



LANCASTER, CA	1555
ROCK SPRINGS, WY	1116
GETTYSBURG, PA	1095
HOMESTEAD, FL	1298
BISMARCK, N.D.	1017
FARMVILLE, VA	1068

WAL-MART ANNUAL REPORT

1990

Fiscal Year Ending
January 31, 1990

WAL-MART®

ALWAYS THE LOW PRICE ON THE BRANDS YOU TRUST. *Always.™*

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Financial Highlights

(Dollar amounts in thousands except per share data)

January 31,	1990	1989
Net sales	\$ 25,810,656	\$ 20,649,001
Net income	1,075,900	837,221
Net income per share	1.90	1.48
Working capital	1,867,301	1,565,078
Current ratio	1.7	1.8
Shareholders' equity	3,965,561	3,007,909
Common stock outstanding at year end	566,135,104	565,591,010

Stores in operation at year end:

Wal-Mart Stores	1,402	1,259
Sam's Wholesale Clubs	123	105

MARKET PRICE OF COMMON STOCK

Fiscal years ended January 31,

Quarter	1990		1989	
	High	Low	High	Low
April 30	\$36.38	\$31.38	\$30.75	\$25.13
July 31	43.25	34.38	33.88	25.88
October 31	44.00	37.00	33.38	28.75
January 31	47.38	40.00	33.75	29.25

DIVIDENDS PAID PER SHARE OF COMMON STOCK

Fiscal years ended January 31,

	1990		1989	
	Quarterly		Quarterly	
April 10	\$.055		April 11	\$.04
July 7	.055		July 8	.04
October 4	.055		October 3	.04
January 2	.055		January 2	.04

Net Sales

(Billions of Dollars)



Net Income Per Share

(Dollars)



Fellow Shareholder:

Our hats are off in a hearty salute to our 275,000 plus Wal-Mart Associates who completed the most explosive decade of growth in Wal-Mart's history with another dynamic year. In ten very fast years our Associates have built this special partnership with our customers and vendors from our first billion dollar sales year in fiscal 1980, to over twenty-five billion dollars in fiscal 1990. How have they done it? Serving one customer at a time with the single-purpose mission of exceeding each customer's expectations - one customer at a time.

In a recent article, the editors of the trade publication *Mass Market Retailers* paid tribute to the Wal-Mart Associates by recognizing them collectively as the 1989 Mass Market Retailers of the Year. They summed up our Associates' contributions by stating, "The Wal-Mart associate. In this decade that term has come to symbolize all that is right with the American worker, particularly in the retailing environment and most particularly at Wal-Mart..."

Such recognition has never seemed more appropriate than this our 27th consecutive year of both sales and earnings records. Fiscal 1990 was a rewarding year in which we were able to build our financial and people resources for what may be the most exciting decade of Wal-Mart expansion - the 90s.

We thank our Associates for providing our shareholders:

- Increased net income to \$1.076 billion, up 29 percent from \$837 million. Net income per share, fully diluted, increased to \$1.90 from \$1.48. Net profit as a percentage of sales increased to 4.2 percent this year, compared with 4.1 percent last year.
- Increased sales to \$25.811 billion from \$20.649 billion, up 25 percent. Comparable stores and clubs, those units which were open twelve months as of January 31, 1989, increased sales 11 percent, our fourth consecutive year of double digit same store sales increases. Comparable sales per gross square foot of total store space grew to \$250, from \$231 last year and \$194 just three years ago.
- Shareholders' equity increased to \$3.966 billion, up from \$3.008 billion last year. Fiscal 1990 marks our 15th consecutive annual increase of 30 percent or more in shareholders' equity. The return on shareholders' equity was 35.8 percent, its 15th consecutive year of 30 percent return or greater.
- Gross retail square footage exceeded 100 million for the first time. Sam's Wholesale added over 2 million square feet and Wal-Mart stores in excess of 13 million, bringing our 1990 square footage total to just over 106 million square feet, a 17 percent increase. While opening 145 new Wal-Mart stores and 18 Sam's units, we expanded our trade territory to 29 states, adding our first units in Michigan, New Jersey and Wyoming.
- Increased dividends to 22 cents per share compared with 16 cents per share last year, an increase of 38 percent.



Wal-Mart Associates accepting the award for recognition as 1989 Mass Market Retailers of the Year.

We thank our Associates for providing our customers:

- Quality customer service, merchandise selection and convenience that we strive to make second to none in retailing. Friendly greeters await every customer who enters our stores and clubs, initiating and symbolizing our dedication to **exceed every customer's expectations.**
- Our new softlines presentation introduced in over 200 Wal-Mart stores this past year features improved depth in apparel merchandise selection, better values and more name brand fashion, all presented utilizing easier-to-shop fixturization and with more customer space.
- Wider aisles and significantly more customer space are key features of the 25 new 110,000 square foot Wal-Mart stores opened this past year.
- We took our first steps to address the concerns we and our customers share for the quality of our land, air and water and our sincere desire for the opportunity to do something positive. The challenge is to improve our products and their packaging so that they are better for the environment. This first step, a call to action to improve our environment, requires a partnership with our customers, our vendors and our Associates.

- Expanded new store concepts incorporating food to enhance one-stop shopping convenience. An additional Wal-Mart Supercenter was opened in Farmington, Missouri, increasing this format to three units. In addition, six convenience store prototypes were opened adjacent to existing Supercenter, Hypermart, Wal-Mart or Sam's locations.
- Improved execution at Sam's to better serve small business by maintaining necessary disciplines to limit stock-keeping-units, "SKUs," and priority in merchandise selection to serve wholesale business members.
- Sam's experiments with full-line bakery, meat and produce merchandising, as well as carefully selected services to better serve the business member.

We are thankful that this year was also a year of great opportunity for our Associates, including:

- Expanded opportunities to grow as individuals, as merchants and as management talents were afforded through "store-within-a-store," the Walton Institute of Retailing, Wal-Mart, Sam's and Distribution Center Management Training Seminars (conducted for the first time in the field) and in-store training materials utilizing video and management instruction for every in-store position.
- "Personal Choice," a new flexible benefit plan, was introduced to all full-time Associates. Associates are now afforded the opportunity to customize their benefit program and select coverages not previously available, such as dental and dependent life. Better coverage values and greater flexibility as to who is covered, purchased with pre-tax dollars, in many cases enabled Associates to better provide for themselves and their families.
- Associate incentive plans were in place in every store, club, distribution center and support facility. These plans, coupled with store management bonus and compensation programs, enabled our Associates to earn more than \$100 million over and above their wages and base compensation.
- A record profit sharing contribution of over \$90 million. Over 147,000 Associates currently participate in this profit sharing trust with total assets exceeding \$800 million.

