Registrar and Transfer Agent
1st Chicago Trust Company of New York
PO Box 2540
Jersey City, NJ 07303-2540
1-800-438-6278 (GET-MART)

TDD for hearing impaired: 1-202-222-4955

Internet: http://www.fctc.com

Dividend Reinvestment and Stock Purchase available through 1st Chicago Trust Company of New York

Listings **Stock Symbol: WMT**
New York Stock Exchange
Pacific Stock Exchange
Toronto Stock Exchange

Annual Meeting
Our Annual Meeting of Shareholders will be held on Friday, June 6, 1997 at 8:30 AM (with pre-meeting activities at 7:30 AM) in Bud Walton Arena on the University of Arkansas campus, Fayetteville, Arkansas.

Independent Auditors
Ernst & Young LLP
3900 One Williams Center
Tulsa, Oklahoma 74172

Corporate Address
Wal-Mart Stores, Inc.
Bentonville, AR 72716-8611
Telephone: 501-273-4000

Internet: http://www.wal-mart.com

10 K and Other Information
The following reports are available upon request by writing the company or by calling 501-273-8446.

- Annual Report on Form 10K*
- Quarterly Financial Information*
- Current Press Releases*
- Diversity Programs Report
- Copy of Proxy Statement

* These reports are also available via fax.

Market Price of Common Stock

	Fiscal years ended January 31,			
	1997		1996	
Quarter	Hi	Low	Hi	Low
April 30	$24.50	$20.88	$26.00	$23.13
July 31	$26.25	$22.88	$27.50	$23.00
October 31	$28.13	$24.50	$26.00	$21.63
January 31	$27.00	$22.13	$24.75	$19.25

Dividends Paid Per Share

Fiscal years ended January 31, Quarterly			
1997		1996	
April 8	$0.0525	April 14	$0.05
July 8	$0.0525	July 10	$0.05
October 7	$0.0525	October 3	$0.05
January 17	$0.0525	January 5	$0.05

Trustees

5 1/2 %, 5 7/8%, 6 1/8%, 6 3/8%, 6 1/2%, 6 3/4%, 7 1/4%, 8%, 8 1/2% Notes, and $107,000,000 of the Mortgage Notes
First National Bank
of Chicago
One First National Plaza
Suite 126
Chicago, Illinois 60670

9 1/10% Notes
Harris Trust and
Savings Bank
111 West Monroe Street
Chicago, Illinois 60690

Obligations from Sale/Leaseback Transaction (Wal-Mart Retail Trust I, II, III)
State Street Bank &
Trust Company of
Connecticut
750 Main Street
Suite 1114
Hartford, Connecticut
06103

5 1/8% Eurobonds
Royal Bank of Canada
71 Queen Victoria Street
London, England
EC4V4DE
United Kingdom

6 1/8%, 6 3/4%, 6 7/8% Eurobonds
First National Bank
of Chicago
First Chicago House
90 Long Acre
London, England
WC2E9RB
United Kingdom

Participating Mortgage Certificates I & II
Boatmen's Trust
Company
510 Locust Street
P.O. Box 14737
St. Louis, Missouri
63178

Pass Through Certificates
1992-A-1-7.49%
First Security Bank
of Utah, N.A.
Corporate Trust
Department
79 South Main Street
P.O. Box 30007
Salt Lake City, Utah
84130

Pass Through Certificates
1992-A-2-8.07%
First Security Bank
of Idaho, N.A.
1119 North 9th Street
Boise, Idaho 83701

Pass Through Certificates
1994-A-1-8.57%
1994-A-1-8.85%
1994-B-1-8.45%
1994-B-2-8.62%
First National Bank
of Chicago
One First National Plaza
Suite 126
Chicago, Illinois 60670

