WAL-MART

DISCOUNT CITY

WE SELL FOR LESS

Guaranteed Quality at Discount Prices

WAL-MART STORES, INC.

Annual Report
January 31, 1973

CONTENTS

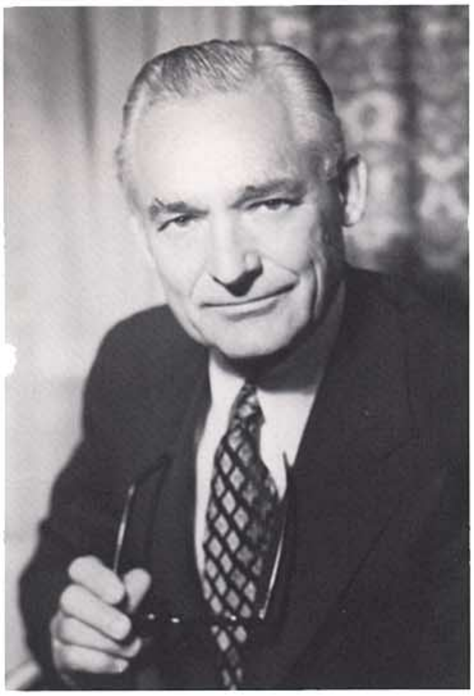
Six Years at a Glance

FINANCIAL HIGHLIGHTS

	1973	1972	Percent Change
Current Assets	**$32,787,057**	$21,068,884	+ 55.62
Current Liabilities	**$15,990,160**	$12,806,059	+ 24.86
Working Capital	**$16,796,897**	$ 8,262,825	+103.28
Current Ratio	**2.05**	1.65	
Stockholders' Equity	**$24,753,623**	$10,748,055	
Number of Shares Outstanding	**6,512,950**	6,000,000	

NET SALES

	1968	1969	1970	1971	1972	1973
Income before income taxes	$ 779,754	$ 1,056,211	$ 2,198,764	$ 3,170,599	$ 5,569,027	**$ 8,917,188**
Pro forma net income	$ 481,754	$ 605,211	$ 1,187,764	$ 1,651,599	$ 2,907,354	**$ 4,591,469**
Pro forma net income per share	$.09	$.12	$.23	$.30	$.47	**$.70**
Number of stores in operation at the end of the period	24	27	32	38	51	**64**



To Our Stockholders and Wal-Mart Associates

Fiscal year ended January 31, 1972, was a tremendous year for Wal-Mart judged by any standards. However, in my opinion, the fiscal year just completed, January 31, 1973, has to be rated the top year in total accomplishments, by far, of any year in our company's twenty-eight year history. Let's look at the facts.

Total Wal-Mart sales, excluding leased department sales, increased to $124,889,141—60% over last year. Sales for the year, including leased departments, totalled $134,567,714. Sales per square foot of selling area were well above the national average for discount store chains surveyed for the Cornell study. A significant criteria of improvement was that our old stores, same size, had a healthy 11% increase in sales (excluding one store near a new Wal-Mart store), and this includes stores that have been in existence as long as eight to ten years.

We also had a great profit year, increasing from $2,907,354 to $4,591,469, after tax — a 58% increase, or per share earnings increase from 47 cents to 70 cents.

As most of you know, we were tightly controlled this past year by the guidelines of the Wage and Price Control programs Phase II and Phase III. Our earnings are close to the maximum allowed by these regulations.

Other accomplishments and highlights for the year are numerous. Some of the more outstanding ones, in my opinion, are as follows:

1. Completion of a 12,500 sq. ft. expansion of our new General Office Headquarters building, now totaling 25,000 sq. ft., which should be adequate for several years as we continue our Wal-Mart expansion program.

2. Completion and utilization of an additional 88,000 sq. ft. to our hard lines distribution center now totaling approximately 212,800 sq. ft.

3. Completion of a new 24,000 sq. ft. central marking distribution center for all wearable merchandise. Completed last September, this new facility has provided large savings in freight, faster shipments of style merchandise to our stores, and an improved quality control program.