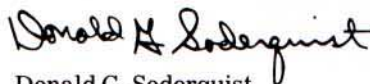
We are delighted to review our Associates' accomplishments with you once again. Our excitement in what they have accomplished is only exceeded by our expectations of their future accomplishments. We have once again experienced spectacular growth, and as a consequence, we face the ever larger task of compounding such a performance. We are confident and optimistic about our prospects because we have what we believe to be the best group of Associates in retailing today.

We have aggressive plans for new store and club growth in the 1990s. In calendar 1990, we anticipate retail square footage expansion approaching 18 to 20 percent by adding 165 to 175 Wal-Mart stores, 25 to 30 Sam's clubs, two Supercenters and one Hypermart ★ USA. We will enter seven new states with Wal-Mart stores and four with Sam's clubs. In moving even closer to our objective of not having a single operating unit that has not been updated in the past seven years, we plan 75 relocations or expansions, and 88 refurbishings and remodels. In support of this expansion we will open three new one million square foot plus distribution centers in calendar 1990.

We approach this new exciting decade of the 90s much as we did the 80s - focused on only two main objectives, (1) providing the customers what they want, when they want it, all at a value, and (2) treating each other as we would hope to be treated, acknowledging our total dependency on our Associate-partners to sustain our success.



David D. Glass
President and
Chief Executive Officer



Donald G. Soderquist
Vice Chairman and
Chief Operating Officer






Percentage of Return on Shareholders' Equity



Total Store Square Footage (Millions of Square Feet)

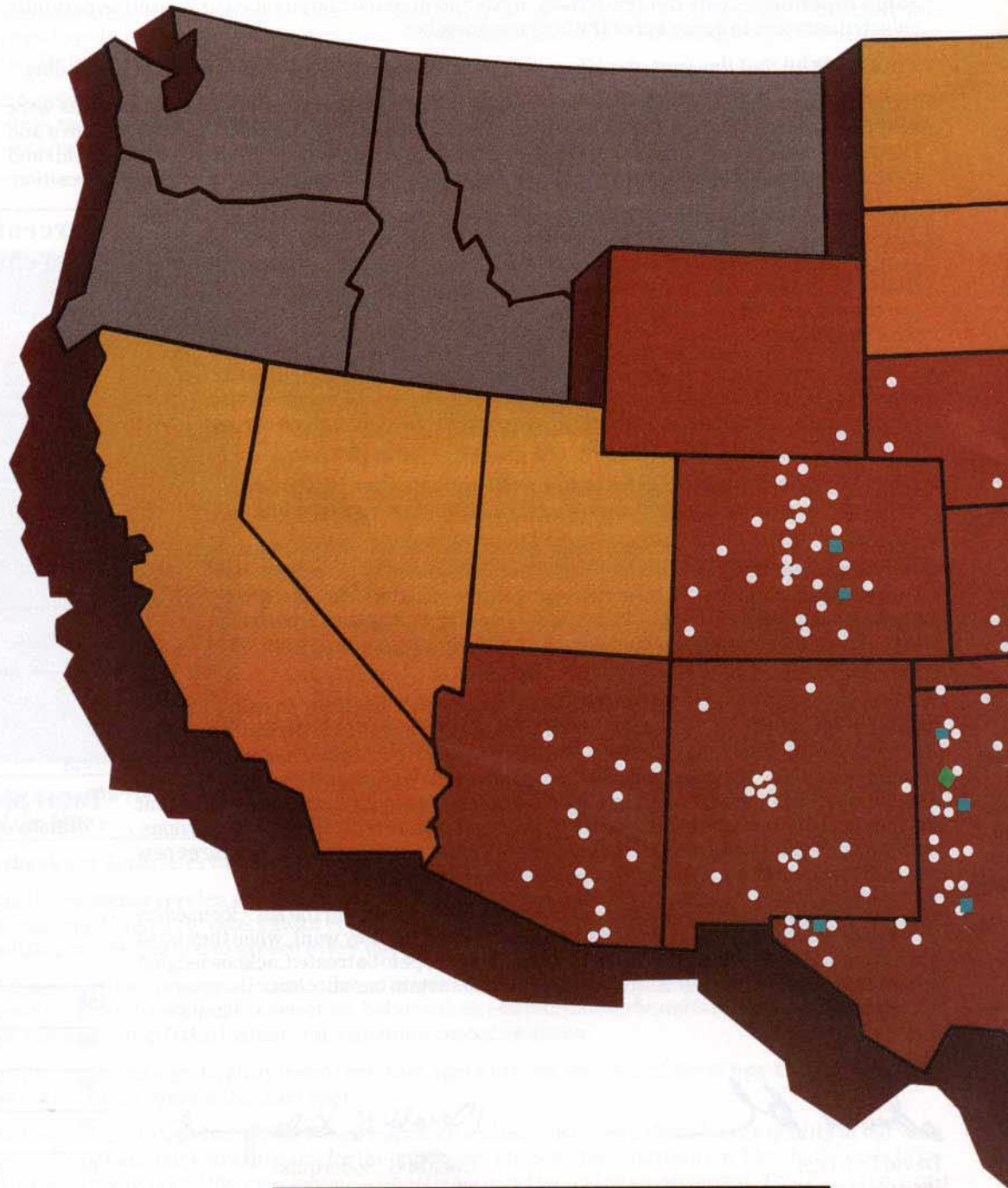


Wal-Mart Country ...

-  General Office and 3 Distribution Centers
-  Wal-Mart store
-  Distribution Center
-  Sam's Wholesale Club
-  Hypermart ★ USA

1402 Wal-Mart stores

Alabama	68
Arizona	15
Arkansas	77
Colorado	27
Florida	100
Georgia	75
Illinois	68
Indiana	37
Iowa	27
Kansas	40
Kentucky	61
Louisiana	75
Michigan	2
Minnesota	4
Mississippi	54
Missouri	104
Nebraska	12
New Mexico	19
North Carolina	48
Ohio	12
Oklahoma	80
South Carolina	46
Tennessee	81
Texas	227
Virginia	14
West Virginia	2
Wisconsin	26
Wyoming	1