11-YEAR FINANCIAL SUMMARY

(Dollar amounts in millions except per share data)	**1997**	1996	1995
Operating Results			
Net sales	**$ 104,859**	$ 93,627	$ 82,494
Net sales increase	**12 %**	13 %	22 %
Comparative store sales increase	**5 %**	4 %	7 %
Other income-net	**1,287**	1,122	918
Cost of sales	**83,663**	74,564	65,586
Operating, selling and general and administrative expenses	**16,788**	14,951	12,858
Interest costs:			
Debt	**629**	692	520
Capital leases	**216**	196	186
Provision for income taxes	**1,794**	1,606	1,581
Net income	**3,056**	2,740	2,681
Per share of common stock:			
Net income	**$1.33**	1.19	1.17
Dividends	**0.21**	.20	.17
Financial Position			
Current assets	**$ 17,993**	$ 17,331	$ 15,338
Inventories at replacement cost	**16,193**	16,300	14,415
Less LIFO reserve	**296**	311	351
Inventories at LIFO cost	**15,897**	15,989	14,064
Net property, plant and equipment and capital leases	**20,324**	18,894	15,874
Total assets	**39,604**	37,541	32,819
Current liabilities	**10,957**	11,454	9,973
Long-term debt	**7,709**	8,508	7,871
Long-term obligations under capital leases	**2,307**	2,092	1,838
Shareholders' equity	**17,143**	14,756	12,726
Financial Ratios			
Current ratio	**1.6**	1.5	1.5
Inventories/working capital	**2.3**	2.7	2.6
Return on assets*	**7.9 %**	7.8 %	9.0 %
Return on shareholders' equity*	**19.2 %**	19.9 %	22.8 %
Other Year-End Data			
Number of Domestic Wal-Mart stores	**1,960**	1,995	1,985
Number of Domestic Supercenters	**344**	239	147
Number of Domestic SAM'S Clubs	**436**	433	426
International units	**314**	276	226
Average Wal-Mart store size	**92,600**	91,100	87,600
Number of Associates	**728,000**	675,000	622,000
Number of Shareholders of Record	**257,215**	244,483	259,286

* On average balances.

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1994	1993	1992	1991	1990	1989	1988	1987
$ 67,344	$ 55,484	$ 43,887	$ 32,602	$ 25,811	$ 20,649	$ 15,959	$ 11,909
21 %	26 %	35 %	26 %	25 %	29 %	34 %	41 %
6 %	11 %	10 %	10 %	11 %	12 %	11 %	13 %
641	501	403	262	175	137	105	85
53,444	44,175	34,786	25,500	20,070	16,057	12,282	9,053
10,333	8,321	6,684	5,152	4,070	3,268	2,599	2,008
331	143	113	43	20	36	25	10
186	180	153	126	118	99	89	76
1,358	1,171	945	752	632	488	441	396
2,333	1,995	1,609	1,291	1,076	838	628	451
1.02	.87	.70	.57	.48	.37	.28	.20
.13	.11	.09	.07	.06	.04	.03	.02
$ 12,114	$ 10,198	$ 8,575	$ 6,415	$ 4,713	$ 3,631	$ 2,905	$ 2,353
11,483	9,780	7,857	6,207	4,751	3,642	2,855	2,185
469	512	473	399	323	291	203	154
11,014	9,268	7,384	5,808	4,428	3,351	2,652	2,031
13,176	9,793	6,434	4,712	3,430	2,662	2,145	1,676
26,441	20,565	15,443	11,389	8,198	6,360	5,132	4,049
7,406	6,754	5,004	3,990	2,845	2,066	1,744	1,340
6,156	3,073	1,722	740	185	184	186	179
1,804	1,772	1,556	1,159	1,087	1,009	867	764
10,753	8,759	6,990	5,366	3,966	3,008	2,257	1,690
1.6	1.5	1.7	1.6	1.7	1.8	1.7	1.8
2.3	2.7	2.1	2.4	2.4	2.1	2.3	2.0
9.9 %	11.1 %	12.0 %	13.2 %	14.8 %	14.6 %	13.7 %	12.6 %
23.9 %	25.3 %	26.0 %	27.7 %	30.9 %	31.8 %	31.8 %	30.4 %
1,950	1,848	1,714	1,568	1,399	1,259	1,114	980
72	34	10	9	6	3	2	
417	256	208	148	123	105	84	49
24	10						
83,900	79,800	74,700	70,700	66,400	63,500	61,500	59,000
528,000	434,000	371,000	328,000	271,000	223,000	183,000	141,000
257,946	180,584	150,242	122,414	79,929	80,270	79,777	32,896

