SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

Quarterly report filed pursuant to section 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended August 3, 1996 Commission file number 1-8897

CONSOLIDATED STORES CORPORATION

A Delaware Corporation
IRS No. 06-1119097
1105 North Market Street, Suite 1300
P. O. Box 8985
Wilmington, Delaware 19899
(302) 478-4896

Indicate 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, and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

The number of shares of Common Stock $.01 par value per share, outstanding as of September 6, 1995, was 53,336,802 and there were no shares of Nonvoting Common Stock, $.01 par value per share outstanding at that date.

CONSOLIDATED STORES CORPORATION
QUARTERLY REPORT ON FORM 10-Q

INDEX

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	AUGUST 3, 1996	FEBRUARY 3, 1996*
ASSETS		
Current Assets:		
Cash	$ 23,141	$ 12,999
Accounts receivable	38,419	8,957
Inventories	750,708	388,346
Prepaid expenses and deferred income taxes	77,448	41,714
Total current assets	889,716	452,016
Property and equipment - net	363,053	177,323
Other assets	33,448	10,476
	$1,286,217	$ 639,815
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 280,304	$ 129,223
Accrued liabilities	41,506	41,519
Income taxes	1,230	17,416
Notes payable and current maturities of long-term obligations	279	10,000
Total current liabilities	323,319	198,158
Long-term obligations	334,042	25,000
Deferred income taxes and other noncurrent liabilities	42,534	27,093
Stockholders' equity:		
Preferred stock - authorized 2,000,000 shares, $.01 par value; none issued	--	--
Common stock - authorized 90,000,000 shares, $.01 par value; issued 53,314,100 and 47,775,958 shares respectively	533	478
Nonvoting common stock - authorized 8,000,000 shares, $.01 par value; none issued	--	--
Additional paid-in-capital	305,450	104,511
Retained earnings	280,133	285,105
Other adjustments	206	(530)
Total stockholders' equity	586,322	389,564
	$1,286,217	$ 639,815

* Condensed from audited financial statements

The accompanying notes are an integral part of these condensed financial statements.

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
	August 3, 1996	July 29, 1995	August 3, 1996	July 29, 1995
Net sales	$ 551,403	$ 325,114	$ 894,632	$ 616,911
Cost and expenses:				
Cost of sales	325,884	187,056	523,686	355,953
Selling and administrative expenses	230,583	122,372	368,643	239,295
Interest expense	5,654	1,911	7,540	3,219
Other - net	(50)	(343)	(292)	(506)
	562,071	310,996	899,577	597,961
Income (loss) before income taxes and extraordinary item	(10,668)	14,118	(4,945)	18,950
Income tax expense (benefit)	(3,947)	5,365	(1,829)	7,201
Income (loss) before extraordinary item	(6,721)	8,753	(3,116)	11,749
Extraordinary item	(1,856)	--	(1,856)	--
Net income (loss)	($ 8,577)	$ 8,753	($ 4,972)	$ 11,749
Income (loss) per common and common equivalent share:				
Income (loss) before extraordinary item	($ 0.12)	$ 0.18	($ 0.06)	$ 0.24
Extraordinary item	(0.04)	--	(0.04)	--
Net income (loss)	($ 0.16)	$ 0.18	($ 0.10)	$ 0.24
Weighted average common and common equivalent shares outstanding	54,044	48,864	51,950	48,630

The accompanying notes are an integral part of these condensed financial statements.

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	TWENTY-SIX WEEKS ENDED August 3, 1996	TWENTY-SIX WEEKS ENDED July 29, 1995
Cash provided by (used for) operations:		
Net income (loss)	($ 4,972)	$ 11,749
Adjustments to net income (loss) to arrive at cash used by operations:		
Extraordinary item, net	1,856	--
Depreciation and amortization	21,615	13,329
Deferred income taxes	(2,930)	(661)
Other	5,491	2,212
Change in assets and liabilities net of effect from acquired business	(122,575)	(106,771)
Net cash used for operations	(101,515)	(80,142)
Cash provided by (used for) investment activities:		
Payment for acquired business	(214,513)	--
Capital expenditures	(46,229)	(16,212)
Other	1,912	2,147
Net cash used for investment activities	(258,830)	(14,065)
Cash provided by (used for) financing activities:		
Proceeds from issuance of common stock	190,647	--
Proceeds from credit agreements, net	222,600	68,695
Payment of senior notes	(35,000)	(5,000)
Debt issue payments	(10,307)	--
Extinguishment of debt	(2,946)	--
Proceeds from exercise of stock options	2,658	3,946
Increase in deferred credits	2,835	--
Net cash provided by financing activities	370,487	67,641
Increase (decrease) in cash	$ 10,142	($ 26,566)

Supplemental Disclosure of Cash Flow Information:

Income taxes paid	$ 14,350	$ 16,079
Interest paid	$ 5,245	$ 3,473

Supplemental Disclosure of Non Cash Transactions:

Issuance of subordinated notes - Note 4

The accompanying notes are an integral part of these condensed financial statements.

