FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended August 26, 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 1-7832

PIER 1 IMPORTS, INC.
(Exact name of registrant as specified in its charter)

Delaware	75-1729843
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

301 Commerce Street, Suite 600, Fort Worth, Texas 76102
(Address of principal executive offices including zip code)

(817) 878-8000
(Registrant's telephone number, including area code)

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 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	Shares outstanding as of September 27, 1995
Common Stock, $1.00 par value	39,432,744

PART I

Item 1. Financial Statements.

PIER 1 IMPORTS, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	Aug. 26, 1995	Aug. 27, 1994	Aug. 26, 1995	Aug. 27, 1994
Net sales	$199,456	$185,403	$376,271	$346,889
Operating costs and expenses:				
Cost of sales (including buying and store occupancy)	124,698	115,170	232,375	211,305
Selling, general and administrative expenses	51,736	50,436	103,794	100,624
Depreciation and amortization	4,215	3,927	8,338	7,780

	180,649	169,533	344,507	319,709
Operating income	18,807	15,870	31,764	27,180
Interest income	(251)	(419)	(953)	(724)
Interest expense	3,222	3,735	6,494	7,339
Provision for Sunbelt Nursery Group, Inc. defaults	14,000	--	14,000	--
Income before income taxes	1,836	12,554	12,223	20,565
Provision for income taxes	1,912	3,898	6,064	6,374
Net income (loss)	$ (76)	$ 8,656	$ 6,159	$ 14,191
Net income per share:				
Primary	$.00	$.22	$.16	$.36
Fully diluted	$.00	$.21	$.16	$.34
Average shares outstanding during period, including common stock equivalents:				
Primary	39,634	39,646	39,731	39,621
Fully diluted	45,134	46,213	45,249	46,188

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

PIER 1 IMPORTS, INC.
CONSOLIDATED BALANCE SHEET
(Dollars in thousands except share data)
(Unaudited)

	August 26, 1995	Feb. 25, 1995
ASSETS		
Current assets:		
Cash, including temporary investments of $27,058 and $46,173, respectively	$ 37,579	$ 54,203
Accounts receivable, net	77,968	64,229
Inventories	225,486	200,968
Other current assets	32,479	33,487
Total current assets	373,512	352,887
Properties, net	103,762	105,618
Other assets	34,436	30,219
	$511,710	$488,724
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current portion of long-term debt	$ 17,602	$ 2,638
Accounts payable and accrued liabilities	102,550	82,419
Total current liabilities	120,152	85,057
Long-term debt	139,882	154,432
Deferred income taxes	2,536	2,538
Other non-current liabilities	21,098	21,501
Stockholders' equity:		
Common stock, $1.00 par, 200,000,000 shares authorized, 39,877,000 and 37,826,000 issued, respectively	39,877	37,826
Paid-in capital	110,637	93,833
Retained earnings	83,310	97,315
Cumulative currency translation adjustments	(1,039)	(1,195)
Less - 467,000 and 162,000 common shares in treasury, at cost, respectively	(3,835)	(1,477)
Less - subscriptions receivable and unearned compensation	(908)	(1,106)
	228,042	225,196

$511,710	$488,724

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

PIER 1 IMPORTS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended August 26, 1995	Six Months Ended August 27, 1994
Cash flow from operating activities:		
Net income	$ 6,159	$14,191
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	8,338	7,780
Deferred taxes and other	2,331	5,280
Provision for Sunbelt Nursery Group, Inc. defaults	14,000	--
Changes in cash from:		
Inventories	(24,518)	3,916
Accounts receivable and other current assets	(12,762)	(10,197)
Accounts payable and accrued expenses	11,640	(2,559)
Store-closing reserve	(4,920)	(1,094)
Other assets, liabilities and other, net	(89)	(573)
Net cash provided by operating activities	179	16,744
Cash flow from investing activities:		
Capital expenditures	(7,879)	(8,630)
Proceeds from disposition of properties	237	16
Loan to Sunbelt Nursery Group, Inc.	--	(9,600)
Other investments	(5,163)	(1,193)
Net cash used in investing activities	(12,805)	(19,407)
Cash flow from financing activities:		
Cash dividends	(2,390)	(1,878)
Retirement of long-term debt	(14,750)	(2,500)
Net borrowings under line of credit agreements	15,000	12,000
(Payments) proceeds from (purchases) sales of capital stock, treasury stock, and other, net	(1,858)	551
Net cash (used in) provided by financing activities	(3,998)	8,173
Change in cash	(16,624)	5,510
Cash at beginning of period	54,203	17,123
Cash at end of period	$37,579	$22,633