Results of Operations

Increases (Decreases) In Consolidated Operating Results Over Prior Year

	1997		1996	
(Dollars in millions, except per share data)	Amount	%	Amount	%
Revenues:				
Net sales	$ 11,232	12%	$ 11,133	13%
Other income-net	165	15%	204	22%
	11,397	12%	11,337	14%
Costs and Expenses:				
Cost of sales	9,099	12%	8,978	14%
Operating, selling and general and administrative expenses	1,837	12%	2,093	16%
Interest Costs:				
Debt	(63)	(9%)	172	33%
Capital leases	20	10%	10	5%
	10,893	12%	11,253	14%
Income Before Income Taxes	504	12%	84	2%
Provision for Income Taxes	188	12%	25	2%
Net Income	$ 316	12%	$ 59	2%
Net Income Per Share	$.14	12%	$.02	2%

Net Sales

The sales increase in fiscal 1997 was attributable to the Company's expansion program and comparative store sales increases of 5%. Expansion for fiscal 1997 included the opening of 59 Wal-Mart stores, 105 Supercenters (including the conversion of 92 Wal-Mart stores), 9 SAM'S Clubs, and 38 international units. The majority of the sales increase resulted from Wal-Mart stores and Supercenters while International sales grew to approximately 4.8% of the total sales in fiscal 1997 from 4.0% in fiscal 1996. SAM'S Club sales as a percentage of total sales decreased from 20.4% in fiscal 1996 to 18.9% in fiscal 1997.

The sales increase of 13% in fiscal 1996 was attributable to the Company's expansion program and comparative store sales increases of 4%. Expansion for fiscal 1996 included the opening of 92 Wal-Mart stores, 92 Supercenters (including the conversion of 80 Wal-Mart stores), 9 SAM'S Clubs and 50 International units. International sales accounted for approximately 2.1% of the sales increase with the remainder primarily attributable to Wal-Mart stores and Supercenters. SAM'S Club sales as a percentage of total sales decreased from 22.9% in fiscal 1995 to 20.4% in fiscal 1996.

Costs and Expenses

Cost of sales as a percentage of sales increased .2% in fiscal 1997 and .1% in fiscal 1996 when compared to the preceding year. The increase in fiscal 1997 is due in part to one-time markdowns in the third quarter resulting from a strategic decision to reduce the merchandise assortment in selected categories. Cost of sales also increased approximately .3% due to a larger percentage of consolidated sales from departments within Wal-Mart stores which have lower markon percents, and to the Company's continuing commitment of always providing low prices. These increases were offset by approximately .2% because SAM'S Club comprised a lower percentage of consolidated sales in 1997 at a lower contribution to gross margin than the stores. The increase in fiscal 1996 was due to lower initial markons and a larger percentage of consolidated sales from departments within Wal-Mart stores which have lower markon percents. This increase is offset by approximately .3% because SAM'S Club comprised a lower percentage of consolidated sales in 1996 at a lower contribution to gross margin than the stores.

Operating, selling and general and administrative expenses as a percentage of sales were flat in fiscal 1997 when compared to fiscal 1996 and increased .4% in fiscal 1996 when compared to fiscal 1995. As sales in SAM'S Club decreased as a percentage of total sales, the Company's operating, selling and general and administrative expenses as a percentage of sales increased approximately .1% due to a lower expense to sales percentage at SAM'S Club compared to the stores and Supercenters. This increase was offset through expense control in all of the operating formats. Approximately .2% of the increase in fiscal 1996 was due to increases in payroll and related benefit costs. The remainder of the increase resulted primarily from a lower percentage of sales attributable to SAM'S Club and a higher percentage of sales attributable to international operations. SAM'S Club operating, selling and general and administrative expenses as a percentage of sales were lower than the Wal-Mart stores and Supercenters while international expenses were slightly higher.

The Company adopted Statement of Financial Accounting Standard (SFAS) No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" in fiscal 1997. The statement requires entities to review long-lived assets and certain intangible assets in certain circumstances, and if the value of the assets is impaired, an impairment loss shall be recognized. The Company's existing accounting policies were such that this pronouncement did not materially affect the Company's financial position or results of operations.

Interest Cost

Interest cost decreased in fiscal 1997 compared to fiscal 1996 due to lower average daily short-term borrowings and through retirement of maturing debt. The Company was able to reduce short-term debt through enhanced operating cash flows and lower capital spending. Interest cost increased in fiscal 1996 compared to 1995 due to increased indebtedness and increased average short-term borrowing rates. The increased indebtedness was primarily due to the Company's expansion program. See Note 2 of Notes to Consolidated Financial Statements for additional information on interest and debt.