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The condensed consolidated balance sheet at August 3, 1996, and the condensed consolidated statements of income and statements of cash flows for the thirteen and twenty-six week periods ended August 3, 1996, have been prepared by the Company without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations, and cash flows at August 3, 1996, and for the thirteen and twenty-six week periods presented have been made. Such adjustments consisted only of normal recurring items.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principals have been omitted or condensed. It is suggested that the condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report for the year ended February 3, 1996. The results of operations for the period ended August 3, 1996, may not necessarily be indicative of the operating results for the full year.

NOTE 2 - EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE

Earnings per common and common equivalent share are based on the weighted average number of shares outstanding during each period which includes the additional number of shares which would have been issued upon exercise of stock options assuming that the Company used the proceeds received to purchase additional shares at market value.

NOTE 3 - STOCK OFFERING

As of June 10, 1996, the Company completed an offering of 5,125,000 shares of common stock, including a underwriters' over-allotment of 125,000 shares. Net proceeds to the Company were approximately $190.6 million.

NOTE 4 - ACQUISITION OF KAY-BEE CENTER, INC.

As of May 5, 1996, the Company acquired Kay-Bee Center, Inc. (KAY-BEE) from Melville Corporation for a purchase price of approximately $315 million (subject to post-closing adjustments), consisting of $215 million in cash and $100 million of subordinated notes, issued to Melville Corporation. At May 5, 1996, KAY-BEE operated 1,045 toy stores located in all 50 states and Puerto Rico primarily under the names Kay-Bee Toys and Toy Works. This transaction is accounted for as a purchase.

The unaudited pro forma summary of operations data for each of the twenty-six week periods ended August 3, 1996 and July 29, 1995, and the thirteen week period ended July 29, 1995, have been prepared by combining the consolidated

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - ACQUISITION OF KAY-BEE CENTER, INC. - CONTINUED

statements of earnings of Consolidated Stores Corporation and Subsidiaries for each of the periods presented with the consolidated statements of operations for the respective thirteen week period ended March 30, 1996, and twenty-six week period ended June 30, 1995, of KAY-BEE, as well as, the estimated purchase price allocation in accordance with APB 16, the financing, and the issuance of Common Stock.

	Thirteen weeks ended	Twenty-six weeks ended	
	July 29, 1995	August 3, 1996	July 29, 1995
	(In thousands, except loss per share data)		
Net sales	$489,683	$1,071,022	$948,296
Operating income (loss)	151	(20,951)	(17,606)
Net loss	(2,654)	(20,999)	(16,374)
Net loss per common and common equivalent share(1)	(0.05)	(0.39)	(0.30)

(1) Adjusted to reflect issuance of 5,125,000 shares of Common Stock

NOTE 5 - EXTRAORDINARY ITEM

During the second quarter of 1996 the Company recorded an extraordinary item in connection with the early extinguishment for $35 million of 10.5% senior notes. The charge before income taxes was $2.9 million.

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

TRENDS. The Company is the nation's largest close-out retailer, with 1,940 stores located in all 50 states and Puerto Rico. As a value retailer specializing in close-out merchandise and toys the Company operates 775 retail close-out and specialty stores under the names ODD LOTS/BIG LOTS, ITZADEAL! and ALL FOR ONE in the midwestern, southern and mid-Atlantic regions of the United States. Additionally, 1,165 retail toy and close-out toy stores were in operation throughout the United States and Puerto Rico under the names KAY-BEE, TOY WORKS and TOY LIQUIDATORS. As more fully described below, on May 5, 1996, the Company acquired 1,045 KAY-BEE and TOY WORKS retail toy stores. The Company believes that KAY-BEE is the largest enclosed mall-based toy retailer in the United States.

The table below compares components of the statements of earnings of the Company as a percent to net sales and reflects the number of retail stores in operation at the end of each period.

	Thirteen weeks ended August 3, 1996	Thirteen weeks ended July 29, 1995	Twenty-six weeks ended August 3, 1996	Twenty-six weeks ended July 29, 1995
	(Percent to total net sales)			
Net sales:				
Close-out and specialty	60.7	93.0	73.2	93.5
Toys	37.8	4.2	24.8	3.7
Other	1.5	2.8	2.0	2.9
	100.0	100.0	100.0	100.0
Cost of sales	59.1	57.5	58.5	57.7
Gross profit	40.9	42.5	41.5	42.3
Selling and administrative expenses	41.8	37.6	41.2	38.8
Operating profit (loss)	(0.9)	4.9	0.3	3.5
Interest expense	1.0	0.6	0.8	0.5
Other income	--	(0.1)	--	(0.1)
Income (loss) before income taxes and extraordinary item	(1.9)	4.4	(0.5)	3.1
Income tax expense (benefit)	(0.7)	1.7	(0.2)	1.2
Income (loss) before extraordinary item	(1.2)	2.7	(0.3)	1.9
Extraordinary item	(0.3)	--	(0.2)	--
Net income (loss)	(1.5)	2.7	(0.5)	1.9

