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 October 28, 1995
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 or organization)	71-0388071 (IRS Employer Identification Number)

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 October 28, 1995 109,028,727 CLASS B COMMON STOCK as of October 28, 1995 4,016,929

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PART I FINANCIAL INFORMATION

ITEM 1 Financial Statements

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

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	October 28 1995	January 28 1995	October 29 1994
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$59,351	$51,095	$46,318
Trade accounts receivable	1,017,268	1,102,104	999,248
Merchandise inventories	1,892,616	1,362,756	1,742,353
Other current assets	20,631	8,847	18,807
TOTAL CURRENT ASSETS	2,989,866	2,524,802	2,806,726
INVESTMENTS AND OTHER ASSETS	79,189	68,810	66,741
PROPERTY AND EQUIPMENT, NET	2,056,578	1,911,453	1,918,933
CONSTRUCTION IN PROGRESS	23,611	49,469	28,931
BUILDINGS UNDER CAPITAL LEASES	21,617	23,223	23,745
	$5,170,861	$4,577,757	$4,845,076
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade accounts payable and accrued expenses	$900,455	$545,522	$853,510
Commercial paper	192,848	89,906	150,107
Federal and state income taxes	25,606	65,454	31,524
Current portion of long-term debt	132,029	55,903	115,742
Current portion of capital lease obligations	2,154	2,173	2,146
TOTAL CURRENT LIABILITIES	1,253,092	758,958	1,153,029
LONG-TERM DEBT	1,151,204	1,178,503	1,179,593
CAPITAL LEASE OBLIGATIONS	20,696	22,279	22,827
DEFERRED INCOME TAXES	294,450	294,450	282,648
STOCKHOLDERS' EQUITY			
Preferred stock	440	440	440
Common stock	1,130	1,130	1,130
Additional paid-in capital	624,086	624,086	623,024
Retained earnings	1,825,763	1,697,911	1,582,385
	2,451,419	2,323,567	2,206,979
	$5,170,861	$4,577,757	$4,845,076

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		Nine Months Ended		Twelve Mo
	October 28 1995	October 29 1994	October 28 1995	October 29 1994	October 28 1995
Net sales (including leased departments)	$1,405,626	$1,333,630	$3,997,446	$3,801,887	$5,741,362
Service charges, interest, and other	45,967	44,775	138,315	138,345	182,755
	1,451,593	1,378,405	4,135,761	3,940,232	5,924,117
Cost and expenses:					
Cost of sales	915,525	866,249	2,622,399	2,494,126	3,742,901
Advertising, selling, administrative and general expenses	359,743	336,329	1,018,164	957,366	1,389,151
Depreciation and amortization	53,496	50,966	151,666	142,695	199,270
Rentals	11,101	12,176	33,915	38,183	60,648
Interest and debt expense	29,433	30,748	86,980	93,569	117,693
	1,369,298	1,296,468	3,913,124	3,725,939	5,509,663
INCOME BEFORE INCOME TAXES	82,295	81,937	222,637	214,293	414,454
Federal and state income taxes	31,270	31,135	84,600	81,430	157,490
NET INCOME	51,025	50,802	138,037	132,863	256,964
Retained earnings at beginning of period	1,778,129	1,534,973	1,697,911	1,457,443	1,582,385
Cash dividends declared	(3,391)	(3,390)	(10,185)	(7,921)	(13,586)
RETAINED EARNINGS AT END OF PERIOD	$1,825,763	$1,582,385	$1,825,763	$1,582,385	$1,825,763
Net income per common share	$0.45	$0.45	$1.22	$1.18	$2.27
Cash dividends declared per common share	$0.03	$0.03	$0.07	$0.07	$0.12
Average shares outstanding	113,264	113,004	113,139	113,016	113,106

See notes to consolidated financial statements.