International Operations

The Company has wholly owned operations in Argentina, Canada and Puerto Rico, and through joint ventures in Brazil, China and Mexico. International operations remain immaterial to total Company operations. However, their sales growth in fiscal 1997 exceeded all other operating formats. As a group, the international operations were profitable in fiscal 1997.

Liquidity and Capital Resources

Cash Flow Information

Cash flow provided from operations was $5.9 billion in fiscal 1997, up from $2.4 billion in fiscal 1996. The increase was primarily due to a greater emphasis on inventory management that resulted in lowering unit inventory levels. Although consolidated net sales increased by 12% in fiscal 1997, consolidated inventories decreased slightly from the prior year end. After funding capital expenditures of more than $2.6 billion, operating cash flow provided an excess of almost $3.3 billion. This enabled the Company to reduce short-term borrowings, retire maturing debt and pay dividends. At January 31, 1997, the Company eliminated short term borrowings and had $883 million invested in cash and cash equivalents. The Company anticipates that cash flows from operations will continue to exceed future capital expenditures. The excess cash flows generated may be used to purchase Company stock, pay dividends or for other investing or financing needs.

Company Stock Purchases and Common Stock Dividends

In fiscal 1997, the Company purchased over 8 million shares of its common stock for $208 million. Subsequent to January 31, 1997, the Company announced plans to purchase up to $2 billion of its common stock over the next 18 months. Additionally, the Company increased the dividend 29% to $.27 per share for fiscal 1998.

Expansion

Domestically, the Company plans to open approximately 50 new Wal-Mart stores, and 100 Supercenters. Approximately 70 of the Supercenters will come from relocations or expansions of existing Wal-Mart stores. The Company also plans to open 5 to 10 new SAM'S Clubs and 4 distribution centers. International expansion includes 30 to 35 new Wal-Mart stores, Supercenters, and SAM'S Clubs in Argentina, Brazil, Canada, China, Mexico and Puerto Rico.

Total planned capital expenditures for 1998 approximates $3 billion. The Company plans to primarily finance expansion with operating cash flows.

Borrowing Information

The Company had committed lines of credit of $2,450 million with 34 banks and informal lines with various banks totaling an additional $2,450 million which were used to support short-term borrowing and commercial paper. These lines of credit and their anticipated cyclical increases will be sufficient to finance the seasonal buildups in merchandise inventories and for other cash requirements.

The Company anticipates generating sufficient operating cash flow to fund all capital expenditures and accordingly, does not plan to finance future capital expenditures with debt. However, the Company may desire to obtain long-term financing for other uses of cash or for strategic reasons. The Company foresees no difficulty in obtaining long-term financing in view of its excellent credit rating and favorable experiences in the debt market in the past few years. In addition to the available credit lines mentioned above, the Company may sell up to $751 million of public debt under shelf registration statements previously filed with the Securities and Exchange Commission.

Foreign Currency Translation

All foreign operations are measured in their local currencies with the exception of Brazil, operating in a highly inflationary economy, which reports operations using U.S. dollars. Beginning in fiscal 1998, Mexico will report as a highly inflationary economy. All foreign operations as a group are immaterial to the Company's consolidated results of operations and financial position. In fiscal 1997, the foreign currency translation adjustment decreased by $12 million to $400 million primarily due to a favorable exchange rate in Canada. The cumulative foreign currency translation adjustments of $412 and $256 million in fiscal 1996 and 1995, respectively, were primarily due to operations in Mexico. The Company periodically purchases forward contracts on firm commitments to minimize the risk of foreign currency fluctuations. None of these contracts were significant during the year, and those outstanding at January 31, 1997 were insignificant to the Company's financial position. The Company minimizes its exposure to the risk of devaluation of foreign currencies by operating in local currencies and through buying forward contracts on some known transactions.

Forward-Looking Statements

Certain statements contained in Management's Discussion and Analysis and elsewhere in this annual report are forward-looking statements. These statements discuss, among other things, expected growth, future revenues and future performance. The forward-looking statements are subject to risks and uncertainties, including, but not limited to, competitive pressures, inflation, consumer debt levels, currency exchange fluctuations, trade restrictions, changes in tariff and freight rates, capital market conditions and other risks indicated in the Company's filings with the Securities and Exchange Commission. Actual results may materially differ from anticipated results described in these statements.