	August 3, 1996	July 29, 1995
Retail stores in operation at end of period:		
Close-out and specialty	775	715
Toys	1,165	91
	1,940	806

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS - CONTINUED

The Company has historically experienced seasonal fluctuations with a significant percentage of its net sales and income being realized in the fourth fiscal quarter. The Company's quarterly results can also be affected by the timing of store openings and closings, the amount of net sales contributed by new and existing stores and the timing of certain holidays. Historically, the Company has generally recorded operating profits during each fiscal quarter. Due to the increase in the Company's retail toy operations as a result of the KAY-BEE acquisition on May 5, 1996, it is anticipated operating losses will be recognized during the first three fiscal quarters and a increasing amount of net sales, operating profit and net income will be recognized in the fourth fiscal quarter. Quarterly fluctuations in inventory balances are normal reflecting the opportunistic purchases available at any given time and the expansion of the Company's store base. Historically, on a per store basis, inventory levels are lower at the end of the Company's fiscal year and build through the remaining three quarters of the year to a peak level in the third quarter. Accounts payable generally follow a trend similar to inventories.

SALES. Net sales for the thirteen and twenty-six week periods ended August 3, 1996, increased 69.6% and 45.0%, respectively. Comparable store sales for stores open two years at the beginning of the fiscal year increased 3.2% for the quarter and 4.0% for the year to date period. The sales improvement reflects the greater number of close-out and specialty stores in operation during the period and the sales performance of KAY-BEE acquired at the start of the second quarter of fiscal 1996.

Net sales by operating unit were as follows:

	Thirteen weeks ended		
Operating Unit	August 3, 1996	July 29, 1995	Percentage Change
	(In thousands)		
Close-out and specialty	$334,908	$302,243	10.8%
Toys	208,196	13,659	1,424.2
Other	8,299	9,212	(9.9)
	$551,403	$325,114	69.6%

	Twenty-six weeks ended		
	August 3, 1996	July 29, 1995	Percentage Change
	(In thousands)		
Close-out and specialty	$654,884	$576,643	13.6%
Toys	221,737	22,642	879.3
Other	18,011	17,626	2.2
	$894,632	$616,911	45.0%

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS - CONTINUED

GROSS PROFIT. Gross profit as a percent of net sales was 40.9% for the second quarter of fiscal 1996 compared to 42.5% in the same 1995 period. The decline for the quarter primarily results from the effects of KAY-BEE acquired at the beginning of the second quarter which traditionally operates at a lower gross margin percentage than historically reported by the Company. To a lesser degree, the declines in gross profit percentage also reflect slightly higher markdowns experienced by the close-out and specialty operating units. Gross profit was 41.5% and 42.3% for the first six months of fiscal 1996 and 1995, respectively.

SELLING AND ADMINISTRATIVE EXPENSES. As a percent to net sales, selling and administrative expenses were 41.8% and 37.6% in the second quarter of fiscal 1996 and 1995, respectively and 41.2% and 38.8% in each of the year to date periods. These increases are primarily attributable to the effect from store operating expenses of KAY-BEE which are anticipated to be greater as a percent to sales in the first three fiscal quarters than historically reported by the Company.

INTEREST EXPENSE. Interest expense increased $3.7 million in the second quarter of 1996 and rose $4.3 million for the year. These increases result from higher weighted average borrowing outstanding for the respective periods, principally associated with operating requirements of KAY-BEE, and a increase in the effective borrowing rate.

INCOME TAXES. The effective tax rate of the Company is 37.0% in 1996 compared to 38.0% in 1995. The reduction in the effective tax rate is principally attributable to the recognition of tax planning benefits for state and local income taxes. Included in the calculation of the Company's effective tax rate is the recognition of benefits of a corporate-owned life insurance program established in 1994. Subsequent to August 3, 1996, Federal legislation was passed which, among other matters, limits the interest deduction associated with corporate-owned life insurance. The Company is evaluating the impact this legislation may have on the effective tax rate for future periods.

ACQUISITION OF KAY-BEE. Pursuant to a Stock Purchase Agreement dated March 25, 1996, Consolidated Stores Corporation acquired from Melville Corporation (Melville) all of the issued and outstanding common stock of KAY-BEE, a California corporation and a holding company for approximately 800 subsidiaries, operating 1,045 retail toy stores. Consolidated Stores effected the acquisition through KB Consolidated, Inc., a newly formed subsidiary of the Company. The acquisition was effective as of 12:01 a.m. on May 5, 1996.