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

	Nine Months Ended October 28 1995	October 29 1994
OPERATING ACTIVITITES		
Net income	$138,037	$132,863
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	152,789	143,868
Changes in operating assets and liabilities:		
Decrease in trade accounts receivable	84,836	97,282
Increase in merchandise inventories and other current assets	(541,644)	(452,240)
Decrease in investments and other assets	(11,502)	(15,804)
Increase in trade accounts payable and accrued expenses and income taxes	315,095	300,429
NET CASH PROVIDED BY OPERATING ACTIVITIES	137,611	206,398
INVESTING ACTIVITIES		
Purchase of property and equipment	(269,327)	(192,834)
NET CASH USED IN INVESTING ACTIVITIES	(269,327)	(192,834)
FINANCING ACTIVITIES		
Net increase in commercial paper	102,942	4,831
Proceeds from long-term borrowings	109,150	
Principal payments on long-term debt and capital lease obligations	(61,925)	(16,909)
Dividends paid	(10,195)	(6,802)
Common stock sold		390
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	139,972	(18,490)
DECREASE IN CASH AND CASH EQUIVALENTS	8,256	(4,926)
Cash and cash equivalents at beginning of period	51,095	51,244
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$59,351	$46,318

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. 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 nine month period ended October 28, 1995 are not necessarily indicative of the results that may be expected for the fiscal year ended February 3, 1996 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 January 28, 1995.

2. The retail last-in, first-out (LIFO) inventory method is used to value merchandise inventories. Under this method, at October 28, 1995, and October 29, 1994, the LIFO cost of merchandise inventories was approximately $1.8 million and $16.3 million, respectively, less than the first-in, first-out (FIFO) cost. At January 28, 1995, the LIFO cost of merchandise inventories was approximately equal to FIFO cost. At January 29, 1994 the LIFO cost of merchandise inventories was approximately $13.2 million less than FIFO cost.

3. Net sales include leased department sales of $7.3 million and $8.9 million for the quarters ended October 28, 1995 and October 29, 1994, respectively. Leased department sales for the nine months ended October 28, 1995 and October 29, 1994 were $23.2 million and $27.9 million, respectively. Leased department sales for the twelve months ended October 28, 1995 and October 29, 1994 were $41.6 million and $51.3 million, respectively.

4. On June 1, 1995, the Company issued $100 million aggregate principal amount of its 6.875%, notes (6.99% yield to maturity) due June 1, 2005. The notes were sold in an underwritten public offering and the proceeds were used to reduce short-term borrowings.

5. On July 13, 1995, the Company announced it had entered into an agreement for the acquisition of Gonzalez Padin Co., Inc., a San Juan, Puerto Rico, based retailer, including the location of a new facility in the Plaza Las Americas Mall in San Juan. The transaction was subject to negotiation and/or satisfaction of various conditions. On September 15, 1995, the Company announced that a final agreement among the various parties had not been achieved and that, accordingly, negotiations had been terminated.

6. On December 7, 1995 the Company filed Amendment No. 1 to a registration statement on Form S-3 for the purpose of registering $300 million of debt securities. These securities will be in addition to the $100 million of debt securities that the Company currently has available which are covered by an effective registration statement.

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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		Nine Months Ended		Twelve Months Ended	
	October 28 1995	October 29 1994	October 28 1995	October 29 1994	October 28 1995	October 29 1994
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	65.1	65.0	65.6	65.6	65.2	65.3
Gross Profit	34.9	35.0	34.4	34.4	34.8	34.7
Advertising, selling, administrative and general expenses	25.6	25.2	25.5	25.2	24.2	23.9
Depreciation and amortization	3.8	3.8	3.8	3.7	3.5	3.4
Rentals	0.8	0.9	0.8	1.0	1.1	1.2
Interest and debt expense	2.1	2.3	2.2	2.5	2.0	2.3
Total operating expenses	32.3	32.2	32.3	32.4	30.8	30.8
Other income	3.3	3.3	3.5	3.6	3.2	3.4
Income before income taxes	5.9	6.1	5.6	5.6	7.2	7.3
Federal and state income taxes	2.3	2.3	2.1	2.1	2.7	2.8
Net income	3.6	3.8	3.5	3.5	4.5	4.5

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Sales for the third quarter of 1995 were $1,405.6 million as compared to $1,333.6 million for the third quarter of 1994. This is an increase of 5%. The sales increase for comparable stores was 2%. The nine month sales increase for 1995 over 1994 was 5%. The year to date comparable stores sales increase was 2%. The twelve month sales increase for 1995 over 1994 was 6%, for comparable stores the increase was 3%.