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CONSOLIDATED STATEMENTS OF INCOME

(Amounts in millions except per share data)

Fiscal years ended January 31,	1997	1996	1995
Revenues:			
Net sales	$ 104,859	$ 93,627	$ 82,494
Other income-net	1,287	1,122	918
	106,146	94,749	83,412
Costs and Expenses:			
Cost of sales	83,663	74,564	65,586
Operating, selling and general and administrative expenses	16,788	14,951	12,858
Interest Costs:			
Debt	629	692	520
Capital leases	216	196	186
	101,296	90,403	79,150
Income Before Income Taxes	4,850	4,346	4,262
Provision for Income Taxes			
Current	1,974	1,530	1,572
Deferred	(180)	76	9
	1,794	1,606	1,581
Net Income	$ 3,056	$ 2,740	$ 2,681
Net Income Per Share	$ 1.33	$ 1.19	$ 1.17

See accompanying notes.

CONSOLIDATED BALANCE SHEETS

(Amounts in millions)

January 31,	1997	1996
Assets		
Current Assets:		
Cash and cash equivalents	$ 883	$ 83
Receivables	845	853
Inventories		
At replacement cost	16,193	16,300
Less LIFO reserve	296	311
Inventories at LIFO cost	15,897	15,989
Prepaid expenses and other	368	406
Total Current Assets	17,993	17,331
Property, Plant and Equipment, at Cost:		
Land	3,689	3,559
Building and improvements	12,724	11,290
Fixtures and equipment	6,390	5,665
Transportation equipment	379	336
	23,182	20,850
Less accumulated depreciation	4,849	3,752
Net property, plant and equipment	18,333	17,098
Property under capital lease	2,782	2,476
Less accumulated amortization	791	680
Net property under capital leases	1,991	1,796
Other Assets and Deferred Charges	1,287	1,316
Total Assets	$ 39,604	$ 37,541
Liabilities and Shareholders' Equity		
Current Liabilities:		
Commercial paper	$ –	$ 2,458
Accounts payable	7,628	6,442
Accrued liabilities	2,413	2,091
Accrued income taxes	298	123
Long-term debt due within one year	523	271
Obligations under capital leases due within one year	95	69
Total Current Liabilities	10,957	11,454
Long-Term Debt	7,709	8,508
Long-Term Obligations Under Capital Leases	2,307	2,092
Deferred Income Taxes and Other	463	400
Minority Interest	1,025	331
Shareholders' Equity		
Preferred stock ($.10 par value; 100 shares authorized, none issued)		
Common stock ($.10 par value; 5,500 shares authorized, 2,285 and 2,293 issued and outstanding in 1997 and 1996, respectively)	228	229
Capital in excess of par value	547	545
Retained earnings	16,768	14,394
Foreign currency translation adjustment	(400)	(412)
Total Shareholders' Equity	17,143	14,756
Total Liabilities and Shareholders' Equity	$ 39,604	$ 37,541

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Amounts in millions except per share data)	Number of shares	Common stock	Capital in excess of par value	Retained earnings	Foreign currency translation adjustment	Total
Balance - January 31, 1994	2,299	$ 230	$ 536	$ 9,987	$ –	$ 10,753
Net income				2,681		2,681
Cash dividends ($.17 per share)				(391)		(391)
Purchase of Company stock	(3)		(4)	(64)		(68)
Foreign currency translation adjustment					(256)	(256)
Other	1		7			7
Balance - January 31, 1995	2,297	230	539	12,213	(256)	12,726
Net income				2,740		2,740
Cash dividends ($.20 per share)				(458)		(458)
Purchase of Company stock	(5)		(4)	(101)		(105)
Foreign currency translation adjustment					(156)	(156)
Other	1	(1)	10			9
Balance - January 31, 1996	2,293	229	545	14,394	(412)	14,756
Net income				3,056		3,056
Cash dividends ($.21 per share)				(481)		(481)
Purchase of Company stock	(8)		(7)	(201)		(208)
Foreign currency translation adjustment					12	12
Other		(1)	9			8
Balance - January 31, 1997	2,285	$ 228	$ 547	$ 16,768	$ (400)	$ 17,143

See accompanying notes.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in millions)