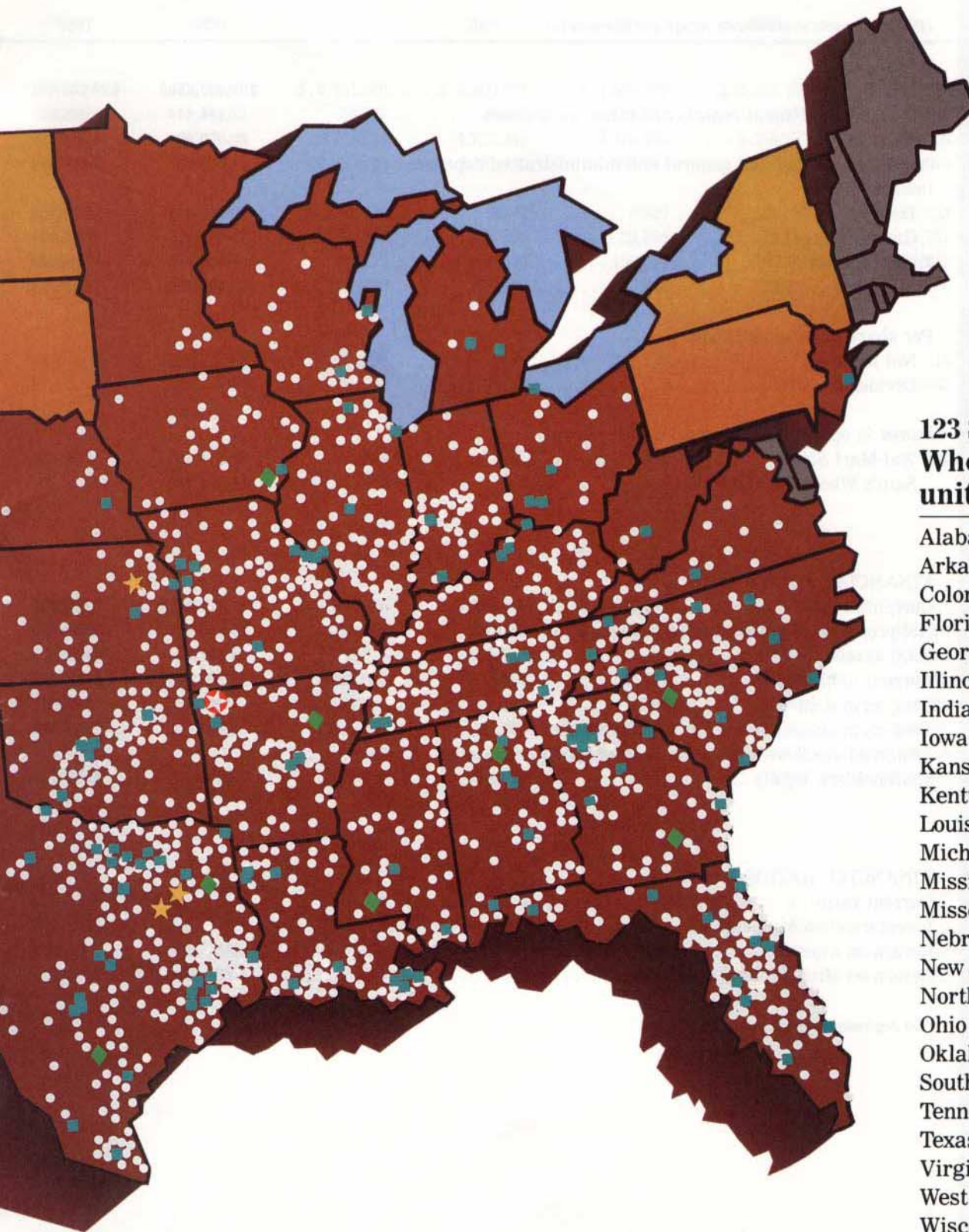


FISCAL 1991 PLANNED EXPANSION

Wal-Mart	7 New States
Sam's Wholesale	4 New States

29 States and Growing

Fiscal Year Ended January 31, 1990



123 Sam's Wholesale Club units

Alabama	5
Arkansas	4
Colorado	2
Florida	11
Georgia	7
Illinois	4
Indiana	2
Iowa	1
Kansas	2
Kentucky	3
Louisiana	9
Michigan	2
Mississippi	2
Missouri	7
Nebraska	1
New Jersey	1
North Carolina	5
Ohio	4
Oklahoma	5
South Carolina	3
Tennessee	7
Texas	32
Virginia	1
West Virginia	1
Wisconsin	2

Ten-Year Financial Summary

Wal-Mart Stores, Inc. and Subsidiaries

(Dollar amounts in thousands except per share data)

	1990	1989
EARNINGS		
Net sales	\$25,810,656	\$20,649,001
Licensed department rentals and other income-net	174,644	136,867
Cost of sales	20,070,034	16,056,856
Operating, selling and general and administrative expenses	4,069,695	3,267,864
Interest costs:		
Debt	20,346	36,286
Capital leases	117,725	99,395
Taxes on income	631,600	488,246
Net income	1,075,900	837,221
Per share of common stock:		
Net income	1.90	1.48
Dividends22	.16
Stores in operation at the end of the period		
Wal-Mart Stores	1,402	1,259
Sam's Wholesale Clubs	123	105
FINANCIAL POSITION		
Current assets	\$ 4,712,616	\$ 3,630,987
Net property, plant, equipment and capital leases	3,430,059	2,661,954
Total assets	8,198,484	6,359,668
Current liabilities	2,845,315	2,065,909
Long-term debt	185,152	184,439
Long-term obligations under capital leases	1,087,403	1,009,046
Preferred stock with mandatory redemption provisions	—	—
Shareholders' equity	3,965,561	3,007,909
FINANCIAL RATIOS		
Current ratio	1.7	1.8
Inventories/working capital	2.4	2.1
Return on assets*	16.9	16.3
Return on shareholders' equity*	35.8	37.1

*On beginning of year balances.

1988	1987	1986	1985	1984	1983	1982	1981
\$ 15,959,255	\$ 11,909,076	\$ 8,451,489	\$ 6,400,861	\$ 4,666,909	\$ 3,376,252	\$ 2,444,997	\$ 1,643,199
104,783	84,623	55,127	52,167	36,031	22,435	17,650	12,063
12,281,744	9,053,219	6,361,271	4,722,440	3,418,025	2,458,235	1,787,496	1,207,802
2,599,367	2,007,645	1,485,210	1,181,455	892,887	677,029	495,010	331,524
25,262	10,442	1,903	5,207	4,935	20,297	16,053	5,808
88,995	76,367	54,640	42,506	29,946	18,570	15,351	10,849
441,027	395,940	276,119	230,653	160,903	100,416	65,943	43,597
627,643	450,086	327,473	270,767	196,244	124,140	82,794	55,682
1.11	.79	.58	.48	.35	.23	.16	.11
.12	.085	.07	.0525	.035	.0225	.0163	.0125
1,114	980	859	745	642	551	491	330
84	49	23	11	3			
\$ 2,905,145	\$ 2,353,271	\$ 1,784,275	\$ 1,303,254	\$ 1,005,567	\$ 720,537	\$ 589,161	\$ 345,204
2,144,852	1,676,282	1,303,450	870,309	628,151	457,509	333,026	245,942
5,131,809	4,049,092	3,103,645	2,205,229	1,652,254	1,187,448	937,513	592,345
1,743,763	1,340,291	992,683	688,968	502,763	347,318	339,961	177,601
185,672	179,234	180,682	41,237	40,866	106,465	104,581	30,184
866,972	764,128	595,205	449,886	339,930	222,610	154,196	134,896
—	—	4,902	5,874	6,411	6,861	7,438	—
2,257,267	1,690,493	1,277,659	984,672	737,503	488,109	323,942	248,309
1.7	1.8	1.8	1.9	2.0	2.1	1.7	1.9
2.3	2.0	1.8	1.8	1.5	1.5	2.0	1.7
15.5	14.5	14.8	16.4	16.5	13.2	14.0	12.2
37.1	35.2	33.3	36.7	40.2	38.3	33.3	33.8

