SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 4, 1996

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 1-6140

DILLARD DEPARTMENT STORES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation Number) or organization)	71-0388071 (IRS Employer Identification

1600 CANTRELL ROAD, LITTLE ROCK, ARKANSAS 72201
(Address of principal executive offices)
(Zip Code)

(501) 376-5200
(Registrant's telephone number, including area code)

Indicate by checkmark 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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS A COMMON STOCK as of May 4, 1996 109,452,874 CLASS B COMMON STOCK as of May 4, 1996 4,016,929

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PART I FINANCIAL INFORMATION

ITEM 1 Financial Statements

CONSOLIDATED BALANCE SHEETS
DILLARD DEPARTMENT STORES, INC.
(Unaudited)
(Thousands)

	May 4 1996	February 3 1996	April 29 1995
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$70,696	$58,442	$48,889
Trade accounts receivable	1,038,569	1,103,575	1,034,356
Merchandise inventories	1,750,318	1,486,045	1,584,719
Other current assets	6,237	10,163	9,410
TOTAL CURRENT ASSETS	2,865,820	2,658,225	2,677,374
INVESTMENTS AND OTHER ASSETS	87,803	84,772	75,653
PROPERTY AND EQUIPMENT, NET	2,010,346	1,980,790	1,942,851
CONSTRUCTION IN PROGRESS	38,975	43,552	33,399
BUILDINGS UNDER CAPITAL LEASES	9,347	11,196	22,831
	$5,012,291	$4,778,535	$4,752,108
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade accounts payable and accrued expenses	$700,305	$559,011	$660,364
Commercial paper	165,503	125,310	129,825
Federal and state income taxes	43,805	51,832	44,967
Current portion of long-term debt	206,378	131,378	55,865
Current portion of capital lease obligations	1,835	2,149	2,038
TOTAL CURRENT LIABILITIES	1,117,826	869,680	893,059
LONG-TERM DEBT	1,081,004	1,157,864	1,173,998
CAPITAL LEASE OBLIGATIONS	18,400	20,161	22,046
DEFERRED INCOME TAXES	252,503	252,503	294,450
STOCKHOLDERS' EQUITY			
Preferred Stock	440	440	440
Common Stock	1,135	1,131	1,130
Additional paid-in capital	636,475	625,249	624,086
Retained earnings	1,904,508	1,851,507	1,742,899
	2,542,558	2,478,327	2,368,555
	$5,012,291	$4,778,535	$4,752,108 **********

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS DILLARD DEPARTMENT STORES, INC.
(Unaudited)
(Thousands, except per share data)

	Three Months Ended		Twelve Months End		
	May 4 1996	April 29 1995	May 4 1996	April 29 1995	
Net sales (including leased departments)	$1,453,302	$1,326,754	$6,044,586	$5,588,616	**********
Service charges, interest, and	48,451	47,522	180,029	182,285	
	1,501,753	1,374,276	6,224,615	5,770,901	
Cost and expenses:					
Cost of sales	955,797	881,928	3,967,655	3,643,477	
Advertising, selling, administrative and general expenses	366,353	327,460	1,475,339	1,344,603	
Depreciation and amortization	50,334	47,816	194,323	192,399	
Rentals	11,158	11,629	58,364	63,150	
Interest and debt expense	28,585	27,414	121,225	121,044	
Impairment charges	-	-	126,559	-	
	1,412,227	1,296,247	5,943,465	5,364,673	
INCOME BEFORE INCOME TAXES	89,526	78,029	281,150	406,228	
Federal and state income taxes	33,125	29,650	105,945	154,365	
NET INCOME	56,401	48,379	175,205	251,863	
Retained earnings at beginning of period	1,851,507	1,697,911	1,742,899	1,503,488	
	1,907,908	1,746,290	1,918,104	1,755,351	
Cash dividends declared	(3,400)	(3,391)	(13,596)	(12,452)	
RETAINED EARNINGS AT END OF PERIOD	$1,904,508	$1,742,899	$1,904,508	$1,742,899	
Net income per common share	$0.50	$0.43	$1.55	$2.23	
Cash dividends declared per com	$0.03	$0.03	$0.12	$0.11	
Average shares outstanding	113,794	113,046	113,331	113,025	

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS
DILLARD DEPARTMENT STORES, INC.
(Unaudited)
(Thousands)