Cost of sales increased slightly from 65.0% of net sales for the third quarter of 1994 to 65.1% for the third quarter of 1995. For the nine months ended October 28, 1995 the cost of sales as a percent of net sales remained constant at 65.6%. For the twelve months ended October 28, 1995 and October 29, 1994, there was a slight decrease from 65.3% to 65.2%.

Advertising, selling, administrative and general expenses increased to 25.6% of net sales for the third quarter of 1995 compared to 25.2% for the third quarter of 1994. For the nine months ended October 28, 1995 and October 29, 1994 these expenses increased as a percentage of net sales from 25.2% to 25.6%. For the twelve months ended October 28, 1995 and October 29, 1994 they increased from 23.9% to 24.2%. These increases were primarily due to an increase in payroll expense in the selling area.

Depreciation and amortization expense as a percentage of net sales remained constant at 3.8% in the third quarter of 1995 and 1994. For the nine months ended October 28, 1995 and October 29, 1994 these expenses increased as a percentage of net sales from 3.7% to 3.8%. For the twelve months ended October 28, 1995 and October 29, 1994 the increase was from 3.4% to 3.5%. This was due to a higher proportion of the Company's properties being owned rather than leased.

Rental expense decreased slightly from .9% of net sales for the third quarter of 1994 to .8% for the third quarter of 1995. For the nine months ended October 28, 1995 and October 29, 1994 these expenses decreased as a percent of net sales from 1.0% to .8%. For the twelve months ended October 28, 1995 and October 29, 1994 the decrease was from 1.2% to 1.1%. This was due to a higher proportion of the Company's properties being owned rather than leased.

Interest and debt expense decreased from 2.3% of net sales for the third quarter of 1994 to 2.1% for the third quarter of 1995. For the nine months ended October 28, 1995 and October 29, 1994 this income decreased as a percentage of net sales from 2.5% to 2.2%. For the twelve months ended October 28, 1995 and October 29, 1994 the decrease was from 2.3% to 2.0%. Interest and debt expense declined as a percentage of net sales due to an overall lower level of debt expense partially offset by higher interest rates on short-term debt.

Service charges, interest and other income remained constant at 3.3% of net sales for the third quarter in 1995 and 1994. For the nine months ended October 28, 1995 and October 29, 1994 these expenses decreased as a percentage of sales from 3.6% to 3.5%. For the twelve months ended October 28, 1995 and October 29, 1994 the decrease was from 3.4% to 3.2%. 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 38% for the third quarter of 1995 and 1994.

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Financial Condition

The Company's working capital was $1,736.8 million at October 28, 1995, $1,765.8 million at January 28, 1995, and $1,653.7 million at October 29, 1994. The current ratio for these periods was 2.4, 3.3 and 2.4, respectively. The ratio of long-term debt to capitalization was 32.3%, 34.1% and 35.3% at October 28, 1995, January 28, 1995, and October 29, 1994, respectively.

On June 1, 1995, the Company issued $100 million 6.875% notes due June 1, 2005. The proceeds were used to reduce short-term borrowings. At October 28, 1995, the Company had available for issuance $100 million aggregate principal amount of unsecured debt covered by an effective registration statement. On December 7, 1995, the Company filed Amendment No. 1 to a registration statement on Form S-3 for the purpose of registering $300 million of debt securities.

The Company invested $269.3 million in capital expenditures for the nine months ended October 28, 1995 as compared to $192.8 million for the nine months ended October 29, 1994. In 1995, the Company has built eleven new stores, two of which were replacement stores, and remodeled and expanded eight additional stores. In 1994, the Company opened nine new stores, two of which were replacement stores, and significantly remodeled and expanded two additional stores.