4. Sixteen new Wal-Mart stores and two enlarged relocations went on line during the year, totaling 781,940 sq. ft. of new store space. One major reason I'm so confident of our future next year, and in the years to follow, is that these eighteen new stores were exceptionally strong, both in sales and profits for their first year's operation — far above the average for our new stores in the past.

In addition to our new store program, we continued our aggressive policy of remodeling and expanding older stores. The following stores were completely remodeled and redecorated in 1972: Tahlequah, Oklahoma; Sikeston, Missouri; North Little Rock, Arkansas. We will continue to refurbish and up-date, or relocate and expand older stores as the need arises.

5. In retrospect, probably as important a factor measuring the success or failure of the year just ended, was that we had this record-breaking year even though three of our older and most profitable stores were totally destroyed or damaged — two by fire, and one by tornado. Two — one at Dexter, Missouri, and the other at Morrilton, Arkansas — have been rebuilt and reopened, and the Family Center store at Berryville, Arkansas, is being expanded to 30,000 sq. ft. and will be reopened as a Wal-Mart Discount City store this year.

6. Last year, we substantially increased our management team at all levels. We doubled our Merchandise Department staff and made considerable additions

in Accounting, Data Processing and other management areas. A number of new programs and control systems were activated in 1972, both at store and management levels. We are very pleased with the results to date, and we should be in an even better position to operate on a tightly controlled, efficient and profitable basis during 1973. Even with the sizeable additions in management personnel, I am pleased to report that our expense structure has not increased percentage-wise to sales for our General Office expense.

7. I must highlight the tremendous contribution made to our Company last year by our expanded Distribution Center. They shipped over $42,786,831 at cost, largely by our Wal-Mart truck fleet. Our trucks backhauled an average of 80 trailer loads per month, or 954 loads for the year — which made a substantial contribution to our profit structure.

8. Another significant milestone was attained by Wal-Mart when we were approved and became listed on the New York Stock Exchange, August 25, 1972.

9. In April 1972, our fine team of investment bankers, White, Weld & Co. Incorporated, New York, and Stephens Inc., Little Rock, underwrote another successful Public Offering of Wal-Mart stock, adding approximately $9,250,000.00 equity capital. Through an excellent underwriting syndicate, White, Weld & Co. Incorporated, and Stephens Inc., achieved distribution of our stock to over 3,400 Wal-Mart stockholders spread throughout the United States, which made us eligible for NYSE listing.

10. Our Construction and Real Estate Department had a busy year. Of the eighteen new stores, seven were constructed by our own Construction Department.

There were many additional highlights that made last year one that we will remember. However, there is one factor which I must rate above all else that makes our total Wal-Mart program both unusual and successful — the 3,500 dedicated and enthusiastic associates who comprise our Wal-Mart family. Our excellent profit-sharing program and other Company benefits are significant pluses for us all. Incidentally, this year Wal-Mart will contribute the largest sum ever to the profit sharing program — $275,000.

I have a strong feeling that our folks are behind our Company to an unusual degree. An example of this Wal-Mart spirit was evidenced last December when over 1,500 associates turned out by bus, car, and even by plane, from all over our five-state area to help us celebrate the Grand Opening of our new General Office and Distribution Center. Some drove over 700 miles in one day to attend. That's an indication of their loyalty, interest and pride in Wal-Mart.

Another full year is planned for 1973. Our primary goals will be twofold:

1. To continue a profitable operation of the existing fifty-five Wal-Mart and nine variety and family center stores.

2. To open eighteen to twenty new Wal-Mart stores in 1973, totaling approximately 800,000 sq. ft. of space.

We have already opened two new stores in 1973 — one, a 40,000 sq. ft. store in Brownsville, Tennessee; the other, a 41,000 sq. ft. store in Coffeyville, Kansas. Russellville, Arkansas; Fulton, Missouri; Blytheville, Arkansas; and Sullivan, Missouri and the others should follow throughout the year.

A big plus for us in 1973 is that our programs and controls are set and working, and for the first time in five years, we will not have to change our systems or controls to any degree, nor will we have to add to our Distribution Center and General Office facilities.

I am totally confident that we can achieve our goals for the coming year. We have the people and the program to continue as a dominant force in retailing in the Mid-South region of the United States for years to come.