Fiscal years ended January 31,	1997	1996	1995
Cash flows from operating activities			
Net income	$ 3,056	$ 2,740	$ 2,681
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,463	1,304	1,070
Increase in accounts receivable	(58)	(61)	(84)
Decrease/(increase) in inventories	99	(1,850)	(3,053)
Increase in accounts payable	1,208	448	1,914
Increase in accrued liabilities	430	29	496
Deferred income taxes	(180)	76	9
Other	(88)	(303)	(127)
Net cash provided by operating activities	5,930	2,383	2,906
Cash flows from investing activities			
Payments for property, plant and equipment	(2,643)	(3,566)	(3,734)
Proceeds from sale of photo finishing plants	464		
Acquisition of assets from Woolworth Canada, Inc.			(352)
Sale/leaseback arrangements			502
Other investing activities	111	234	(208)
Net cash used in investing activities	(2,068)	(3,332)	(3,792)
Cash flows from financing activities			
(Decrease)/increase in commercial paper	(2,458)	660	220
Proceeds from issuance of long-term debt		1,004	1,250
Net proceeds from formation of real estate investment trust (REIT)	632		
Purchase of Company stock	(208)	(105)	(68)
Dividends paid	(481)	(458)	(391)
Payment of long-term debt	(541)	(126)	(37)
Payment of capital lease obligations	(74)	(81)	(70)
Other financing activities	68	93	7
Net cash (used in)/provided by financing activities	(3,062)	987	911
Net increase in cash and cash equivalents	800	38	25
Cash and cash equivalents at beginning of year	83	45	20
Cash and cash equivalents at end of year	$ 883	$ 83	$ 45
Supplemental disclosure of cash flow information			
Income tax paid	$ 1,791	$ 1,785	$ 1,390
Interest paid	851	866	658
Capital lease obligations incurred	326	365	193

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies

Consolidation
The consolidated financial statements include the accounts of subsidiaries. Significant intercompany transactions have been eliminated in consolidation.

Segment Information
The Company and its subsidiaries are principally engaged in the operation of mass merchandising stores located in all 50 states, Argentina, Canada and Puerto Rico, and through joint ventures in Brazil, China and Mexico.

Cash and Cash Equivalents
The Company considers 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 Wal-Mart stores and Supercenters.

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

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 were $44 million, $50 million and $70 million in 1997, 1996 and 1995, respectively.

Depreciation and Amortization
Depreciation and amortization for financial statement purposes is provided on the straight-line method over the estimated useful lives of the various assets. For income tax purposes, accelerated methods are used with recognition of deferred income taxes for the resulting temporary differences.

Long-Lived Assets
In fiscal 1997, the Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The statement requires entities to review long-lived assets and certain intangible assets in certain circumstances, and if the value of the assets is impaired, an impairment loss shall be recognized. Due to the Company's previous accounting policies, this pronouncement had no material effect on the Company's financial position or results of operations.

Operating, Selling and General and Administrative Expenses
Buying, warehousing and occupancy costs are included in operating, selling and general and administrative expenses.

Net Income per Share
Net income per share is based on the weighted average outstanding common shares. The dilutive effect of stock options is insignificant and consequently has been excluded from the earnings per share computations.

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.

Estimates and Assumptions
The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2 Commercial Paper and Long-Term Debt

Information on short-term borrowings and interest rates is as follows (dollar amounts in millions):

Fiscal years ended January 31,	1997	1996	1995
Maximum amount outstanding at month-end	$ 2,209	$ 3,686	$ 2,729
Average daily short-term borrowings	1,091	2,106	1,693
Weighted average interest rate	5.3%	5.9%	4.4%

At January 31, 1997, the Company had committed lines of credit of $2,450 million with 34 banks and informal lines of credit with various banks totaling an additional $2,450 million, which were used to

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support short-term borrowings and commercial paper. Short-term borrowings under these lines of credit bear interest at or below the prime rate.