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

PIER 1 IMPORTS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED AUGUST 26, 1995
(In thousands)
(Unaudited)

	Common Stock	Paid-in Capital	Retained Earnings	Cumulative Currency Translation Adjustments	Treasury Stock	Subscriptions Receivable and Unearned Compensation	Total Stockholders' Equity
Balance February 25, 1995	$37,826	$ 93,833	$97,315	($1,195)	($1,477)	($1,106)	$225,196
Purchase of treasury stock					(3,542)		(3,542)
Restricted stock grant and amortization	7	44			(129)	198	120
Stock Purchase Plan, exercise of stock							

options and other	166	499	365		1,313		2,343
Currency translation adjustments				156			156
Cash dividends, declared or paid			(2,390)				(2,390)
Five percent stock dividend	1,878	16,261	(18,139)				0
Net income			6,159				6,159
Balance August 26, 1995	$39,877	$110,637	$83,310	($1,039)	($3,835)	($ 908)	$228,042

<FN>
The accompanying notes are an integral part of these financial statements.
</FN>

PIER 1 IMPORTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The accompanying unaudited financial statements should be read in conjunction with the Form 10-K for the year ended February 25, 1995. All adjustments that are, in the opinion of management, necessary for a fair statement of the financial position as of August 26, 1995, and the results of operations and cash flows for the interim periods ended August 26, 1995 and August 27, 1994 have been made and consist only of normal recurring adjustments. The results of operations for the three and six months ended August 26, 1995 and August 27, 1994 are not indicative of results to be expected for the fiscal year because of, among other things, seasonality factors in the retail business.

Note 1 - Provision for Sunbelt Nursery Group, Inc. defaults

During the second quarter of fiscal 1996, the Company recorded a charge of $14 million, or $9.6 million on an after-tax basis, which represents the estimated cost to disengage from its financial support of Sunbelt Nursery Group, Inc. ("Sunbelt"). This charge resulted from Sunbelt's default on 13 nursery store subleases from the Company in April 1995. Sunbelt has also defaulted on three nursery store leases guaranteed by the Company. The charge reflects the Company's estimated losses resulting from the lease termination costs associated with the 13 nursery stores and from the Company's guarantees of other Sunbelt store leases.

Note 2 - Net income per share

Primary net income per share was determined by dividing net income by applicable average shares outstanding. Fully diluted net income per share amounts are similarly computed, but include the effect, when dilutive, of the Company's potentially dilutive securities. To determine fully diluted net income, interest and debt issue costs, net of any applicable taxes, have been added back to net income to reflect assumed conversions. The computation of fully diluted net income per share for the three and six months ended August 26, 1995 was antidilutive; therefore, the amounts reported for primary and fully diluted net income per share are the same.

PART I

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

Pier 1 Imports, Inc. (the "Company") recorded net sales of $199.5 million and $376.3 million for the second quarter and six-month period of fiscal 1996, increases of 7.6% and 8.5%, respectively, compared to the same periods of fiscal 1995. The increase in sales for the first six months of fiscal 1996 is primarily attributable to an 8.5% increase in weighted average store count (which is calculated based on the number of days a store is open during any given period) compared to the same period last year. Same-store sales increased 2.5% and 2.4% for the second quarter and six-month periods of fiscal 1996, respectively, over the prior fiscal year. Sales of hard goods merchandise such as furniture and decorative accessories increased 5.5% during the first six months of fiscal 1996 versus the comparable period of fiscal 1995 and sales of soft goods merchandise such as apparel and jewelry decreased 4.3% in the first half of fiscal 1996 compared to a year ago. Hard goods and soft goods sales contributed approximately 91% and 9%, respectively, of total sales for the six-month period of fiscal 1996. Sales on the Company's proprietary credit card were $91.6 million, or 24.3% of total sales, during the first six months of fiscal 1996 versus proprietary credit card sales of $63.3 million, or 18.3% of total sales, for the same period of fiscal 1995. The Company's store count aggregated 647 at the end of the second quarter of fiscal 1996 compared to 600 at the end of the second quarter of fiscal 1995.