Management's Discussion and Analysis

RESULTS OF OPERATIONS

Sales for the three fiscal years ended January 31, 1990, and the respective total and comparable store percentage increases over the prior year were as follows:

Fiscal year ended January 31,	Sales	Total company increases	Comparable stores increases
1990	\$25,810,656,000	25%	11%
1989	20,649,001,000	29	12
1988	15,959,255,000	34	11

Sales increases were due to the productivity of comparable stores, the contribution of new stores (145 Wal-Mart stores - two were closed - and 18 Sam's units in fiscal 1990, 145 Wal-Mart stores and 21 Sam's units in fiscal 1989 and 134 Wal-Mart stores and 35 Sam's units in fiscal 1988), and inflation.

The Sam's units contributed the following sales for the periods indicated:

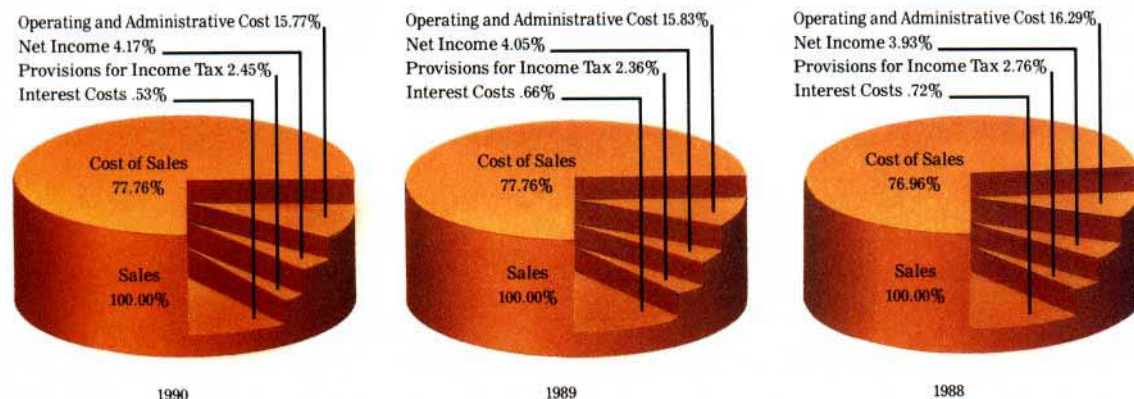
Fiscal year ended January 31,	Sales
1990	\$4,840,870,000
1989	3,828,683,000
1988	2,711,392,000

Cost of sales as a percentage of sales remained constant in fiscal 1990 as compared with fiscal 1989, and increased .8% in fiscal 1989, as compared with fiscal 1988. The increase was due to the cost of sales in the Sam's units, which is significantly higher than in the balance of the Company (due to lower markon on purchases), the continuation of reduced initial markons supporting emphasis in the Wal-Mart stores on everyday low prices, and LIFO costs being higher in 1989 as a percentage of sales compared with fiscal 1988, partially offset by a lower rate of markdowns.

Operating, selling and general and administrative expenses as a percentage of sales decreased .1% and .5% respectively in fiscal 1990 and 1989, as compared with fiscal 1989 and 1988, through continued cost control efforts, productivity improvements and the effects of Sam's unit's expense ratios being significantly lower than in the balance of the Company.

Interest costs as a percentage of sales decreased .1% in fiscal 1990 as compared with fiscal 1989 and remained constant for the two fiscal years ended 1989. See NOTE 3 of Notes to Consolidated Financial Statements for additional information on interest and debt.

The effective tax rate was 37.0% in fiscal 1990, 36.8% in fiscal 1989 and 41.3% in fiscal 1988. The decreases in fiscal 1990 and 1989 from fiscal 1988 were due to the tax law changes included in the Tax Reform Act of 1986 as it relates to the lower federal income tax rate. See NOTE 4 of Notes to Consolidated Financial Statements for additional information on taxes.



LIQUIDITY AND CAPITAL RESOURCES

Fiscal 1990

Cash provided from current operations was a record \$866,817,000 in fiscal 1990. These funds combined with long-term borrowings of \$4,763,000 and notes payable of \$184,774,000 were used to finance capital expenditures of \$954,602,000, excluding leased properties, for fixture, equipment, and leasehold improvements, to pay dividends, to provide general working capital and to finance the building of 42 Wal-Mart stores, 18 Sam's Wholesale Club units, partial construction of three distribution centers, partial construction of one Hypermart ★ USA store, and the addition of one general office building. Real estate developers provided financing to build 65 additional Wal-Mart stores, and 38 Wal-Mart stores were financed with sale/leaseback transactions.

The Company maintains \$905,000,000 in lines of credit to support the short-term borrowing and commercial paper, of which \$720,226,000 was available at January 31, 1990, sufficient to finance the seasonal buildups in merchandise inventories and interim financing requirements for store properties developed under sale/leaseback arrangements.

For fiscal 1991, the Company's expansion program includes 165 to 175 Wal-Mart stores, 25 to 30 Sam's Wholesale Club units, two Supercenter stores, completion of one Hypermart ★ USA store, and the completion of three distribution centers. Total capital expenditures planned for fiscal 1991 are approximately \$1,500,000,000. This includes 65 Wal-Mart stores, 25 Sam's Wholesale Club units, completion of three distribution centers, completion of one Hypermart ★ USA store, fixture additions, equipment, acquisitions of land and construction of stores and clubs to be opened in subsequent fiscal years, and general office renovations. These expenditures will be financed with internally generated funds. The remaining expansion program will be funded with leases from developers and sale/leaseback arrangements.

The Company is considering the issuance of long-term debt totalling \$500,000,000 in the second or third quarter of fiscal 1991. Proceeds from this issue will be used to support the Company's general working capital needs.

The Company's debt (including obligations under capital leases)-to-equity ratio decreased to .33:1 at the end of fiscal 1990 as compared with .40:1 at the end of the preceding year.

Statement of Financial Accounting Standard No. 96 "Accounting for Income Taxes" was issued in December, 1987. The statement will be effective for the Company's fiscal year ended January 31, 1993. The statement requires deferred income taxes to be recorded using the liability method and when applied will not have a material effect on the Company's financial statements.