On behalf of our Board of Directors and management, my sincere thanks go to our stockholders, customers, suppliers, associates, and friends who contributed so much in making this such an outstanding year for Wal-Mart. I extend a cordial invitation to you to visit us anytime you are in the Bentonville area. You will always be welcomed.

Sam M. Walton

Sam M. Walton
President and
Chairman of the Board

"THANK YOU FOR SHOPPING WAL-MART"

A Look at Our Stores

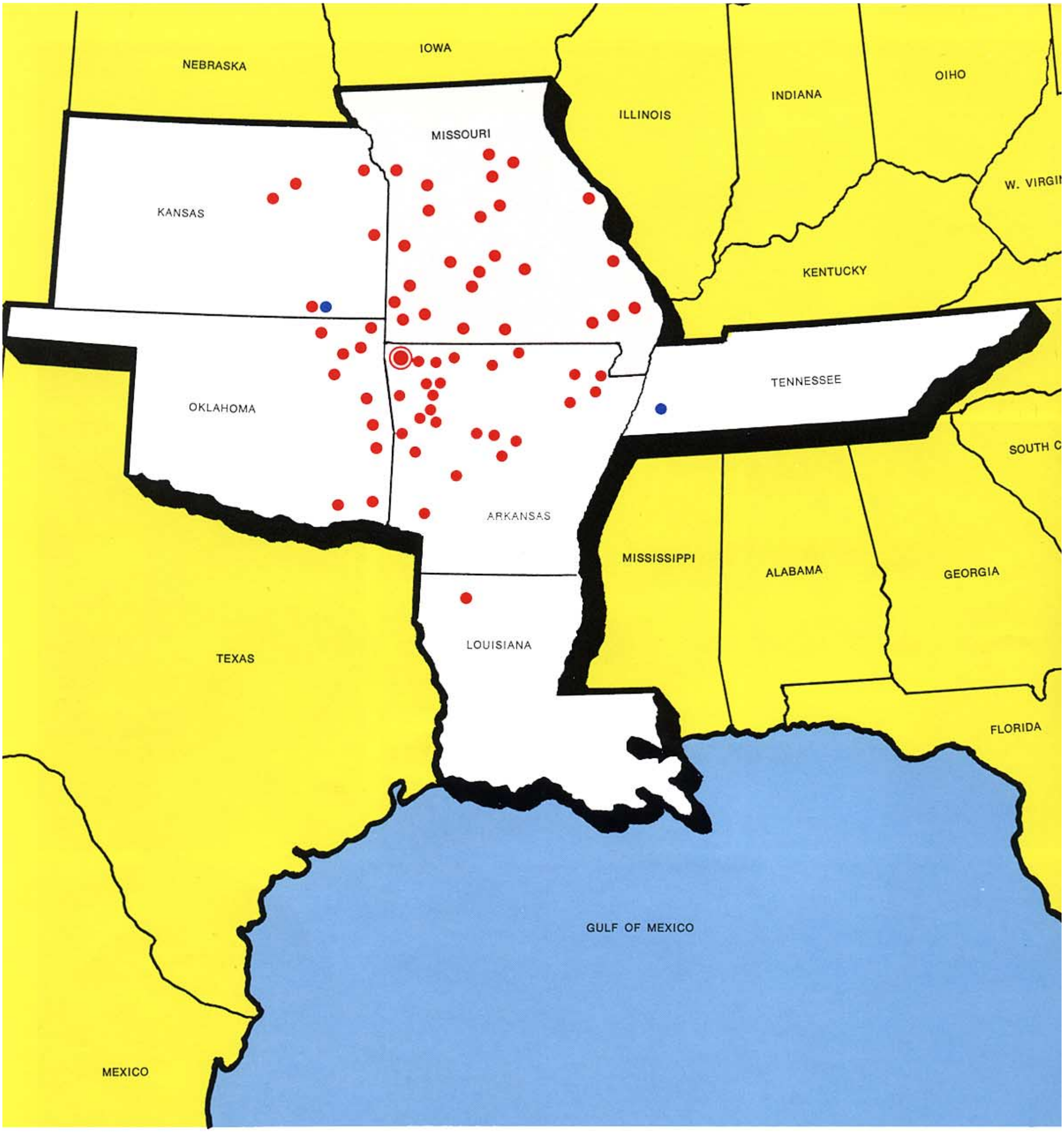
Wal-Mart brings to small communities and rural areas discount department store shopping facilities and merchandise selections equal to those in the big cities.