Long-term debt at January 31, 1997, consist of (amounts in millions):

		1997	1996
8 5/8%	Notes due April 2001	$ 750	$ 750
5 7/8%	Notes due October 2005	597	750
7 1/2%	Notes due May 2004	500	500
9 1/10%	Notes due July 2000	500	500
6 1/8%	Notes due October 1999	500	500
5 1/2%	Notes due March 1998	500	500
7 8/10%-8 1/4%	Obligations from sale/leaseback transactions due 2014	466	478
6 1/2%	Notes due June 2003	454	500
7 1/4%	Notes due June 2013	445	500
7% - 8%	Obligations from sale/leaseback transactions due 2013	314	318
6 3/4%	Notes due May 2002	300	300
8 1/2%	Notes due September 2024	250	250
6 3/4%	Notes due October 2023	250	250
8%	Notes due September 2006	250	250
6 1/8%	Eurobond due November 2000	250	250
6 7/8%	Eurobond due June 1999	250	250
5 1/8%	Eurobond due October 1998	250	250
7 %	Eurobond due April 1998	250	250
6 3/8%	Notes due March 2003	228	250
6 3/4%	Eurobond due May 2002	200	200
5 1/2%	Notes due September 1997		500
	Other	205	212
		$ 7,709	$ 8,508

Long-term debt is unsecured except for $206 million which is collateralized by property with an aggregate carrying value of approximately $347 million. Annual maturities of long-term debt during the next 5 years are (in millions):

Fiscal year ending January 31,	Annual maturity
1998	$ 523
1999	1,024
2000	806
2001	2,018
2002	52
Thereafter	3,809

The Company has agreed to observe certain covenants under the terms of its note and debenture agreements, the most restrictive of which relates to amounts of additional secured debt and long-term leases.

The Company has entered into sale/leaseback transactions involving buildings while retaining title to the underlying land.

These transactions were accounted for as financings and are included in long-term debt and the annual maturities schedules above. The resulting obligations are amortized over the lease terms. Future minimum lease payments for each of the five succeeding years as of January 31, 1997 are (in millions):

Fiscal years ending January 31,	Minimum rentals
1998	$ 76
1999	76
2000	104
2001	100
2002	94
Thereafter	915

The fair value of the Company's long-term debt approximates $7,836 million based on the Company's current incremental borrowing rate for similar types of borrowing arrangements.

At January 31, 1997 and 1996, the Company had letters of credit outstanding totaling $811 million and $551 million, respectively. These letters of credit were issued primarily for the purchase of inventory.

Under shelf registration statements previously filed with the Securities and Exchange Commission the Company may issue debt securities aggregating $751 million.

The Company has entered into an interest rate swap on an obligation which amortizes through 2006.

The Company swapped a fixed rate of 6.97% for a variable short-term rate on a notional amount of $630 million amortizing down to $203 million with semi annual settlements. The variable rate was 5.45% at the last settlement. This interest rate swap is accounted for by recording the net interest received or paid as an adjustment to interest expense on a current basis. Gains or losses resulting from market movements are not recognized. An increase in short term rates would cause the Company an insignificant additional interest cost.

3 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. Annual contributions, based on the profitability of the Company, are made at the sole discretion of the Company. Contributions were $247 million, $204 million and $175 million in 1997, 1996 and 1995, respectively.

4 Income Taxes

The income tax provision consists of the following (in millions):

	1997	1996	1995
Current			
Federal	$ 1,769	$ 1,342	$ 1,394
State and local	201	188	178
International	4		
Total current tax provision	1,974	1,530	1,572
Deferred			
Federal	(97)	119	7
State and local	(9)	15	2
International	(74)	(58)	
Total deferred tax (benefit) provision	(180)	76	9
Total provision for income taxes	$ 1,794	$ 1,606	$ 1,581

Items that give rise to significant portions of the deferred tax accounts at January 31, 1997, are as follows (in millions):

	1997	1996	1995
Deferred tax liabilities:			
Property, plant and equipment	$ 721	$ 617	$ 518
Inventory	145	135	88
Other	45	19	8
Total deferred tax liabilities	911	771	614
Deferred tax assets:			
Amounts accrued for financial reporting purposes not yet deductible for tax purposes	295	204	230
International, principally asset basis difference	231	101	
Capital leases	169	147	114
Deferred revenue	113		
Other	68	49	33
Total deferred tax assets	876	501	377
Net deferred tax liabilities	$ 35	$ 270	$ 237

A reconciliation of the significant differences between the effective income tax rate and the federal statutory rate on pretax income follows:

	1997	1996	1995
Statutory tax rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal income tax benefit	**2.2%**	3.1%	2.7%
International	**(1.3%)**	(0.8%)	
Other	**1.1%**	(0.3%)	(0.6%)
	37.0%	37.0%	37.1%

5 Acquisitions

In fiscal 1995, the Company acquired selected assets related to 122 Woolco stores in Canada from Woolworth Canada, Inc., a subsidiary of Woolworth Corporation, for approximately $352 million, recording $221 million of leasehold and location value which is being amortized over 20 years.

