

WAL MART STORES INC

FORM 10-K (Annual Report)

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Address	702 SOUTHWEST 8TH ST BENTONVILLE, AR 72716
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Sector	Services
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

for the fiscal year ended January 31, 2006,

or

Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 1-6991.



WAL-MART STORES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

71-0415188
(IRS Employer
Identification No.)

702 S.W. 8th Street
Bentonville, Arkansas
(Address of principal executive offices)

72716
(Zip Code)

Registrant's telephone number, including area code: (479) 273-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Common Stock, par value \$0.10 per share

Name of each exchange on which registered

New York Stock Exchange
Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes
No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 31, 2005, the aggregate market value of the voting common stock of the registrant held by non-affiliates of the registrant, based on the closing sale price of those shares on the New York Stock Exchange reported on July 31, 2005, was \$ 120,277,375,660. For the purposes of this disclosure only, the registrant has assumed that its directors, executive officers and beneficial owners of 5% or more of the registrant's common stock are the affiliates of the registrant.

The registrant had 4,167,233,525 shares of common stock outstanding as of March 20, 2006.

DOCUMENTS INCORPORATED BY REFERENCE

<u>Document</u>	<u>Parts Into Which Incorporated</u>
Annual Report to Shareholders for the Fiscal Year Ended January 31, 2006 (Annual Report)	Parts I and II
Proxy Statement for the Annual Meeting of Shareholders to be held June 2, 2006 (Proxy Statement)	Part III

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our Annual Report to Shareholders for the fiscal year ended January 31, 2006, are incorporated by reference into Parts I and II of this Annual Report on Form 10-K (this "Form 10-K"). Portions of our definitive Proxy Statement for the Annual Meeting of Shareholders to be held on June 2, 2006 (our "Proxy Statement"), are incorporated by reference into Part III of this Form 10-K. Those portions of our Annual Report to Shareholders are included as an exhibit to this Form 10-K.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This Annual Report on Form 10-K, the other reports, statements, and information that we have previously filed or that we may subsequently file with the Securities and Exchange Commission ("SEC") and public announcements that we have previously made or may subsequently make include, may include, incorporate by reference or may incorporate by reference certain statements that may be deemed to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and are intended to enjoy the benefits of that act. The forward-looking statements included or incorporated by reference in this Form 10-K and those reports, statements, information and announcements address activities, events or developments that Wal-Mart Stores, Inc. (together with its subsidiaries hereinafter referred to as "we," "Wal-Mart" or the "Company") expects or anticipates will or may occur in the future, including the amount and nature of future capital expenditures, opening of additional stores and clubs in the United States, opening of additional units in the other countries in which we operate, conversion of Discount Stores into Supercenters, anticipated levels of change in comparative store sales from one period to another period, expansion and other development trends of retail industry, our ability to integrate newly acquired operations into our existing operations, our business strategy, our financing strategy, expansion and growth of our business, changes in our operations, including the mix of products sold, our liquidity and ability to access the capital markets, our anticipated earnings per share for certain periods, and other similar matters. Although we believe the expectations expressed in the forward-looking statements included in this Form 10-K and those reports, statements, information and announcements are based or will be based on reasonable assumptions within the bounds of our knowledge of our business, a number of factors could cause our actual results to differ materially from those expressed in any forward-looking statements, whether oral or written, made by us or on our behalf. Many of these factors have previously been identified in filings or statements made by us or on our behalf.

Our business operations are subject to factors outside our control. Any one, or a combination, of these factors could materially affect our financial performance, business strategy, plans, goals and objectives. These factors include: the cost of goods, labor costs, the cost of fuel and electricity, the cost of healthcare benefits, insurance costs, competitive pressures, inflation, accident-related costs, consumer buying patterns and debt levels, weather patterns, catastrophic events, transport of goods from foreign suppliers, currency exchange fluctuations, trade restrictions, changes in tariff and freight rates, changes in tax and other laws and regulations that affect our business, the outcome of legal proceedings to which we are a party, unemployment levels, interest rate fluctuations, changes in employment legislation and other capital market, economic and geo-political conditions. The foregoing list of factors that may affect our performance is not exclusive. Other factors and unanticipated events could adversely affect our business operations and financial performance. Forward-looking statements that we make or that are made by others on our behalf are based on a knowledge of our business and the environment in which we operate, but because of the factors described and listed above, actual results may differ materially from those contemplated in the forward-looking statements. Consequently, this cautionary statement qualifies all of the forward-looking statements we make herein and that are incorporated by reference herein. We cannot assure the reader that the results or developments expected or anticipated by us will be realized or, even if substantially realized, that those results or developments will result in the expected consequences for us or affect us, our business or our operations in the way we expect. We caution readers not to place undue reliance on these forward-looking statements, which speak only as of their dates. We assume no obligation to update any of the forward-looking statements except to the extent required by applicable laws.