Wal-Mart Discount City stores feature thirty-six complete departments offering the Wal-Mart shopper the finest quality merchandise at everyday low discount prices.

The over 3,500 well-trained members of the Wal-Mart family work together to assure every customer that "Guaranteed Satisfaction" is more than a slogan with Wal-Mart.


Fashion Wear


Fabric Center
DISCOUNT SPECIAL
$2.44



GENERAL OFFICE AND DISTRIBUTION CENTER

STORE LOCATIONS

STORES OPENED AFTER JAN. 31, 1973

WAL-MART STORES, INC.
Store Locations

Arkansas
Bentonville
Booneville
Conway
Fayetteville (3)
Harrison
Hot Springs
Jacksonville
Jonesboro
Morrilton
Mountain Home
Nashville
Newport
N. Little Rock
Paragould
Rogers
Siloam Springs
Springdale (3)
Van Buren
Walnut Ridge

Kansas
Coffeyville (2)
Ft. Scott
Junction City
Leavenworth
Manhattan

Louisiana
Ruston

Missouri
Bolivar
Branson
Carthage
Clinton
Columbia
Dexter
Eldon
Farmington
Jefferson City
Joplin
Kansas City
Lebanon
Marshfield
Mexico
Moberly
Monett
Neosho
Nevada
Poplar Bluff
Salem
Sikeston
St. Robert
Warrensburg
Waynesville
West Plains

Oklahoma
Bartlesville
Broken Arrow
Claremore
Hugo
Idabel
Miami
Poteau
Pryor
Sallisaw
Tahlequah

Tennessee
Brownsville

General Office and Distribution Center

During 1972, Wal-Mart increased the size of its General Office and Distribution Center to 261,800 square feet — all under one roof. The Company uses approximately 25,000 square feet of space for offices, 24,000 square feet for labeling, sorting, and quality control of wearable merchandise, and the remaining 212,800 square feet for hard lines distribution. The headquarters facility, located in Bentonville, Arkansas, employs approximately 300 people.

Consolidated Statement of Income and Retained Earnings

	Years ended January 31, 1973	1972
Number of stores in operation at the end of the year	64	51
Revenues:		
Net sales	$124,889,141	$78,014,164
Rentals from leased departments (Note 5)	1,066,167	655,219
Other income — net	492,426	191,217
	126,447,734	78,860,600
Costs and expenses:		
Cost of sales	93,090,235	58,591,379
Operating, selling and general and administrative expenses	23,848,100	14,285,310
Interest and debt expense	592,211	414,884
	117,530,546	73,291,573
Income before income taxes	8,917,188	5,569,027
Provision for federal and state income taxes (Note 6):		
Current	4,143,719	2,580,957
Deferred	182,000	80,716
	4,325,719	2,661,673
Net income	4,591,469	2,907,354
Retained earnings, beginning of year	6,117,449	3,210,095
Retained earnings, end of year (Note 3)	$ 10,708,918	$ 6,117,449
Net income per share	$.70	$.47

See accompanying notes.

Report of Independent Certified Public Accountants

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

We have examined the accompanying consolidated balance sheet of Wal-Mart Stores, Inc. and subsidiaries at January 31, 1973 and 1972, and the related consolidated statements of income and retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Wal-Mart Stores, Inc. and subsidiaries at January 31, 1973 and 1972, the consolidated results of operations and changes in consolidated financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Tulsa, Oklahoma
March 20, 1973

Arthur Young & Company

Consolidated Balance Sheet

ASSETS	January 31, 1973	1972
Current assets:		
Cash	$ 2,168,224	$ 2,004,862
Accounts receivable	1,114,203	434,554
Refundable income taxes	—	150,578
Inventories (Note 2)	29,427,119	18,452,663
Prepaid expenses	77,511	26,227
TOTAL CURRENT ASSETS	32,787,057	21,068,884
Property, plant and equipment, at cost (Note 3):		
Land	2,026,338	1,069,647
Building and improvements	5,503,415	2,336,614
Fixtures and equipment	7,172,569	4,527,467
Transportation equipment	225,222	165,378
	14,927,544	8,099,106
Less accumulated depreciation	1,694,383	1,019,403
Net property, plant and equipment	13,233,161	7,079,703
Other assets and deferred charges	220,849	313,951
	$46,241,067	$28,462,538