Return on shareholders' equity is a measure of the Company's effectiveness in the use of its resources. It measures the relationship of net income to beginning of the year shareholders' equity. The Company's return on shareholders' equity for the three years ended January 31, 1990 was 37.1%, 37.1% and 35.8%, respectively.

Dividends for fiscal 1991 have been increased to 28 cents per share from 22 cents per share, payable quarterly at seven cents per share.

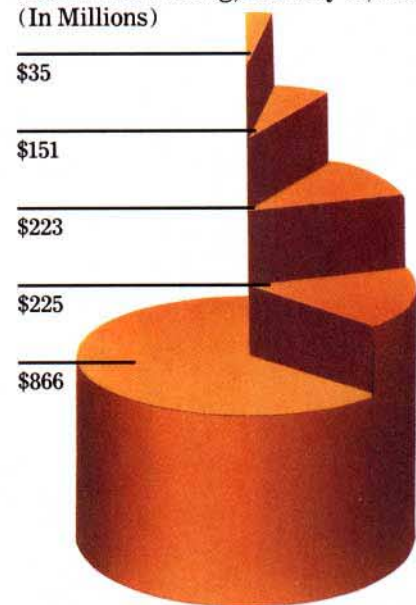
Fiscal 1989

Cash provided from operating activities was \$733,998,000. The Company had access to \$600,000,000 in lines of credit to support short-term borrowing and the issuance of commercial paper.

Payments for purchase of property, plant and equipment totaled \$592,756,000, excluding leased store properties, and were financed with internally generated funds. The debt-to-equity ratio decreased to .40:1 in fiscal 1989 from .47:1 in fiscal 1988.

Projected Capital Expenditures

Fiscal Year Ending, January 31, 1991
(In Millions)



Wal-Mart stores	\$866
Distribution and Transportation	225
Sam's Wholesale Club	223
Information Systems and General Office	151
Other	35
	<u>\$1,500</u>

Consolidated Statements of Income

Wal-Mart Stores, Inc. and Subsidiaries

(Amounts in thousands except per share data)

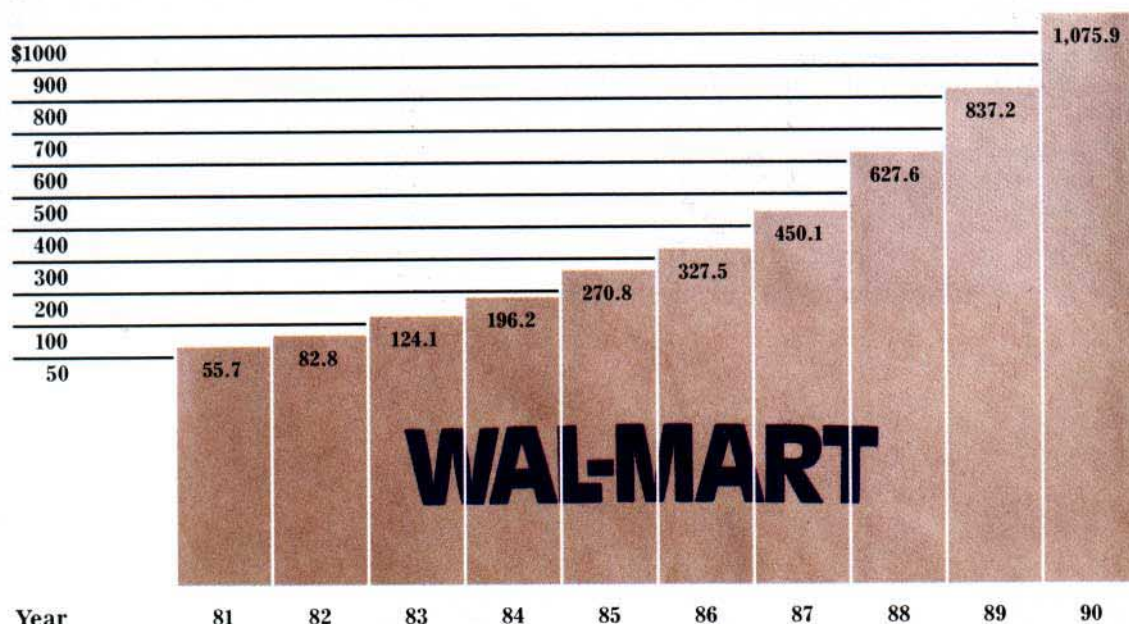
Fiscal year ended January 31,

	1990	1989	1988
Revenues:			
Net sales	\$25,810,656	\$20,649,001	\$15,959,255
Rentals from licensed departments	16,685	12,961	9,215
Other income-net	157,959	123,906	95,568
	25,985,300	20,785,868	16,064,038
Costs and expenses:			
Cost of sales	20,070,034	16,056,856	12,281,744
Operating, selling and general and administrative expenses	4,069,695	3,267,864	2,599,367
Interest costs:			
Debt	20,346	36,286	25,262
Capital leases	117,725	99,395	88,995
	24,277,800	19,460,401	14,995,368
Income before income taxes	1,707,500	1,325,467	1,068,670
Provision for federal and state income taxes:			
Current	608,912	474,016	432,133
Deferred	22,688	14,230	8,894
	631,600	488,246	441,027
Net income	\$ 1,075,900	\$ 837,221	\$ 627,643
Net income per share	\$ 1.90	\$ 1.48	\$ 1.11

See accompanying notes.

Net Income

(Millions of Dollars)



Consolidated Balance Sheets

Wal-Mart Stores, Inc. and Subsidiaries

(Amounts in thousands)

	January 31,	
	1990	1989
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,790	\$ 12,553
Receivables	155,811	126,638
Recoverable costs from sale/leaseback	78,727	114,653
Inventories	4,428,073	3,351,367
Prepaid expenses	37,215	25,776
TOTAL CURRENT ASSETS	4,712,616	3,630,987
Property, plant and equipment, at cost:		
Land	463,110	278,054
Buildings and improvements	1,227,519	830,319
Fixtures and equipment	1,441,752	1,110,193
Transportation equipment	57,215	58,818
	3,189,596	2,277,384
Less accumulated depreciation	711,763	520,318
Net property, plant and equipment	2,477,833	1,757,066
Property under capital leases	1,212,169	1,114,034
Less accumulated amortization	259,943	209,146
Net property under capital leases	952,226	904,888
Goodwill	37,493	41,036
Other assets and deferred charges	18,316	25,691
Total assets	\$8,198,484	\$6,359,668
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable	\$ 184,774	\$ 19,000
Accounts payable	1,826,720	1,389,730
Accrued liabilities:		
Salaries	157,216	126,661
Taxes, other than income	133,609	106,855
Other	340,068	281,156
Accrued federal and state income taxes	179,049	121,158
Long-term debt due within one year	1,581	1,690
Obligations under capital leases due within one year	22,298	19,659
TOTAL CURRENT LIABILITIES	2,845,315	2,065,909
Long-term debt	185,152	184,439
Long-term obligations under capital leases	1,087,403	1,009,046
Deferred income taxes	115,053	92,365
Shareholders' equity:		
Common stock (shares outstanding, 566,135 in 1990 and 565,591 in 1989) ..	56,614	56,559
Capital in excess of par value	180,465	174,277
Retained earnings	3,728,482	2,777,073
TOTAL SHAREHOLDERS' EQUITY	3,965,561	3,007,909
Total liabilities and shareholders' equity	\$8,198,484	\$6,359,668

See accompanying notes.