Our business operations, financial condition and results of operations are subject to certain risks. For further information, see "Item 1A. RISK FACTORS."

WAL-MART STORES, INC.
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED JANUARY 31, 2006

PART I

ITEM 1. BUSINESS

General

Wal-Mart Stores, Inc. (“Wal-Mart” or the “Company”) operates retail stores in various formats around the world. Wal-Mart is committed to growing by improving the standard of living for our customers throughout the world. We earn the trust of our customers every day by providing a broad assortment of quality merchandise and services at every day low prices (“EDLP”) while fostering a culture that rewards and embraces mutual respect, integrity and diversity. EDLP is our pricing philosophy under which we price items at a low price every day so that our customers trust that our prices will not change erratically under frequent promotional activity. Our fiscal year ends on January 31. During the fiscal year ended January 31, 2006, we had net sales of \$312.4 billion.

Our Wal-Mart Stores segment is the largest segment of our business, accounting for 67.2% of our fiscal 2006 sales. This segment consists of three different traditional retail formats, all of which operate in the United States, and Wal-Mart’s online retail format, Walmart.com. Our traditional Wal-Mart Stores retail formats include:

- Supercenters, which average approximately 187,000 square feet in size and offer a wide assortment of general merchandise and a full-line supermarket;
- Discount Stores, which average approximately 102,000 square feet in size and offer a wide assortment of general merchandise and a limited variety of food products; and
- Neighborhood Markets, which average approximately 42,000 square feet in size and offer a full-line supermarket and a limited assortment of general merchandise.

Our SAM’S CLUB segment consists of membership warehouse clubs, which operate in the United States, and the segment’s online retail format, samsclub.com. SAM’S CLUB accounted for 12.7% of our fiscal 2006 sales. Our focus for SAM’S CLUB is to provide exceptional value on brand-name merchandise at “members only” prices for both business and personal use. Our SAM’S CLUBS average approximately 129,000 square feet in size.

At January 31, 2006, our International segment consisted of retail operations in nine countries and Puerto Rico. This segment generated 20.1% of our fiscal 2006 sales. The International segment includes several different formats of retail stores and restaurants, including Discount Stores, Supercenters and SAM’S CLUBS that operate outside the United States. Additionally, at January 31, 2006, we owned an unconsolidated minority interest of approximately 33.3% of Central American Retail Holding Company (“CARHCO”), a retailer that operates more than 360 supermarkets and other stores in Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. In February 2006, we acquired an additional 17.7% interest in CARHCO, to give us majority ownership of CARHCO.

We maintain our principal offices at 702 S.W. 8th Street, Bentonville, Arkansas 72716.

The Development of Our Company

Although Wal-Mart was incorporated in Delaware in October 1969, the businesses conducted by our founders began in 1945 when Sam M. Walton opened a franchise Ben Franklin variety store in Newport, Arkansas. In 1946, his brother, James L. Walton, opened a similar store in Versailles, Missouri. Until 1962, our founders’ business was devoted entirely to the operation of variety stores. In that year, the first Wal-Mart Discount City, which was a Discount Store, was opened. In fiscal 1984, we opened our first three SAM’S CLUBS, and in fiscal 1988, we opened our first Supercenter. In fiscal 1999, we opened our first Neighborhood Market.

In fiscal 1992, we began our first international initiative when we entered into a joint venture in Mexico, in which we owned a 50% interest along with Cifra S.A. de C.V. (“Cifra”). In fiscal 1998, we acquired the controlling interest in Cifra, and in February 2000, Cifra officially changed its name to Wal-Mart de Mexico, S.A. de C.V. Since fiscal 1992, our international presence has continued to expand, and at January 31, 2006, we had international operations in Argentina, Brazil, Canada, Germany, Japan, Mexico, Puerto Rico, South Korea and the United Kingdom. We also operate through joint ventures in China, and at January 31, 2006, owned a minority interest in CARHCO.

At January 31, 2006, we operated 1,209 Discount Stores, 1,980 Supercenters, 567 SAM'S CLUBs and 100 Neighborhood Markets in the United States. Internationally, at January 31, 2006, the Company operated units in Argentina (11), Brazil (295), Canada (278), Germany (88), Japan (398), Mexico (774), Puerto Rico (54), South Korea (16) and the United Kingdom (315). We also operated 56 stores through joint ventures in China at January 31, 2006.