The purchase price for all of the KAY-BEE common stock is approximately $315 million, subject to a post-closing adjustment based on an audit of KAY-BEE'S balance sheet. The purchase price is comprised of $215 million in cash and $100 million of subordinated notes by the Company to Melville. The initial purchase price payment was based on the estimated net book value of KAY-BEE as of December 31, 1995.

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS - CONTINUED

The Stock Purchase Agreement provides for a dollar-for-dollar post-closing adjustment of the purchase price in the event that the final net book value of KAY-BEE as of the closing date differs from the estimated net book value. Melville must provide to the Company within 60 days of the closing date an audited closing balance sheet of KAY-BEE as of the closing date setting forth the calculation of the final net book value.

Under the Stock Purchase Agreement, Melville made standard representations, warranties and covenants.

LIQUIDITY AND CAPITAL RESOURCES

The primary sources of liquidity for the Company has been cash flow from operations and borrowings under available credit facilities.

Concurrent with the acquisition of KAY-BEE the Company terminated its existing revolving credit agreement and entered into a Revolving Credit Facility dated May 3, 1996, as amended June 28, 1996, with a syndicate of financial institutions to provide senior bank financing in an aggregate principal amount of up to $600 million. The Revolving Credit Facility consists of a revolving loan facility (the "Revolver") with the amount available thereunder equal to $450 million and a letter of credit facility with up to $200 million available for the issuance of documentary and standby letters of credit. The facility has a maturity date of May 3, 1999. At May 4, 1996, the Company borrowed $320 million under the Revolver to finance the acquisition of KAY-BEE and repay certain existing indebtedness under the prior revolving credit agreement and senior notes.

In connection with the acquisition of KAY-BEE the Company issued $100 million of Subordinated Notes. The Subordinated Notes mature in 2000 and bear interest at a rate of 7% per annum, payable semiannually. The Subordinated Notes are redeemable at the option of the Company, in whole or in part, after two years from their issuance, at a premium to their principal, plus accrued interest.

In the second quarter of 1996 the Company completed an offering of 5,125,000 shares of common stock, including a underwriters' over-allotment of 125,000 shares. Net proceeds to the Company of approximately $190.6 million were utilized to repay a portion of the borrowings incurred to finance the acquisition of KAY-BEE.

The Company's capital structure has changed significantly from the issuance of common stock and increased credit facilities. The Company continues to believe that it will have adequate resources to fund ongoing operating requirements and future capital expenditures related to the expansion of existing businesses and development of new projects. Additionally, management is not aware of any current trends, events, demands, commitments, or uncertainties which reasonably can be expected to have a material impact on the liquidity, capital resources, financial position or results of operations of the Company.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings. Not applicable.

Item 2. Changes in Securities. Not applicable.

Item 3. Defaults Upon Senior Securities.
Not applicable.

Item 4. Submission of Matters to Vote of Security Holders.

(a) The Company's Annual Meeting was held on July 23, 1996.

(b) The number of shares of voting Common Stock, $.01 par value per share, outstanding as of June 11, 1996, the record date was 53,298,704.

(c) The number of shares of Common Stock of the Company represented in person or by proxy and eligible to vote was 43,166,777.

(d) Proxies were solicited by management pursuant to Regulation 14 under the Securities Exchange Act of 1934. There was no solicitation in opposition to management's nominees as listed in the proxy statement. All of the nominee's were elected pursuant to a vote of the stockholders.

(e) A proposal to approve the Consolidated Stores Corporation 1996 Performance Incentive Plan was approved by a majority vote of the stockholders.

	For	Against	Abstain
The vote on this proposal was:	29,395,536	11,109,519	52,877

(f) A proposal to approve the Consolidated Stores Corporation Key Associate Annual Incentive Compensation Plan was approved by a majority vote of the stockholders.

	For	Against	Abstain
The vote on this proposal was:	42,024,968	1,086,337	55,462

Item 5. Other Information. Not applicable.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

Exhibit No.	Document
27	Financial Data Schedule

(b) Reports on Form 8-K. None.

SIGNATURE

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.

CONSOLIDATED STORES CORPORATION
(Registrant)

Dated: September 13, 1996

By: /s/ Michael J. Potter
Michael J. Potter, Sr. Vice President, Chief Financial Officer, and Principal Accounting Officer

5

This schedule contains summary financial data extracted from Consolidated Stores Corporation and Subsidiaries Consolidated Financial Statements filed in Form 10-Q as of August 3, 1996, and the thirteen and twenty-six week periods then ended, and is qualified in its entirety by reference to such financial statements.

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FEB-04-1996
AUG-03-1996
23,141
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38,419
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750,708
889,716
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