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 August 2, 1997

OR

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

For the transition period from ____________ to ____________

Commission file number 0-3747

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

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

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

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

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

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

Yes X No ___

As of August 18, 1997, there were 22,595,612 shares of Class A Common Stock and 5,264,317 shares of Class B Common Stock outstanding.

THE CATO CORPORATION

FORM 10-Q

AUGUST 2, 1997

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

THE CATO CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended		Six Months Ended	
	August 2, 1997	August 3, 1996	August 2, 1997	August 3, 1996
	(In thousands, except per share data)			
REVENUES				
Retail sales	$120,901	$112,747	$244,152	$232,775
Other income (principally finance and layaway charges)	3,550	3,208	7,799	6,719
Total revenues	124,451	115,955	251,951	239,494
COSTS AND EXPENSES				
Cost of goods sold, including occupancy, distribution and buying	85,954	80,549	169,010	160,323
Selling, general and administrative	30,949	29,591	61,681	59,246
Depreciation	1,967	2,123	3,908	4,197
Interest	68	66	131	131
Total expenses	118,938	112,329	234,730	223,897
INCOME BEFORE INCOME TAXES	5,513	3,626	17,221	15,597
Income taxes	1,737	1,287	5,425	5,537
NET INCOME	$ 3,776	$ 2,339	$ 11,796	$ 10,060
EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE	$ 0.13	$ 0.08	$ 0.41	$ 0.35
DIVIDENDS PER SHARE	$ 0.04	$ 0.04	$ 0.08	$ 0.08

See accompanying notes to consolidated financial statements.

THE CATO CORPORATION
CONSOLIDATED BALANCE SHEETS

	August 2, 1997 (Unaudited)	August 3, 1996 (Unaudited)	February 1, 1997
		(In thousands)	
ASSETS			
Current Assets			
Cash and cash equivalents	$ 24,068	$ 24,815	$ 16,593
Short-term investments	34,739	34,617	33,512
Accounts receivable - net	44,689	35,448	43,192
Merchandise inventories	69,401	69,734	63,968
Deferred income taxes	2,014	1,825	2,014
Prepaid expenses	4,026	4,368	2,181
Total Current Assets	178,937	170,807	161,460
Property and Equipment	50,470	55,504	51,333
Other Assets	5,456	5,261	5,450
Total	$234,863	$231,572	$ 218,243
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable	$ 45,471	$ 46,113	$ 38,276
Accrued expenses	16,729	11,473	16,232
Income taxes	4,616	3,878	1,579
Total Current Liabilities	66,816	61,464	56,087
Deferred Income Taxes	3,851	4,491	3,851
Other Noncurrent Liabilities	6,471	7,667	6,402
Stockholders' Equity:			
Class A Common Stock, issued 23,395,612 shares, 23,340,519 shares and 23,366,403 shares at August 2, 1997, August 3, 1996 and February 1, 1997, respectively	779	777	778
Convertible Class B Common Stock, issued and outstanding 5,264,317 shares at August 2, 1997, August 3, 1996 and February 1, 1997, respectively	176	176	176
Preferred Stock, none	--	--	--
Additional paid-in capital	63,391	63,151	63,272
Retained earnings	98,180	94,069	88,656
	162,526	158,173	152,882
Less Class A Common Stock in treasury, at cost (800,000 shares at August 2, 1997, 40,000 shares at August 3, 1996, and 175,000 shares at February 1, 1997)	4,801	223	979
Total Stockholders' Equity	157,725	157,950	151,903
Total	$234,863	$231,572	$ 218,243

See accompanying notes to consolidated financial statements.