LIABILITIES AND STOCKHOLDERS' EQUITY	1973	1972
Current liabilities:		
Notes payable to bank	$ 3,000,000	$ 2,670,000
Accounts payable	8,000,282	6,807,512
Accrued liabilities:		
Salaries	1,424,139	936,637
Taxes, other than income	478,528	285,833
Other	475,634	318,951
Accrued federal and state income taxes (Note 6)	1,768,864	1,119,406
Long-term debt due within one year (Note 3)	842,713	667,720
TOTAL CURRENT LIABILITIES	15,990,160	12,806,059
Long-term debt (Note 3)	5,065,567	4,658,707
Deferred income taxes	431,717	249,717
Commitments and contingencies (Notes 6 and 7)		
Stockholders' equity (Note 4):		
Preferred stock, $.10 par; 500,000 shares authorized, none issued	—	—
Common stock, $.10 par; 11,000,000 shares authorized, 6,512,950 shares issued (1972 — 6,000,000 shares)	651,295	600,000
Capital in excess of par value	13,393,410	4,030,606
Retained earnings (Note 3)	10,708,918	6,117,449
	24,753,623	10,748,055
	$46,241,067	$28,462,538

See accompanying notes.

Consolidated Statement of Changes in Financial Position

	Years ended January 31, 1973	Years ended January 31, 1972
Source of funds:		
Current operations:		
Net income	$ 4,591,469	$ 2,907,354
Items not affecting working capital in the current period:		
Depreciation	759,248	419,748
Amortization of debt expense	33,443	39,799
Deferred income tax	182,000	80,717
Total from current operations	5,566,160	3,447,618
Sale of property, plant and equipment	346,708	222,455
Net proceeds from sale of common stock	9,429,099	—
Additions to long-term debt	3,386,972	4,752,763
Reduction in other assets, deferred charges and other	44,657	—
	18,773,596	8,422,836
Application of funds:		
Additions to property, plant and equipment	7,259,412	4,642,300
Reduction in long-term debt	2,980,112	903,153
Additions to other assets, deferred charges and other	—	251,462
	10,239,524	5,796,915
Increase in working capital	$ 8,534,072	$ 2,625,921
Changes in components of working capital:		
Increase (decrease) in current assets:		
Cash	$ 163,362	$ 768,853
Accounts receivable	679,649	222,022
Refundable income taxes	(150,578)	150,578
Inventory	10,974,456	7,798,023
Prepaid expenses	51,284	(20,131)
	11,718,173	8,919,345
Increase in current liabilities:		
Notes payable to banks	330,000	1,920,000
Accounts payable	1,192,770	3,047,001
Accrued liabilities:		
Salaries	487,502	359,774
Taxes, other than income	192,695	128,009
Other	156,683	178,950
Accrued federal and state income taxes	649,458	245,772
Long-term debt due within one year	174,993	413,918
	3,184,101	6,293,424
Increase in working capital	$ 8,534,072	$ 2,625,921

Notes to Consolidated Financial Statements

January 31, 1973 and 1972

Note 1 — Accounting policies

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

Inventories — Merchandise inventories in stores are stated at the lower of cost or market as determined by the retail inventory method, and the inventory in the distribution center is stated at the lower of cost (the first-in, first-out method) or market.

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

Interest during construction — Interest during the construction of property, plant and equipment is capitalized.

Depreciation and amortization — For financial reporting purposes, depreciation is determined on the straight-line basis. For income tax purposes, the Company uses accelerated depreciation.

Earnings per share — Per share amounts are based on average outstanding shares, stock options and warrants. The average stock options and warrants outstanding have been reduced by shares assumed to have been purchased with proceeds from such options and warrants under the treasury stock method.

