	105,324	110,015	97,429	132,640
Income before income taxes	22,400	17,535	6,842	13,265
Net income	14,560	11,398	4,447	8,622
Basic earnings per share	$ .58	$ .46	$ .18	$ .34
Diluted earnings per share	$ .57	$ .45	$ .18	$ .34

FISCAL 1999	FIRST	SECOND	THIRD	FOURTH
Retail sales	$153,047	$148,782	$127,367	$155,889
Total revenues	157,874	153,809	132,357	160,993
Cost of goods sold	100,017	100,100	90,247	113,291
Income before income taxes and cumulative effect of accounting change	20,906	15,477	5,418	10,174
Income before cumulative effect of accounting change	13,589	10,060	3,522	6,613
Cumulative effect of accounting change, net of tax	147	--	--	--
Net income	13,736	10,060	3,522	6,613
Basic earnings per share (before cumulative effect of accounting change)	$ .51	$ .38	$ .13	$ .25
Basic earnings per share	$ .52	$ .38	$ .13	$ .25
Diluted earnings per share (before cumulative effect of accounting change)	$ .51	$ .37	$ .13	$ .25
Diluted earnings per share	$ .51	$ .37	$ .13	$ .25

The restatement for the effects of SAB 101 for fiscal 1999 resulted in a decrease in income before cumulative effect of accounting change of $149,000 with no per share effect in the first quarter; an increase in net income of $126,000 with no per share effect in the second quarter; and a decrease in net income of $442,000 with a decrease of $.02 per share in the third quarter.

12. REPORTABLE SEGMENT INFORMATION:

The Company has two reportable segments: retail and credit. The Company operates its women's fashion specialty retail stores in 23 states, principally in the Southeast. The Company offers its own credit card to its customers and all credit authorizations, payment processing, and collection efforts are performed by a separate division of the Company.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on profit or loss from operations before income taxes. The Company does not allocate certain corporate expenses or income taxes to the segments.

The following schedule summarizes certain segment information (in thousands):

FISCAL 2000	RETAIL	CREDIT	TOTAL
Revenues	$655,150	$13,985	$669,135
Depreciation	9,426	66	9,492
Interest expense	44	--	44
Income before taxes	55,278	4,764	60,042
Total assets	244,199	66,543	310,742
Capital expenditures	27,195	35	27,230

FISCAL 1999	RETAIL	CREDIT	TOTAL
Revenues	$592,855	$12,178	$605,033
Depreciation	8,603	36	8,639
Interest expense	23	--	23
Income before taxes	47,347	4,628	51,975
Total assets	224,501	61,288	285,789
Capital expenditures	23,807	157	23,964

FISCAL 1998	RETAIL	CREDIT	TOTAL
Revenues	$532,330	$11,334	$543,664
Depreciation	7,613	25	7,638
Interest expense	19	--	19
Income before taxes	33,044	3,751	36,795
Total assets	200,946	57,567	258,513
Capital expenditures	13,459	60	13,519

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 $1,486,000, $1,074,000 and $1,347,000 in fiscal 2000, 1999 and 1998, respectively. The Company had no outstanding letters of credit relating to such claims at February 3, 2001 or at January 29, 2000. 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 31, 1998	$ 3,701	$ 1,903
Additions charged to costs and expenses	4,081	1,799
Additions (Deductions) charged to other accounts	856 (d)	--
Deductions	(4,437)(c)	(1,776)
Balance at January 30, 1999	4,201	1,926
Additions charged to costs and expenses	4,850	998
Additions (Deductions) charged to other accounts	936 (d)	--
Deductions	(4,886)(c)	(1,153)
Balance at January 29, 2000	5,101	1,771
Additions charged to costs and expenses	5,292	1,710
Additions (Deductions) charged to other accounts	878 (d)	--
Deductions	(5,849)(c)	(1,832)
Balance at February 3, 2001	$ 5,422	$ 1,649

(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.

EXHIBIT INDEX

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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

By /s/ John P. Derham Cato
John P. Derham Cato
President, Vice Chairman of the Board
and Chief Executive Officer

By /s/ Michael O. Moore
Michael O. Moore
Executive Vice President
Chief Financial Officer and Secretary

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

Date: April 25, 2001

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/ John P. Derham Cato
John P. Derham Cato
(Director)

/s/ Edgar T. Cato
Edgar T. Cato
(Director)

/s/ Howard A. Severson
Howard A. Severson
(Director)

/s/ Clarice Cato Goodyear
Clarice Cato Goodyear
(Director)

/s/ Thomas E. Cato
Thomas E. Cato
(Director)

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

/s/ George S. Currin
George S. Currin
(Director)

/s/ Paul Fulton
Paul Fulton
(Director)

/s/ Grant L. Hamrick
Grant L. Hamrick
(Director)

/s/ James H. Shaw
James H. Shaw
(Director)

/s/ A.F. (Pete) Sloan
A.F. (Pete) Sloan
(Director)

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

NAME OF SUBSIDIARY	STATE OF INCORPORATION	NAME UNDER WHICH SUBSIDIARY DOES BUSINESS
CHW LLC	Delaware	CHW LLC
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
catocorp.com, LLC	Delaware	Catocorp.com, LLC

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-96283) pertaining to The Cato Corporation 1999 Incentive Compensation Plan, in the Registration Statement (Form S-8 No.33-41314) pertaining to The Cato Corporation 1987 Incentive Stock Option Plan, in the Registration Statement (Form S-8 No. 33-41315) pertaining to The Cato Corporation 1987 Nonqualified Stock Option Plan, and in the Registration Statements (Form S-8 Nos. 33-69844 and 333-96285) pertaining to The Cato Corporation 1993 Employee Stock Purchase Plan, of our report dated March 16, 2001, with respect to the consolidated financial statements and financial statement schedule of The Cato Corporation included in and incorporated by reference in the Annual Report on Form 10-K for the year ended February 3, 2001.

Charlotte, North Carolina
April 25, 2001