This transaction has been accounted for as a purchase. The results of operations for the acquired units since the dates of their acquisitions have been included in the Company's results. Pro forma results of operations are not presented due to the insignificant differences from the historical results.

6 Stock Option Plans

At January 31, 1997, 74 million shares of common stock were reserved for issuance under stock option plans. The options granted under the stock option plans expire 10 years from the date of grant. Options granted prior to November 17, 1995, may be exercised in nine annual installments. Options granted on or after November 17, 1995, may be exercised in seven annual installments. The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related Interpretations in accounting for its employee stock options because the alternative fair value accounting provided under FASB Statement 123, "Accounting for Stock-Based Compensation," requires the use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of the grant, no compensation expense is recognized. The effect of applying the fair value method of Statement 123 to the Company's option plan would result in net income and net income per share that are not materially different from the amounts reported in the Company's consolidated financial statements.

Further information concerning the options is as follows:

	Shares	Option price per share	Total
Shares under option			
January 31, 1994	15,876,000	$ 1.43-30.82	$ 298,248,000
Options granted	4,125,000	21.63-26.75	95,689,000
Options canceled	(1,013,000)	1.43-30.82	(23,127,000)
Options exercised	(1,019,000)	2.08-27.25	(7,829,000)
January 31, 1995	17,969,000	2.78-30.82	362,981,000
Options granted	7,114,000	23.50-24.75	167,959,000
Options canceled	(1,953,000)	3.75-30.82	(43,873,000)
Options exercised	(1,101,000)	2.78-25.38	(9,678,000)
January 31, 1996	22,029,000	4.94-30.82	477,389,000
Options granted	11,466,000	22.25-25.25	265,931,000
Options canceled	(2,110,000)	5.78-30.82	(49,109,000)
Options exercised	(999,000)	4.94-25.75	(10,327,000)
January 31, 1997 (6,448,000 shares exerciseable)	30,386,000	$ 6.50-30.82	$ 683,884,000
Shares available for option			
January 31, 1996	52,946,000		
January 31, 1997	43,590,000		

FINANCIALS

7 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 $561 million, $531 million and $479 million in 1997, 1996 and 1995. Aggregate minimum annual rentals at January 31, 1997, under non-cancelable leases are as follows (in millions):

Fiscal year	Operating leases	Capital leases
1998	$ 435	$ 317
1999	379	316
2000	364	314
2001	332	311
2002	321	311
Thereafter	2,913	3,245
Total minimum rentals	$ 4,744	4,814
Less estimated executory costs		79
Net minimum lease payments		4,735
Less imputed interest at rates ranging from 6.1% to 14.0%		2,333
Present value of minimum lease payments		$ 2,402

Certain of the leases provide for contingent additional rentals based on percentage of sales. Such additional rentals amounted to $51 million, $41 million and $42 million in 1997, 1996 and 1995, respectively. Substantially all of the store leases have renewal options for additional terms from five to 25 years at comparable rentals.

The Company has entered into lease commitments for land and buildings for 30 future locations. These lease commitments with real estate developers provide for minimum rentals for 20 years, excluding renewal options. If consummated based on current cost estimates, they will approximate $27 million annually over the lease terms.

8 Quarterly Financial Data (Unaudited)

	Quarters ended			
Amounts in millions (except per share information)	April 30,	July 31,	October 31,	January 31,
1997				
Net sales	$ 22,772	$ 25,587	$ 25,644	$ 30,856
Cost of sales	18,064	20,376	20,450	24,773
Net income	571	706	684	1,095
Net income per share	$.25	$.31	$.30	$.48
1996				
Net sales	$ 20,440	$ 22,723	$ 22,913	$ 27,551
Cost of sales	16,196	18,095	18,176	22,097
Net income	553	633	612	942
Net income per share	$.24	$.28	$.27	$.41

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, 1997 and 1996, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended January 31, 1997. 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, 1997 and 1996, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 31, 1997, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Tulsa, Oklahoma
March 21, 1997

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.

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 Ethics 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 periodically 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 meet with the Committee periodically, with and without management present.

John Menzer

John B. Menzer
Executive Vice President and Chief Financial Officer