Note 2 — Inventories

Inventories are comprised of:

	1973	1972
Stores	$25,404,168	$15,894,462
Distribution center	4,022,951	2,558,201
	$29,427,119	$18,452,663

Note 3 — Long-term debt

Long-term debt at January 31, 1973 and 1972 consists of the following:

	Due after one year	
	January 31, 1973	January 31, 1972
9¾% notes, payable $90,000 semi-annually (plus interest) to April 1984	$1,960,000	$2,320,000
9¼% mortgage notes, guaranteed by Wal-Mart Stores, Inc., payable $34,411 quarterly (including interest) to June 1992	1,214,831	1,238,802
8¼% mortgage note, payable $14,563 monthly (including interest) to January 1988	1,447,027	—
Equipment purchase contracts, secured by fixtures and equipment, payable monthly with final maturities ranging from February 1973 to May 1977	5,511	90,478
5%-7% unsecured notes, maturing at various dates to January 1981	295,158	297,237
8¼% mortgage note, payable $3,408 monthly (including interest) to December 1989	—	372,374
9% mortgage note, guaranteed by Wal-Mart Stores, Inc., payable $3,269 monthly (including interest) to December 1989	—	339,816
6%-8% mortgage notes, payable monthly (including interest) to October 1991	143,040	—
	$5,065,567	$4,658,707

Annual maturities on long-term debt during the next five years are: 1974 — $842,713 (including $350,000 in final maturities on debt not detailed above); 1975 — $441,614; 1976 — $387,813; 1977 — $324,765 and 1978 — $304,219.

The 8¼% and 9% mortgage notes payable to December 1989 were paid off with the proceeds of the 8¼% mortgage notes payable to January 1988.

The agreement relating to the 9¾% notes includes certain restrictions on dividends, additional debts and leases, and sale of assets and contains covenants concerning working capital. At January 31, 1973 retained earnings of $5,660,237 were restricted under these terms. The agreement relating to the 9¼% mortgage notes of a subsidiary contains certain restrictions on the subsidiary concerning additional debt, business activities, investments, and the issuance of its capital stock and requires rental payments on certain leased buildings in amounts equal to aggregate note and interest payments. The subsidiary expects to borrow on or before April 1, 1973 up to an additional $1,250,000 under this agreement.

Note 4 — Stockholders' equity

Of the authorized shares at January 31, 1973, 327,050 shares were reserved, including 90,000 shares for warrants expiring April 1, 1985 at $4.12 per share, 177,050 shares for issuance under the Company's qualified stock option plan for employees and 60,000 shares for issuance under the employee stock purchase plan. The options expire five years from the date of grant and may be exercised in four equal annual installments beginning one year from the date of grant. Further information concerning the options is as follows:

		Option price	
	Shares	Per share	Total
Shares under option:			
January 31, 1972	108,800	$ 4.12-$12.00	$620,928
Options granted	17,900	$20.50-$29.125	452,675
Options cancelled	(10,550)	$ 4.12-$28.50	(105,474)
Options exercised	(22,950)	$ 4.12-$ 9.88	(104,346)
January 31, 1973	93,200		$863,783
Shares available for option:			
January 31, 1972	91,200		
January 31, 1973	83,850		

Capital in excess of par value increased during the year ended January 31, 1973 by $8,913,504 resulting from the sale of 400,000 shares of common stock ($23.75 per share before expenses) and by $464,300 resulting from the exercise of stock options and warrants for 112,950 shares of common stock and decreased $15,000 resulting from an initial stock exchange filing fee.

Note 5 — Leased department sales

The sales of leased departments as reported by the lessees are $9,678,573 and $7,297,956 for 1973 and 1972, respectively.

Note 6 — Income taxes

The Company for the year ended January 31, 1973 will file a consolidated federal income tax return. For the year ended January 31, 1972 the Company filed separate income tax returns and the current provision for income taxes represented the combined amounts of taxes then currently payable by individual corporations. The provisions for deferred income taxes relate to timing differences in financial and income tax methods of accounting for depreciation and certain leased fixtures and equipment. Investment tax credits are accounted for under the flow through method and have resulted in reduction of the income tax provisions for 1973 and 1972 by $174,000 and $78,000, respectively.