	Three Months	
	May 4 1996	April 29 1995
OPERATING ACTIVITITES		
Net income	$56,401	$48,379
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	50,716	48,153
Changes in operating assets and liabilities:		
Decrease in trade accounts receivable	65,006	67,748
Increase in merchandise inventories and other current assets	(260,347)	(222,526)
Increase in investments and other assets	(3,413)	(7,180)
Increase in trade accounts payable and accrued expenses and income taxes	133,267	94,365
NET CASH PROVIDED BY OPERATING ACTIVITIES	41,630	28,939
INVESTING ACTIVITIES		
Purchase of property and equipment	(73,464)	(62,752)
NET CASH USED IN INVESTING ACTIVITIES	(73,464)	(62,752)
FINANCING ACTIVITIES		
Net increase in commercial paper	40,193	39,919
Principal payments on long-term debt and capital lease obligations	(3,935)	(4,911)
Dividends paid	(3,400)	(3,401)
Common stock issued	11,230	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	44,088	31,607
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,254	(2,206)
Cash and cash equivalents at beginning of period	58,442	51,095
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$70,696	$48,889

See notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended May 4, 1996 are not necessarily indicative of the results that may be expected for the fiscal year ending February 1, 1997 due to the seasonal nature of the business. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the fiscal year ended February 3, 1996.

2. The retail last-in, first-out (LIFO) inventory method is used to value merchandise inventories. Under this method, at May 4, 1996 the LIFO cost of merchandise inventories was approximately equal to the first-in, first-out (FIFO) cost. At April 29, 1995, the LIFO cost of merchandise inventories was approximately $500,000 less than the first-in, first-out (FIFO) cost. At February 3, 1996 and January 28, 1995, the LIFO cost of merchandise inventories was approximately equal to FIFO cost.

3. Net sales include leased department sales of $7 million and $7.3 million for the quarters ended May 4, 1996 and April 29, 1995, respectively. Leased department sales for the twelve months ended May 4, 1996 and April 29, 1995 were $38.2 million and $44.6 million, respectively.

4. In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," which is effective for the Company beginning February 4, 1996. SFAS No. 123 requires expanded disclosures of stock-based compensation arrangements with employees and encourages (but does not require) compensation cost to be measured based on fair value of the equity instrument awarded. Companies are permitted, however, to continue to apply APB Opinion No. 25, which recognizes compensation cost based on the intrinsic value of the equity instrument awarded. The Company will continue to apply APB Opinion No. 25 to its stock based compensation awards to employees and will disclose the required pro forma effect on net income and earnings per share.

5. On June 7, 1996, the Company issued $100 million aggregate principal amount of its 7.375% notes due June 1, 2006. The notes were sold in an underwritten public offering.

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ITEM 2 Management's Discussion And Analysis Of Financial Condition And Results Of Operations

Results of Operations

The following table sets forth operating results expressed as a percentage of net sales for the periods indicated:

	Three Months Ended		Twelve Months Ended	
	May 4 1996	April 29 1995	May 4 1996	April 29 1995
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	65.8	66.5	65.6	65.2
Gross Profit	34.2	33.5	34.4	34.8
Advertising, selling, administrative and general expenses	25.2	24.7	24.4	24.1
Depreciation and amortization	3.4	3.6	3.2	3.4
Rentals	0.8	0.9	1.0	1.1
Interest and debt expense	1.9	2.0	2.0	2.2
Impairment charges	0.0	0.0	2.1	0.0
Total operating expenses	31.3	31.2	32.7	30.8
Other income	3.3	3.6	3.0	3.3
Income before income taxes	6.2	5.9	4.7	7.3
Federal and state income taxes	2.3	2.2	1.8	2.8
Net income	3.9	3.7	2.9	4.5

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Sales for the first quarter of 1996 were $1,453.3 million as compared to $1,326.8 million for the first quarter of 1995. This is an increase of 10%. The sales increase for comparable stores was 6%. The twelve month sales increase for 1996 over 1995 was 8%; for comparable stores the increase was 4%. The majority of the increase in sales on a comparable store basis was attributable to an increase in the volume of goods sold rather than an increase in the price of goods.

Cost of sales decreased from 66.5% of net sales for the first quarter of 1995 to 65.8% for the first quarter of 1996. This decrease was due to a lower level of markdowns in the first quarter of 1996 than in the first quarter of 1995. For the twelve months ended May 4, 1996 and April 29, 1995, the cost of sales increased from 65.2% to 65.6% of net sales. This increase was due to a slightly higher level of markdowns than in the prior year.

Advertising, selling, administrative and general expenses increased from 24.7% of net sales for the first quarter of 1995 to 25.2% for the first quarter of 1996. For the twelve months ended May 4, 1996 and April 29, 1995, these expenses increased from 24.1% to 24.4% of net sales. The Company expensed the preopening costs associated with the seven new stores opened in the first quarter of 1996. In prior years the Company expensed all preopening costs for the year in the fourth quarter. Also, the bad debt expense increased as a percent of sales for the first quarter of 1996 as compared to the first quarter of 1995.