Merchandise inventories increased by 9% from $1,742.4 million at October 29, 1994 to $1,892.6 million at October 28, 1995. This increase was primarily due to the opening of one new store in the fourth quarter of 1994 and nine stores in the first three quarters of 1995. In addition, merchandise increased by 4.3% on a comparable store basis.

Fluctuations in certain other balance sheet accounts between January 28, 1995 and October 28, 1995 reflect normal seasonal variations within the retail industry.

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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:

Nine Months Ended	Fiscal Year Ended					
Oct. 28, 1995	Oct. 29, 1994	Jan. 28, 1995	Jan. 29, 1994	Jan. 30, 1993	Feb. 1, 1992	Feb. 2, 1991
3.18	2.97	3.72	3.57	3.59	3.41	3.38

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 third quarter:

None.

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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: December 8, 1995 */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

(Unaudited)

	Three Months Ended		Nine Months Ended		Twelve Months Ended	
	October 28 1995	October 29 1994	October 28 1995	October 29 1994	October 28 1995	October 29 1994
Average shares outstanding	113,045,656	113,004,219	113,045,656	112,996,435	113,036,321	112,984,329
Net effect of dilutive stock options based on the treasury stock method using average market price	217,961	0	92,899	19,456	69,674	24,488
Total	113,263,617	113,004,219	113,138,555	113,015,891	113,105,995	113,008,817
Net Income	$51,025,000	$50,802,000	$138,037,000	$132,863,000	$256,964,000	$244,207,000
Less preferred dividends	(5,500)	(5,500)	(16,500)	(16,500)	(22,000)	(22,000)
Net income available to common shares	$51,019,500	$50,796,500	$138,020,500	$132,846,500	$256,942,000	$244,185,000
Per share	$0.45	$0.45	$1.22	$1.18	$2.27	$2.16

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

(Unaudited)
(Dollar amounts in thousands)

	Nine Months Ended		Fiscal Year Ended				
	October 28 1995	October 29 1994	January 28 1995	January 29 1994	January 30 1993	February 1 1992	February 2 1991
Consolidated pretax income	$222,637	$214,293	$406,110	$399,534	$375,330	$322,157	$280,778
Fixed charges (less capitalized interest)	98,285	106,297	145,921	152,568	142,857	128,891	115,091
EARNINGS	$320,922	$320,590	$552,031	$552,102	$518,187	$451,048	$395,869
Interest	$86,980	$93,569	$124,282	$130,915	$121,940	$109,386	$97,032
Capitalized interest	2,781	1,764	2,545	1,882	1,646	3,574	1,928
Interest factor in rent expense	11,305	12,728	21,639	21,653	20,917	19,505	18,059
FIXED CHARGES	$101,066	$108,061	$148,466	$154,450	$144,503	$132,465	$117,019
Ratio of earnings to fixed charges	3.18	2.97	3.72	3.57	3.59	3.41	3.38

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ARTICLE 5
MULTIPLIER: 1000

PERIOD TYPE	9 MOS
FISCAL YEAR END	FEB 3 1996
PERIOD END	OCT 28 1995
CASH	59,351
SECURITIES	0
RECEIVABLES	1,017,268
ALLOWANCES	17,099
INVENTORY	1,892,616
CURRENT ASSETS	2,989,866
PP&E	3,324,055
DEPRECIATION	1,222,249
TOTAL ASSETS	5,170,861
CURRENT LIABILITIES	1,253,092
BONDS	1,171,900
COMMON	1,130
PREFERRED MANDATORY	0
PREFERRED	440
OTHER SE	2,449,849
TOTAL LIABILITY AND EQUITY	5,170,861
SALES	3,997,446
TOTAL REVENUES	4,135,761
CGS	2,622,399
TOTAL COSTS	2,622,399
OTHER EXPENSES	0
LOSS PROVISION	35,198
INTEREST EXPENSE	86,980
INCOME PRETAX	222,637
INCOME TAX	84,600
INCOME CONTINUING	138,037
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	138,037
EPS PRIMARY	1.22
EPS DILUTED	1.22

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