THE CATO CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	August 2, 1997	August 3, 1996
	(In thousands)	
OPERATING ACTIVITIES		
Net income	$ 11,796	$ 10,060
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,908	4,197
Amortization of investment premiums	51	114
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	(1,497)	4,344
Merchandise inventories	(5,433)	(11,294)
Other assets	(1,851)	(2,049)
Accrued income taxes	3,037	2,550
Accounts payable and other liabilities	8,073	10,990
Net cash provided by operating activities	18,084	18,912
INVESTING ACTIVITIES		
Expenditures for property and equipment	(3,357)	(5,468)
Purchases of short-term investments	(5,103)	(18,711)
Sales of short-term investments	3,825	5,691
Net cash used in investing activities	(4,635)	(18,488)
FINANCING ACTIVITIES		
Dividends paid	(2,272)	(2,282)
Purchase of treasury stock	(3,822)	--
Proceeds from employee stock purchase plan	114	156
Proceeds from stock options exercised	6	334
Net cash used in financing activities	(5,974)	(1,792)
Net Increase (Decrease) in Cash and Cash Equivalents	7,475	(1,368)
Cash and Cash Equivalents at Beginning of Year	16,593	26,183
Cash and Cash Equivalents at End of Period	$ 24,068	$ 24,815

See accompanying notes to consolidated financial statements.

THE CATO CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE MONTHS AND SIX MONTHS ENDED AUGUST 2, 1997 AND
AUGUST 3, 1996

NOTE 1 - GENERAL:

The consolidated financial statements have been prepared from the accounting records of The Cato Corporation (the Company) and all amounts shown at August 2, 1997 and August 3, 1996 are unaudited. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of the interim period may not be indicative of the entire year.

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

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

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

NOTE 2 - EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE:

Earnings per share is calculated by dividing net income by the weighted average number of Class A and Class B common shares and common stock equivalents outstanding during the respective periods. Common stock equivalents represent the dilutive effect of the assumed exercise of outstanding stock options. The number of shares used in the earnings per common and common equivalent share computations were 28,376,044 shares and 28,440,440 shares for the three months and six months ended August 2, 1997, respectively, and 28,622,744 shares and 28,770,393 shares for the three months and six months ended August 3, 1996, respectively.

In February 1997, Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS 128) was issued to simplify the standards for computing earnings per share (EPS) and make them comparable to international EPS standards. SFAS 128 is effective for periods ending after December 15, 1997 and can not be adopted at an earlier date. SFAS 128 will require dual presentation of basic and diluted EPS on the face of the statement of current earnings and a reconciliation of the components of the basic and diluted EPS calculations in the notes to the financial statements. Basic EPS excludes dilution and is computed by dividing net earnings by the weighted-average number of common shares outstanding for the period. Diluted EPS is similar to fully diluted EPS pursuant to Accounting Principles Board (APB) Opinion No. 15. The Company will adopt SFAS 128 in the quarter and year ending January 31, 1998. Had the new standard been applied in the quarter ending August 2, 1997, basic and diluted EPS would have been the same as primary and fully diluted EPS under APB Opinion No. 15.

THE CATO CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE MONTHS AND SIX MONTHS ENDED AUGUST 2, 1997 AND
AUGUST 3, 1996

NOTE 3 - SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid during the six months ended August 2, 1997 and August 3, 1996 was $83,000 and $122,000, respectively. Income tax payments, net of refunds received, for the six months ended August 2, 1997 and August 3, 1996 were $2,359,000 and $2,975,000, respectively.

NOTE 4 - FINANCING ARRANGEMENTS:

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

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

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

RESULTS OF OPERATIONS

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

	Three Months Ended		Six Months Ended	
	August 2, 1997	August 3, 1996	August 2, 1997	August 3, 1996
Total retail sales	100.0%	100.0%	100.0%	100.0%
Total revenues	102.9	102.8	103.2	102.9
Cost of goods sold, including occupancy, distribution and buying	71.1	71.4	69.2	68.9
Selling, general and administrative	25.6	26.2	25.3	25.4
Income before income taxes	4.5	3.2	7.0	6.7
Net income	3.1	2.1	4.8	4.3

Comparison of Second Quarter and First Six Months of 1997 with 1996.