Depreciation and amortization expense decreased slightly as a percentage of sales from 1995 in the three and twelve month periods ended May 4, 1996. This decrease was due to the write down of certain impaired assets in the fourth quarter of 1995, somewhat offset by the fact that a higher proportion of the Company's properties are owned rather than leased.

Rental expense decreased slightly from .9% of net sales for the first quarter of 1995 to .8% for the first quarter of 1996. For the twelve months ended May 4, 1996 and April 29, 1995 the decrease was from 1.1% to 1.0%. This was due to a higher proportion of the Company's properties being owned rather than leased.

Interest and debt expense decreased from 2.0% of net sales for the first quarter of 1995 to 1.9% of net sales for the first quarter of 1996. For the twelve months ended May 4, 1996 and April 29, 1995 the decrease was from 2.2% to 2.0%. Interest and debt expense declined as a percentage of net sales due to a lower level of debt relative to sales, partially offset by higher interest rates on short-term debt.

Service charges, interest and other income decreased to 3.3% of net sales in the first quarter of 1996 from 3.6% of net sales in 1995. For the twelve months ended May 4, 1996 and April 29, 1995 this decrease was from 3.3% to 3.0%. The primary cause for this decrease was a decline in proprietary credit card sales as a percentage of total sales.

The effective federal and state income tax rate was 37% for the first quarter of 1996 and 38% for the first quarter of 1995.

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Financial Condition

The Company's working capital was $1,747,994,000 at May 4, 1996, $1,788,545,000 at February 3, 1996, and $1,784,315,000 at April 29, 1995. The current ratio for these periods was 2.6, 3.1 and 3.0, respectively. The long-term debt to capitalization ratio was 30.19%, 32.2% and 33.6% at May 4, 1996, February 3, 1996, and April 29, 1995, respectively. The ratio of long-term debt to capitalization is calculated by dividing the total amount of long-term debt and capitalized lease obligations by the sum of the total amount of long- term debt and capitalized lease obligations plus total equity. The changes in the above ratios were primarily caused by the increase in current maturity of long-term debt and the corresponding decrease in long-term debt.

On June 7, 1996, the Company issued $100 million 7.375% notes due June 1, 2006. The proceeds were used to reduce short term borrowings.

The Company invested $73,464,000 in capital expenditures for the three months ended May 4, 1996 as compared to $62,752,000 for the three months ended April 29, 1995. In 1996, the Company plans to build sixteen new stores, one of which will be a replacement store, and to expand and remodel three existing stores. In 1995, the Company opened eleven new stores, two of which were replacement stores, and expanded six stores.

Merchandise inventories increased by 10% from $1,584,719,000 at April 29, 1995 to $1,750,318,000 at May 4, 1996. The Company operated 13 more stores at May 4, 1996 versus April 29, 1995. This was the primary reason for the increase in inventory. On a comparable store basis, the rate of increase in merchandise inventories was 5%.

Fluctuations in certain other balance sheet accounts between February 3, 1996 and May 4, 1996 reflect normal seasonal variations within the retail industry. The levels of merchandise inventories and accounts receivable fluctuate due to the seasonal nature of the retail business. Along with the fluctuations in these current assets, there is also a corresponding fluctuation in trade accounts payable and commercial paper.

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PART II OTHER INFORMATION

ITEM 4 Submission of Matters to a Vote of Security Holders

The annual meeting of stockholders of the Company was held on May 18, 1996. The matters submitted to a vote of the stockholders were the election of directors and a stockholder proposal requesting preparation of an employment practices report. The holders of Class A Common Stock elected five directors and the holders of Class B Common Stock elected ten directors. The individuals elected as directors and the votes received were as follows:

Nominee	For	Against
Class A Nominees		
Robert C. Connor	94,501,305	2,163,555
Will D. Davis	94,493,359	2,171,501
John Paul Hammerschmidt	92,977,522	3,687,338
William B. Harrison	81,732,108	14,932,752
J.M. Hessels	82,654,913	14,009,947
Class B Nominees		
William Dillard	4,010,760	0
Calvin N. Clyde	4,010,760	0
Drue Corbusier	4,010,760	0
Alex Dillard	4,010,760	0
Mike Dillard	4,010,760	0
William Dillard II	4,010,760	0
James I. Freeman	4,010,760	0
John H. Johnson	4,010,760	0
E. Ray Kemp	4,010,760	0
William H. Sutton	4,010,760	0