Consolidated Statements of Shareholders' Equity

Wal-Mart Stores, Inc. and Subsidiaries

<i>(Amounts in thousands except per share data)</i>	Number of shares	Common stock	Capital in excess of par value	Retained earnings	Total
Balance - January 31, 1987	282,182	\$ 28,218	\$ 191,857	\$1,470,418	\$1,690,493
Net income				627,643	627,643
Cash dividends: (\$.12 per share)				(67,745)	(67,745)
Exercise of stock options	37	4	452		456
100% stock dividend	282,219	28,222	(28,222)		
Exercise of stock options	821	82	1,739		1,821
Tax benefit from stock options			9,213		9,213
Other	(147)	(15)	(4,599)		(4,614)
Balance - January 31, 1988	565,112	56,511	170,440	2,030,316	2,257,267
Net income				837,221	837,221
Cash dividends: (\$.16 per share)				(90,464)	(90,464)
Exercise of stock options	609	61	2,974		3,035
Tax benefit from stock options			4,778		4,778
Other	(130)	(13)	(3,915)		(3,928)
Balance - January 31, 1989	565,591	56,559	174,277	2,777,073	3,007,909
Net income				1,075,900	1,075,900
Cash dividends: (\$.22 per share)				(124,491)	(124,491)
Exercise of stock options	679	68	3,876		3,944
Tax benefit from stock options			7,000		7,000
Other	(135)	(13)	(4,688)		(4,701)
Balance - January 31, 1990	566,135	\$ 56,614	\$ 180,465	\$3,728,482	\$3,965,561

See accompanying notes.

Consolidated Statements of Cash Flows

Wal-Mart Stores, Inc. and Subsidiaries

(Amounts in thousands)	Fiscal year ended January 31,		
	1990	1989	1988
Cash flows from operating activities:			
Net income	\$ 1,075,900	\$ 837,221	\$ 627,643
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	269,406	213,629	165,962
Loss (gain) from sale of assets	5,039	1,073	(1,006)
Increase in accounts receivable	(29,173)	(30,710)	(5,297)
Increase in inventory	(1,076,706)	(699,607)	(574,827)
(Increase) decrease in prepaid expenses	(11,439)	(6,561)	486
Increase in accounts payable	436,990	289,769	126,782
Increase in accrued liabilities	174,112	114,954	116,490
Increase in deferred income tax	22,688	14,230	3,189
Net cash provided by operating activities	866,817	733,998	459,422
Cash flows from investing activities:			
Payments for property, plant and equipment	(954,602)	(592,756)	(527,960)
Payments for purchases of recoverable cost projects	(131,464)	(204,262)	(229,643)
Sale/leaseback arrangements and other property sales	184,900	246,797	181,450
Payment for purchase of Super Saver Warehouse Club, Inc.	—	—	(35,993)
Decrease (increase) in other assets	7,375	9,087	(15,008)
Net cash used in investing activities	(893,791)	(541,134)	(627,154)
Cash flows from financing activities:			
Increase (decrease) in notes payable	165,774	(85,382)	104,382
Proceeds from issuance of long-term debt	4,763	1,624	11,645
Proceeds from exercise of stock options	6,243	3,885	6,876
Dividends paid	(124,491)	(90,464)	(67,745)
Payment of long-term debt	(4,159)	(3,213)	(25,179)
Payment of capital lease obligation	(20,919)	(18,086)	(16,467)
Net cash provided by (used in) financing activities	27,211	(191,636)	13,512
Net increase (decrease) in cash and cash equivalents ...	237	1,228	(154,220)
Cash and cash equivalents at beginning of year	12,553	11,325	165,545
Cash and cash equivalents at end of year	\$ 12,790	\$ 12,553	\$ 11,325
Supplemental disclosure of cash flow information:			
Income tax paid	\$ 551,021	\$ 473,631	\$ 449,898
Interest paid	136,762	134,048	117,069
Capital lease obligations incurred	104,122	164,845	131,192

See accompanying notes.

Notes to Consolidated Financial Statements

Wal-Mart Stores, Inc. and Subsidiaries

Note 1 Summary of significant accounting policies

Segment information—The Company and its subsidiaries are principally engaged in the operation of discount stores in a 29-state region. No single customer accounts for a significant portion of its consolidated sales.

Consolidation—The consolidated financial statements include the accounts of all subsidiaries.

Cash and Cash Equivalents—The Company considers all highly liquid investments with a maturity of three months or less when purchased to be “cash equivalents.”

Inventories—Inventories are stated principally at cost (last-in, first-out), which is not in excess of market, using the retail method for inventories in stores.

Pre-opening costs—Costs associated with the opening of new stores are expensed during the first full month of operations. The costs are carried as prepaid expenses prior to the store opening.

Recoverable costs from sale/leaseback—All costs of acquisition and construction of properties for which the Company has a commitment for sale/leaseback are accumulated in current assets until properties are sold.

Interest during construction—In order that interest costs properly reflect only that portion relating to current operations, interest on borrowed funds during the construction of property, plant and equipment is capitalized. Interest costs capitalized (excluding amounts related to properties developed under sale/leaseback arrangements) are \$16,688,000, \$8,801,000, and \$4,911,000 in 1990, 1989 and 1988, respectively.

Depreciation—Depreciation for financial statement purposes is provided on the straight-line method over the estimated useful lives of the various assets. For income tax purposes, the accelerated cost recovery system is used for assets placed in service after 1980 and accelerated depreciation is used for assets placed in service in 1980 and prior years with recognition of deferred income taxes for the resulting timing differences.

Operating, selling and general and administrative expenses—Buying, warehousing and occupancy costs are included in operating, selling and general and administrative expenses.

Income taxes—Deferred income taxes are provided on timing differences between financial statement and taxable income.

Net income per share—Net income per share is based on weighted average outstanding common shares and stock options reduced by shares assumed to have been purchased from such options under the treasury stock method.

Stock options—Proceeds from the sale of common stock issued under the stock option plans and related tax benefits which accrue to the Company are accounted for as capital transactions, and no charges or credits are made to income in connection with the plans.