Gross profit, after related buying and store occupancy costs, expressed as a percentage of sales, decreased by 40 basis points to 37.5% for the second quarter and by 90 basis points to 38.2% for the first six months of fiscal 1996 versus the same periods a year ago. Store occupancy costs, as a percentage of sales, increased 60 basis points to 14.5% for the second quarter of fiscal 1996 and increased 50 basis points to 15.0% for the first half of fiscal 1996 compared to the same periods of fiscal 1995. These increases were primarily due to slightly higher occupancy rates on 26 new stores opened in the first six months of fiscal 1996 compared to 14 new stores opened for the same period of fiscal 1995, coupled with incremental increases in floating rate lease payments linked to LIBOR for approximately 55 store operating leases. Second quarter merchandise margins slightly improved in fiscal 1996 compared to fiscal 1995 as a result of higher margins on furniture and dining and kitchen merchandise, combined with fewer clearance markdowns on furniture; however, during the first six months of fiscal 1996 merchandise margins declined from the year earlier period primarily due to higher promotional discounts in the first quarter of fiscal 1996.

Selling, general and administrative expenses, including marketing, expressed as a percentage of sales, decreased 130 basis points to 25.9% in the second quarter of fiscal 1996 and decreased 140 basis points to 27.6% for the first half of fiscal 1996 compared to the same periods of fiscal 1995. In total dollars, expenses increased by $1.3 million during the second quarter of fiscal 1996 and by $3.2 million during the first six months of fiscal 1996 versus the comparable periods of fiscal 1995. The increase in expenses for the first six months of fiscal 1996 is primarily due to a $3.5 million increase in store salaries, which increased proportionately with sales, a $0.9 million increase in supplies and a $1.6 million increase in net proprietary credit card costs due to higher processing costs related to the increase in proprietary credit card sales. However, these processing costs, as a percentage of proprietary credit card sales, decreased to 4.2% for the first six months of fiscal 1996 compared to 5.0% for the same period in fiscal 1995. These selling, general and administrative expenses were partially offset by a $2.7 million decrease in management bonuses and a $1.7 million shift of marketing expenditures to later in the 1996 fiscal year primarily related to the Company's national television advertising campaign. Other various general and administrative expenses increased by $1.6 million.

Net interest expense declined $0.3 million during the second quarter and $1.1 million during the first six months of fiscal 1996 over the same periods in fiscal 1995 primarily due to lower effective interest rates coupled with lower debt levels, net of cash balances.

In April 1993, the Company sold its 49.5% ownership interest in Sunbelt Nursery Group, Inc. ("Sunbelt") to General Host Corporation ("General Host") and committed to provide Sunbelt up to $25 million of non-revolving store development financing through April 1996. In October 1994, in connection with the sale by General Host of its 49.5% interest in Sunbelt to a third party unrelated to the Company or General Host, the Company agreed to extend $22.8 million of the non-revolving store development financing to Sunbelt until June 30, 1998, at market rental rates. The Company also guarantees other Sunbelt store lease commitments aggregating $5.2 million with a present value of approximately $4.2 million. In April 1995, Sunbelt defaulted on the 13 nursery store subleases that comprise the $22.8 million of non-revolving store development financing, and the Company terminated the subleases. Sunbelt also defaulted on three nursery store leases guaranteed by the Company. In July 1995, the Company entered into a settlement agreement with Sunbelt concerning Sunbelt's default on the 13 store subleases and store leases guaranteed by the Company. Pursuant to the settlement agreement, Sunbelt agreed to a claim by the Company of $14.7 million (secured by a second lien on up to $6 million of Sunbelt's assets) and agreed to continue to sublease the 13 stores for up to three years or until the Company is able to find a buyer for the properties. Additionally, Sunbelt is obligated to make future deferred payments out of its cash flow up to a total of $8 million (which may be prepaid with $2 million in payments by May 10, 1996, or prepaid with lesser discounts made by May 10, 1998). The remaining $6.7

million of the Company's claim will be deemed satisfied if Sunbelt fully performs its obligations relating to these and other terms of the settlement agreement. During the second quarter of fiscal 1996, the Company recorded a charge of $14 million, or $9.6 million on an after-tax basis, which represents the estimated cost to disengage from its financial support of Sunbelt. The charge reflects the Company's estimated losses resulting from the lease termination costs associated with the 13 nursery stores and from the Company's guarantees of other Sunbelt store leases.

The Company's effective income tax rate for fiscal 1996 increased to 42.6% compared to 31.0% for fiscal 1995. The increase is primarily due to the benefit of tax-favored foreign income last fiscal year and the tax benefit from the sale of Sunbelt common stock recognized in fiscal 1995, along with the impact of a reduced tax benefit associated with the charge in fiscal 1996 for Sunbelt's defaults.