The votes cast in connection with the stockholder proposal were as follows:

For 11,640,136.70 Against 72,209,279.65 Abstain 11,906,486.65

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ITEM 5 Other Information

Ratio of Earnings to Fixed Charges

The Company has calculated the ratio of earnings to fixed charges pursuant to Item 503 of Regulation S-K of the Securities and Exchange Commission as follows:

Three Months Ended Fiscal Year Ended May 4 April 29 February 3 January 28 January 29 January 30 February 1 1996 1995 1996 1995 1994 1993 1992
3.69 3.37 2.76 3.72 3.57 3.59 3.41

ITEM 6 Exhibits and Reports on Form 8-K

(a) Exhibit (11): Statement re: Computation of Per Share Earnings Exhibit (12): Statement re: Computation of Ratio of Earnings to Fixed Charges

(b) Reports on Form 8-K filed during the first quarter:

The Company filed a report dated June 4, 1996 relating to the issue of $100 million aggregate principal amount of 7.375% Notes maturing on June 1, 2006.

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SIGNATURES

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.

DILLARD DEPARTMENT STORES, INC.
(Registrant)

DATE: June 17, 1996 */s/ James I. Freeman*
James I. Freeman
Senior Vice President & Chief Financial Officer
(Principal Financial & Accounting Officer)

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EXHIBIT INDEX

Exhibits to Form 10-Q

Exhibit Number	Exhibit
11	Statement re: Computation of Per Share Earnings
12	Statement re: Computation of Ratio of Earnings to Fixed Charges

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EXHIBIT 11 - STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

	Three Months Ended		Twelve Months Ended	
	May 4 1996	April 29 1995	May 4 1996	April 29 1995
Average shares outstanding	113,219,578	113,045,656	113,090,100	113,012,890
Net effect of dilutive stock options based on the treasury stock method using average market price	574,431	0	240,830	12,163
Total	113,794,009	113,045,656	113,330,930	113,025,053
Net Income	$56,401,000	$48,379,000	$175,205,000	$251,863,000
Less preferred dividends	(5,500)	(5,500)	(22,000)	(22,000)
Net income available to common shares	$56,395,500	$48,373,500	$175,183,000	$251,841,000
Per share	$0.50	$0.43	$1.55	$2.23

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EXHIBIT 12 - STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(DOLLAR AMOUNTS IN THOUSANDS)
(UNAUDITED)

	Three Months Ended		Fiscal Year Ended				
	May 4 1996	April 29 1995	February 3 1996	January 28 1995	January 29 1994	January 30 1993	February 1 1992
Consolidated pretax income	$89,526	$78,029	$269,653	$406,110	$399,534	$375,330	$322,157
Fixed charges (less capitalized interest)	32,304	31,290	139,666	145,921	152,568	142,857	128,891
EARNINGS	$121,830	$109,319	$409,319	$552,031	$552,102	$518,187	$451,048
Interest	$28,585	$27,414	$120,054	$124,282	$130,915	$121,940	109,386
Capitalized interest	750	1,195	3,567	2,545	1,882	1,646	3,574
Interest factor in rent expense	3,719	3,876	19,612	21,639	21,653	20,917	19,505
FIXED CHARGES	$33,054	$32,485	$143,233	$148,466	$154,450	$144,503	$132,465
Ratio of earnings to fixed charges	3.69	3.37	2.86	3.72	3.57	3.59	3.41

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ARTICLE 5
MULTIPLIER: 1000

PERIOD TYPE	3 MOS
FISCAL YEAR END	FEB 01 1997
PERIOD END	MAY 4 1997
CASH	70,696
SECURITIES	0
RECEIVABLES	1,038,569
ALLOWANCES	18,272
INVENTORY	1,750,318
CURRENT ASSETS	2,865,820
PP&E	3,266,958
DEPRECIATION	1,208,290
TOTAL ASSETS	5,012,291
CURRENT LIABILITIES	1,117,826
BONDS	1,099,404
PREFERRED MANDATORY	0
PREFERRED	440
COMMON	1,135
OTHER SE	2,540,983
TOTAL LIABILITY AND EQUITY	5,012,291
SALES	1,453,302
TOTAL REVENUES	1,501,753
CGS	955,797
TOTAL COSTS	955,797
OTHER EXPENSES	0
LOSS PROVISION	15,710
INTEREST EXPENSE	28,585
INCOME PRETAX	89,526
INCOME TAX	33,125
INCOME CONTINUING	56,401
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	56,401
EPS PRIMARY	.50
EPS DILUTED	.50

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