Note 2 Inventories

Inventories at January 31, 1990 and January 31, 1989 were \$4,428,073,000 and \$3,351,367,000, respectively. Replacement cost would be \$322,546,000 greater in 1990 and \$291,329,000 greater in 1989.

Note 3 Notes payable and long-term debt

Information on short-term borrowings and interest rates follows:

	Fiscal years ended January 31,		
	1990	1989	1988
Maximum amount outstanding			
at month-end	\$846,600,000	\$698,888,000	\$699,000,000
Average daily short-term borrowings	\$239,482,000	\$321,370,000	\$190,120,000
Weighted average interest rate	8.8%	7.7%	7.0%

At January 31, 1990, the Company had committed lines of credit with ten banks to support short-term borrowings and commercial paper in an aggregate of \$400,000,000. In addition, the Company had uncommitted facilities to support master participating agreements totalling \$505,000,000. Short-term borrowings under these lines of credit bear interest at or below the prime rate.

Long-term debt at January 31 consists of:

	1990	1989
10 ⁷ / ₈ % Debentures due August 2000	\$100,000,000	\$100,000,000
8% Participating Mortgage		
Certificates due 2005	14,762,000	15,050,000
8½% Participating Mortgage		
Certificates II due 2005	23,303,000	24,299,000
10¼-14¼% Mortgage notes payable		
monthly through 1995	12,617,000	9,716,000
Tax-exempt mortgage obligations, at		
an average rate of 10.3% due		
1991 through 2014	15,705,000	16,037,000
Other	18,765,000	19,337,000
	<u>\$185,152,000*</u>	<u>\$184,439,000</u>

*Long-term debt of \$82,996,000 is collateralized by property with an aggregate carrying value of approximately \$106,793,000.

Annual maturities on long-term debt during the next five years are:

Fiscal years ending January 31,	Annual maturity
1991	\$1,581,000
1992	1,791,000
1993	4,834,000
1994	4,564,000
1995	5,991,000

Under the terms of the 10⁷/₈% Debentures, the Company has agreed to observe certain covenants. Among these are provisions relating to secured debt and long-term leases.

The agreements relating to the Participating Mortgage Certificates contain provisions for contingent additional interest to be payable on a basis of the sales performance of the Wal-Mart stores collateralized by the issues.

Note 4 Income taxes

Reconciliations of the statutory federal income tax rate to the effective tax rate, as a percent of pre-tax financial income, are as follows:

	1990	1989	1988
Statutory tax rate	34.0%	34.0%	38.9%
State income taxes	3.0	3.0	2.5
Other	—	(.2)	(.1)
Effective tax rate	37.0%	36.8%	41.3%

Deferred tax expense results from timing differences in the recognition of revenue and expense for tax and financial reporting purposes with respect to the following:

	1990	1989	1988
Depreciation	\$ 49,345,000	\$ 30,632,000	\$ 24,288,000
Capital leases	(10,661,000)	(7,741,000)	(7,589,000)
Other	(15,996,000)	(8,661,000)	(7,805,000)
	\$ 22,688,000	\$ 14,230,000	\$ 8,894,000

Note 5 Preferred and common stock

The Company has 100 million shares of \$.10 preferred stock authorized but unissued. At the present time, there are no plans for its issuance.

There are 1.3 billion shares of \$.10 par value common stock authorized, with 566,135,104 shares of common stock issued and outstanding at January 31, 1990, and 565,591,010 shares issued and outstanding at January 31, 1989. The common stock is listed on the New York Stock Exchange and the Pacific Stock Exchange, and at January 31, 1990, there were 79,929 shareholders of record.

At January 31, 1990, 4,595,939 shares of common stock were reserved for issuance under stock option plans. The options granted under the stock option plans expire 10 years from date of grant and may be exercised in nine annual installments. Further information concerning the options is as follows:

	Shares	Option price (market price at date of grant) Per share	Total
Shares under option			
January 31, 1989	2,928,202	\$.92-31.38	\$ 40,954,359
Options granted	1,463,057	33.50-42.63	61,834,133
Options canceled	(160,427)	1.94-35.13	(2,628,457)
Options exercised	(679,131)	.92-30.63	(3,944,036)
January 31, 1990 (670,390 shares exercisable)	3,551,701	\$ 1.94-42.63	\$ 96,215,999
Shares available for option			
January 31, 1989	2,408,620		
January 31, 1990	1,044,238		

Note 6 Defined contribution plan

The Company maintains a profit sharing plan under which most full and many part-time associates become participants following one year of employment with the Company. Annual contributions, based on the profitability of the Company, are made at the sole discretion of the Company. Contributions were \$90,447,000 in 1990, \$77,067,000 in 1989, and \$59,466,000 in 1988.

Note 7 Licensed department sales

The sales of licensed departments as reported by licensees are \$111,147,000, \$101,346,000 and \$105,630,000 for 1990, 1989 and 1988, respectively.

Note 8 Long-term lease obligations

The Company and certain of its subsidiaries have long-term leases for stores and equipment. Rentals (including for certain leases amounts applicable to taxes, insurance, maintenance, other operating expenses and contingent rentals) under all operating leases were \$233,390,000 in 1990, \$194,684,000 in 1989 and \$159,711,000 in 1988.

Aggregate minimum annual rentals at January 31, 1990, under noncancelable leases are as follows:

Fiscal years	Operating leases	Capital leases
1991	\$ 192,416,000	\$ 144,296,000
1992	195,511,000	143,425,000
1993	199,065,000	144,622,000
1994	188,081,000	144,594,000
1995	180,002,000	144,175,000
Thereafter	2,253,888,000	2,040,362,000
Total minimum rentals	<u>\$3,208,963,000</u>	2,761,474,000
Less estimated executory costs		33,837,000
Net minimum lease payments		2,727,637,000
Less imputed interest at rates ranging from 8.5% to 14.0%		1,617,936,000
Present value of net minimum lease payments		<u>\$ 1,109,701,000</u>

Certain of the leases provide for contingent additional rentals based on percentage of sales. Such additional rentals amounted to \$22,128,000 in 1990, \$19,590,000 in 1989 and \$16,754,000 in 1988.

Substantially all of the store leases have renewal options for additional terms from five to 25 years at the same or lower minimum rentals.

The Company has entered into lease commitments for land and buildings for 60 future locations. The lease commitments with real estate developers or through sale/leaseback arrangements provide for minimum rentals for 20 to 25 years, excluding renewal options, which if consummated based on current cost estimates would approximate \$22,815,000 annually over the lease terms.

Note 9 Acquisition

On June 29, 1987, the Company acquired Super Saver Warehouse Club, Inc. The acquisition consisted of 20 wholesale clubs, five of which were subsequently closed. The acquisition has been accounted for as a purchase, and accordingly the results of operations since the acquisition date have been consolidated with the Company. The excess of cost over the fair value of net assets acquired was \$50,034,000, and is being amortized on a straight-line basis over ten years.