The Internal Revenue Service has proposed assessments for additional federal income taxes for the years ended January 31, 1969 and 1970 resulting principally from disallowance of surtax exemptions and the reallocations of income among the Company and its subsidiaries. The Company is planning to contest these proposed assessments and, although the ultimate disposition of the matter is undeterminable at this time, management and its legal counsel are of the opinion that any additional taxes which may be finally determined will not have a material adverse effect on the consolidated financial statements.

Note 7 — Commitments and contingent liabilities

The Company has long-term leases for present stores and transportation equipment which provide for approximate minimum annual rentals of $2.017,000 in 1973, $2,791,000 in 1974, $2,749,000 in 1975, $2,732,000 in 1976, $2,633,000 in 1977, $2,543,000 in 1978, and in diminishing annual amounts through 1995.

Substantially all of the leases have renewal options for additional terms of five to fifteen years at the same minimum rentals. Certain of the leases provide for additional rentals based on varying percentages of sales. Such additional rentals amounted to $62,644 for 1973. In addition, the Company has entered into lease agreements for land or buildings for eight future stores at aggregate minimum annual rentals of $233,247. Inventory, fixtures and working capital requirements for these stores are estimated to be $4,300,000, in addition to amounts included in the balance sheet.

DIRECTORS AND OFFICERS

***SAM M. WALTON**
President and Board Chairman
Director

***J. L. WALTON**
Senior Vice President
Director

***FEROLD G. AREND**
Executive Vice President
Director

***RONALD MAYER**
Vice President
Finance – Treasurer
Director

JAMES H. JONES
President, First National Bank
of Commerce, New Orleans, La.
Director

H. L. REMMEL
Senior Vice President
White, Weld & Co. Incorporated
Director

JACKSON T. STEPHENS
President, Stephens Inc.
Director

JOHN HAWKS
Vice President – Operations

CLAUDE HARRIS
Vice President – Merchandising

S. ROBSON WALTON
Secretary

KENNETH H. FOLKERTS
Controller

***MEMBERS OF EXECUTIVE COMMITTEE**

MANAGEMENT COMMITTEE: (From left to right) John Hawks, Vice President, Operations; Claude Harris, Vice President, Merchandising; Robert Thornton, Distribution Center Manager; Jim Elliott, Administrative Assistant to Executive Vice President and Merchandise Inventory Control Manager; Sam M. Walton, President; Ron Mayer, Vice President, Finance and Treasurer; J. L. Walton, Senior Vice President; Jim Rountree, Administrator, Public Relations and Personnel; Ferold Arend, Executive Vice President; Keith Binkleman, Advertising and Sales Promotion Manager. (Not shown in picture — James C. Walton, Real Estate Manager).

OPERATIONS MANAGEMENT: Seated left to right: Thomas Jefferson, District Manager; Ray Thomas, District Manager; John Hawks, Vice President, Operations; James Dismore, District Manager. Standing left to right: Ron Brown, Ben Franklin Stores, Supervisor; M. I. Dillard, District Manager; Jack Shewmaker, District Manager; Wes Hornback, District Manager. (Not shown in picture—Gary Reinboth, District Manager).

Directors

*Sam M. Walton, Chairman
*J. L. Walton
*F. G. Arend
*Ronald Mayer
James H. Jones
H. L. Remmel
Jackson T. Stephens
*Members of the Executive Committee

Officers

Sam M. Walton, President
J. L. Walton, Senior Vice President
F. G. Arend, Executive Vice President
Ronald Mayer, Vice President - Treasurer
John Hawks, Vice President-Operations
Claude Harris, Vice President-Merchandise
Kenneth Folkerts, Controller
S. Robson Walton, Secretary

General Office
P.O. Box 116,
Bentonville, Arkansas 72712

Counsel

Conner, Winters, Ballaine, Barry & McGowen
711 First National Building
Tulsa, Oklahoma 74103

Independent Accountants

Arthur Young & Company
1500 First National Building
Tulsa, Oklahoma 74103

Registrar & Transfer Agent

Registrar & Transfer Company
34 Exchange Place
Jersey City, New Jersey 07302

Annual Meeting

May 24, 1973 1:30 P.M.
General Office, 702 SW 8th Street
Bentonville, Arkansas