Operating income increased $2.9 million to $18.8 million during the second quarter of fiscal 1996 and increased $4.6 million to $31.8 million for the first six months of fiscal 1996 versus the comparable periods of fiscal 1995 due to higher sales and improved expense control. Before the Sunbelt charge, net income aggregated $9.5 million or $0.24 per share for the second quarter of fiscal 1996 compared to $8.7 million or $0.22 per share for the second quarter of fiscal 1995. Net income before the Sunbelt charge aggregated $15.7 million or $0.40 per share for the first six months of fiscal 1996 compared to $14.2 million or $0.36 per share for the same period of fiscal 1995. After the Sunbelt charge, the Company reported a net loss of $76,000 for the second quarter of fiscal 1996 and net income of $6.2 million or $0.16 per share for the first half of fiscal 1996.

Liquidity and Capital Resources

Cash, including temporary investments, aggregated $37.6 million at the end of the second quarter of fiscal 1996 down from $54.2 million at fiscal 1995 year-end. The first six months of fiscal 1996 included cash payments on a $24.5 million seasonal build-up of inventory, a $15.0 million increase in the proprietary credit card receivable, the retirement of $12.2 million of the Company's convertible notes, capital expenditures of $7.9 million, advances to The Pier Retail Group Limited of $5.2 million, lease termination payments from the store-closing program of $4.9 million, a $2.5 million sinking fund payment on the Company's long-term debt, cash dividend payments of $2.4 million, and other financing activities of $1.9 million. These cash payments were partially offset by net income and other non-cash related items of $30.8 million, short-term borrowings of $15.0 million, a $13.9 million net change in other working capital primarily due to the after-tax reserve for Sunbelt defaults of $9.6 million, and proceeds from the disposition of properties of $0.2 million.

The Company previously announced that, depending upon market conditions, it may utilize a portion of its surplus cash during fiscal 1996 to purchase up to $25 million of the Company's 6 7/8% convertible notes. During the first half of fiscal 1996, the Company purchased $12.2 million of these notes, leaving $62.8 million of the Company's convertible notes outstanding at the end of the fiscal 1996 second quarter.

Final cash requirements to fund the store-closing program from fiscal 1994 for lease terminations are expected to be approximately $6.9 million for the remainder of fiscal 1996 and will be funded through working capital and operations. During the first six months of fiscal 1996, approximately $4.9 million was expended and charged against the reserve for lease termination costs.

Working capital requirements will continue to be provided by cash and $158.5 million in short-term revolving lines of credit. Under these lines of credit at August 26, 1995, $15.0 million was outstanding in the form of short-term borrowings and an additional $56.0 million was committed under letters of credit. The Company's current ratio at the end of the second quarter of fiscal 1996 was 3.1 to 1 compared to 4.1 to 1 at fiscal 1995 year-end and 3.5 to 1 at the end of the second quarter of fiscal 1995. The Company's minimum operating lease commitments remaining for fiscal 1996 are $51 million, and the present value of total existing minimum operating lease commitments is $375 million.

During the first six months of fiscal 1996, the Company paid cash dividends aggregating $.06 per share, distributed a 5% stock dividend and has declared a cash dividend of $.03 per share payable on November 15, 1995 to shareholders of record on November 1, 1995. The Company currently expects to continue paying modest cash dividends in fiscal 1996 and intends to retain most of its future earnings for expansion of the Company's business.

Cash requirements to cover the Company's estimated losses resulting from the Sunbelt defaults will be funded through working capital and operations and are not expected to have a significant impact on the Company's liquidity.

PART II

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

(a) Exhibits See Exhibit Index.

(b) Reports on Form 8-K None.

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.

PIER 1 IMPORTS, INC. (Registrant)

Date: October 10, 1995 By: /s/ Clark A. Johnson

Clark A. Johnson, Chairman of the Board
and Chief Executive Officer
(Principal Executive Officer)

Date: October 10, 1995 /s/ Robert G. Herndon

Robert G. Herndon, Executive Vice
President and Chief Financial Officer
(Principal Financial Officer)

Date: October 10, 1995 /s/ Susan E. Barley

Susan E. Barley, Vice President and
Controller
(Principal Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description
10.15	Agreement of Settlement dated July 31, 1995 between Pier Lease, Inc., the Company, Sunbelt Nursery Group, Inc., Wolfe Nursery, Inc. and Timothy R. Duoos, incorporated herein by reference to Exhibit 10.15 to Sunbelt Nursery Group, Inc. Form 10-K/A-2 for the fiscal year ended January 31, 1995.
27	Financial Data Schedule for Six-month Period Ended August 26, 1995

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S CONSOLIDATED STATEMENT OF OPERATIONS AND BALANCE SHEET AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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