Note 10 Quarterly financial data (unaudited)

Summarized consolidated quarterly financial data for 1990 and 1989 are as follows:

	Quarters ended				
	1990	April 30,	July 31,	October 31,	January 31,
Net sales		\$5,373,260,000	\$6,046,413,000	\$6,283,497,000	\$8,107,486,000
Cost of sales		4,171,610,000	4,728,606,000	4,881,263,000	6,288,555,000
Net income		198,289,000	219,048,000	232,701,000	425,862,000
Net income per share		\$.35	\$.39	\$.41	\$.75
<hr/>					
	1989				
Net sales		\$4,282,013,000	\$4,845,135,000	\$4,991,117,000	\$6,530,736,000
Cost of sales		3,311,467,000	3,768,368,000	3,860,836,000	5,116,185,000
Net income		153,551,000	179,610,000	180,874,000	323,186,000
Net income per share		\$.27	\$.32	\$.32	\$.57

Net income for the quarter ended January 31, 1990 was increased \$24,626,000 (\$.04 per share) due to adjustment of the estimated inflation rate and other factors used to compute LIFO inventory cost for the first three quarters to the actual data for the year.

Report of Independent Auditors

**The Board of Directors and Shareholders
Wal-Mart Stores, Inc.**

We have audited the accompanying consolidated balance sheets of Wal-Mart Stores, Inc., and Subsidiaries as of January 31, 1990 and 1989, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended January 31, 1990. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes

assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wal-Mart Stores, Inc., and Subsidiaries at January 31, 1990 and 1989, and their consolidated results of operations and cash flows for each of the three years in the period ended January 31, 1990, in conformity with generally accepted accounting principles.

Ernst & Young
Tulsa, Oklahoma
March 23, 1990

Responsibility for Financial Statements

The financial statements and information of Wal-Mart Stores, Inc. and Subsidiaries presented in this Report have been prepared by management which has responsibility for their integrity and objectivity. These financial statements have been prepared in conformity with generally accepted accounting principles, applying certain estimates and judgments based upon currently available information and management's view of current conditions and circumstances. The services of certain specialists, both from within the Company and from outside the Company, have been utilized in making such estimates and judgments.

Management has developed and maintains a system of accounting and controls, including an extensive internal audit program, designed to provide reasonable assurance that the Company's assets are protected

from improper use and that accounting records provide a reliable basis for the preparation of financial statements. This system is continually reviewed, improved and modified in response to changing business conditions and operations and to recommendations made by the independent auditors and the internal auditors. Management believes that the accounting and control systems provide reasonable assurance that assets are safeguarded and financial information is reliable.

The Company has adopted a Statement of Responsibility which is intended to guide our management in the continued observance of high ethical standards of honesty, integrity and fairness in the conduct of the business and in accordance with the law. Compliance with the guidelines and standards is continuously reviewed and is acknowledged in writing by all

management associates.

The Board of Directors, through the activities of its Audit Committee consisting solely of outside Directors, participates in the process of reporting financial information. The duties of the Committee include keeping informed of the financial condition of the Company and reviewing its financial policies and procedures, its internal accounting controls and the objectivity of its financial reporting. Both the Company's independent auditors and the internal auditors have free access to the Audit Committee and the Board of Directors and meet with the Committee periodically, with and without management present.



Paul R. Carter
Executive Vice President and
Chief Financial Officer

Corporate Information

Registrar and Transfer Agent

Boatmen's Trust Company
510 Locust Street
Post Office Box 14768
St. Louis, Missouri 63178

Trustee

Debentures:
Bankers Trust Company
4 Albany Street
Ninth Floor
New York, New York 10015

Independent Auditors

Ernst & Young
4300 One Williams Center
Tulsa, Oklahoma 74172

Listings

New York Stock Exchange
Stock Symbol: WMT

Pacific Stock Exchange
Stock Symbol: WMT

Annual Meeting

Our Annual Meeting of Shareholders will be held on Friday, June 1, 1990, at 10:00 a.m. in Barnhill Arena on the University of Arkansas campus, Fayetteville, Arkansas. You are cordially invited to attend. A proxy statement, including a request for proxies will be mailed to shareholders in early May, 1990.

Investors' Inquiries

Form 10-K Report

A copy of the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1990, as filed with the Securities and Exchange Commission, may be obtained without charge by writing to:

Bette Hendrix
Assistant Secretary
Wal-Mart Stores, Inc.
Bentonville, AR 72716

Board of Directors

David R. Banks	President, Beverly Enterprises
Paul R. Carter	Executive Vice President and Chief Financial Officer, Wal-Mart Stores, Inc.
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David D. Glass	President and Chief Executive Officer, Wal-Mart Stores, Inc.
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A. L. Johnson	Vice Chairman, Wal-Mart Stores, Inc., Chief Executive Officer, Sam's Wholesale Club
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Jack Shewmaker	Vice Chairman, Retired, Wal-Mart Stores, Inc. Consultant
Donald G. Soderquist	Vice Chairman and Chief Operating Officer, Wal-Mart Stores, Inc.
John E. Tate	Executive Vice President of Professional Services, Wal-Mart Stores, Inc.
James L. Walton	Senior Vice President, Wal-Mart Stores, Inc.
Sam M. Walton	Chairman of the Board, Wal-Mart Stores, Inc.
S. Robson Walton	Vice Chairman, Wal-Mart Stores, Inc.

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Donald G. Soderquist
John E. Tate
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S. Robson Walton

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Stock Option Committee
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General Merchandise Manager

Joseph S. Hardin, Jr.

Distribution and Transportation

Joseph P. Hatfield, Jr.

General Merchandise Manager

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Operations

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Sam's Wholesale Club

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Shoes

Peter C. Metzger

Imports

Robert J. Murphey

Construction

Charles Rateliff

Treasurer

Melvin C. Redman

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Robert K. Rhoads

General Counsel and Secretary

James A. Walker, Jr.

Controller

Divisional Officers

Wal-Mart Stores

Vice Presidents

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Transportation

Robert T. Bruce

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H. Lee Scott, Jr.

Information Systems

Doyle Graham

Merchandising

Harryetta Bailey

Stephen M. Bailey

J.R. Campbell

Dwight A. Carney

Robert Connolly

Arthur Emmanuel

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Lewis Ray Hobbs

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Harry S. Green

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Chuck Webb

Hypermart ★ USA

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Operations

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President

Shoes

Rod Welty

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Executive Vice President

Shoes

William Harris

Special Divisions

Vice Presidents

Jewelry

James A. Koenigseder

Pharmacy

Clarence H. Archer

Shoes

David York

CORPORATE OFFICES
Wal-Mart Stores, Inc.
Bentonville, Arkansas 72716
Telephone (501)273-4000