OPERATING RESULTS

Total retail sales for the second quarter were $120.9 million compared to last year's second quarter sales of $112.7 million, a 7% increase. Same-store sales increased 8% in this year's second quarter. For the six months ended August 2, 1997, total retail sales increased 5% over the prior year's first six months, and same-store sales increased 5% for the comparable six month period. The increase in retail sales for the first six months of 1997 resulted from the Company's store development activity, an improved customer offering and commitments to key item basic product at everyday competitive prices. The Company operated 677 stores at August 2, 1997 compared to 688 stores at the end of last year's second quarter.

Other income for the second quarter and first six months of 1997 increased 11% and 16%, respectively, over the prior year's comparable periods. The increase in the current year resulted primarily from increased finance charge income on the Company's customer accounts receivable and by increased earnings from cash equivalents and short-term investments.

Cost of goods sold, including occupancy, distribution and buying expenses were 71.1% and 69.2% of total retail sales for the second quarter and first six months of 1997, respectively, compared to 71.4% and 68.9% for last year's comparable three and six month periods. The increase in cost of goods sold as a percent of retail sales resulted primarily from a planned decrease in initial mark-up.

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

OPERATING RESULTS - CONTINUED

Selling, general and administrative (SG&A) expenses were $30.9 million and $61.7 million for the second quarter and first six months of this year, respectively, compared to $29.6 million and $59.2 million for last year's comparable three and six month periods, respectively. Expenses remained well controlled and were under planned levels.

LIQUIDITY AND CAPITAL RESOURCES

At August 2, 1997, the Company had working capital of $112.1 million, compared to $109.3 million at August 3, 1996 and $105.4 million at February 1, 1997. Cash provided from operating activities was $18.1 million for the six months ended August 2, 1997, compared to $18.9 million for last year's comparable six month period. The Company had no borrowings under its revolving credit agreement at August 2, 1997 or August 3, 1996. At August 2, 1997, the Company had cash, cash equivalents, and short-term investments of $58.8 million, compared to $59.4 million at August 3, 1996 and $50.1 million at February 1, 1997.

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

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

Expenditures for property and equipment totaled $3.4 million for the six months ended August 2, 1997, compared to $5.5 million of expenditures in last year's first six months. The Company expects total capital expenditures to be approximately $9.2 million for the current fiscal year. The Company intends to open approximately 60 new stores and to relocate or expand 20 stores during the current fiscal year. For the six months ended August 2, 1997, the Company had opened 31 new stores, relocated or expanded 9 stores, and closed 9 stores.

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

LIQUIDITY AND CAPITAL RESOURCES - CONTINUED

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 THE RIGHTS OF THE COMPANY'S SECURITY HOLDERS

None

ITEM 3. DEFAULTS BY THE COMPANY ON ITS SENIOR SECURITIES

Not Applicable

ITEM 4. RESULT OF VOTES OF SECURITY HOLDERS

Following are the results of the matters voted upon at the Company's Annual Meeting which was held on May 22, 1997.

Election of Directors:

Mr. John P. Derham Cato	-	For	72,625,876	;	Abstaining	264,893
Mr. Alan E. Wiley	-	For	72,625,876	;	Abstaining	264,893
Ms. Clarice Cato Goodyear	-	For	72,625,780	;	Abstaining	264,989
Mr. Paul Fulton	-	For	72,680,637	;	Abstaining	210,132
Mr. James H. Shaw	-	For	72,680,637	;	Abstaining	210,132

Ratification of Deloitte & Touche LLP as Independent Auditors

For 72,865,948 ; Abstaining 13,127 ; Against 11,694

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) Exhibit 27 - FDS (for SEC use only).

(B) No Reports on Form 8-K were filed during the quarter ended August 2, 1997.

PART II OTHER INFORMATION (CONTINUED)

THE CATO CORPORATION

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE CATO CORPORATION

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

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

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JAN-31-1998
AUG-02-1997
24,068
34,739
49,050
4,361
69,401
178,937
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