Our growth, measured both by our net sales and net income, occurs in large measure as a result of our domestic and international expansion programs along with comparative store sales increases. For fiscal 2006 and prior years, we considered comparative store sales to be sales at stores that were open as of February 1st of the prior fiscal year and which had not been expanded or relocated since that date. Comparative store sales are also referred to as "same-store" sales by others within the retail industry. The method of calculating comparative store sales varies across the retail industry. As a result, our calculation of comparative store sales is not necessarily comparable to similarly titled measures reported by other companies. Beginning in fiscal 2007, we changed our method of calculating comparative store sales. These changes are described in our Current Report on Form 8-K that we furnished to the SEC on February 2, 2006.

The following tables provide summary information concerning the additions of units and square footage for Discount Stores, Supercenters, Neighborhood Markets and SAM'S CLUBs in the United States, and international units in each of our fiscal years from fiscal 2002 through fiscal 2006.

**WAL-MART STORES SEGMENT STORE COUNT
FISCAL YEARS ENDED JANUARY 31, 2002 THROUGH 2006**

STORE COUNT (1)

Fiscal Year	Wal-Mart Discount Stores				Wal-Mart Supercenters	
	Opened	Closed	Conversions (2)	Total	Opened (2)	Total
Balance Forward				1,736		888
2002	33	1	121	1,647	178	1,066
2003	43	—	122	1,568	192	1,258
2004	41	1	130	1,478	213	1,471
2005	36	2	159	1,353	242	1,713
2006	24	2	166	1,209	267	1,980

Fiscal Year	Neighborhood Markets		Total Wal-Mart Segment		
	Opened	Total	Opened (3)	Closed	Ending Balance
Balance Forward		19			2,643
2002	12	31	102	1	2,744
2003	18	49	131	—	2,875
2004	15	64	139	1	3,013
2005	21	85	140	2	3,151
2006	15	100	140	2	3,289

- (1) Totals and Ending Balances are as of January 31, of the years shown.
- (2) Includes conversions and relocations of Discount Stores to Supercenters.
- (3) Total opened, net of conversions and relocations of Discount Stores to Supercenters.

**WAL-MART STORES SEGMENT NET SQUARE FOOTAGE GROWTH
FISCAL YEARS ENDED JANUARY 31, 2002 THROUGH 2006**

NET SQUARE FOOTAGE (in thousands) (1)

Fiscal Year	Wal-Mart Discount Stores		Wal-Mart Supercenters	
	Net Reductions (2)	Total	Net Additions (3)	Total
Balance Forward		165,375		162,598
2002	(7,689)	157,686	34,844	197,442
2003	(5,773)	151,913	37,169	234,611
2004	(6,848)	145,065	40,456	275,067
2005	(9,584)	135,481	44,989	320,056
2006	(11,874)	123,607	50,655	370,711

Fiscal Year	Neighborhood Markets		Total Wal-Mart Segment	
	Net Additions	Total	Net Additions	Total
Balance Forward		898		328,871
2002	520	1,418	27,675	356,546
2003	743	2,161	32,139	388,685
2004	617	2,778	34,225	422,910
2005	843	3,621	36,248	459,158
2006	597	4,218	39,378	498,536

- (1) Totals are as of January 31, of the years shown.
(2) Includes the square footage of new Discount Stores opened, net of Discount Stores closed, converted or expanded into Supercenters or relocated into Supercenters.
(3) Includes conversions and relocations of Discount Stores to Supercenters.

**SAM'S CLUB SEGMENT CLUB COUNT
AND NET SQUARE FOOTAGE GROWTH
FISCAL YEARS ENDED JANUARY 31, 2002 THROUGH 2006**

Fiscal Year	CLUB COUNT (1)			NET SQUARE FOOTAGE (in thousands) (1)	
	Opened	Closed	Total	Net Additions	Total
Balance Forward			475		58,001
2002	25	—	500	3,778	61,779
2003	25	—	525	3,968	65,747
2004	13	—	538	2,397	68,144
2005	13	—	551	2,533	70,677
2006	17	1	567	2,714	73,391

- (1) Totals are as of January 31, of the years shown.

**INTERNATIONAL SEGMENT UNIT COUNT
FISCAL YEARS ENDED JANUARY 31, 2002 THROUGH 2006**

STORE COUNT (1)

Fiscal Year	Argentina		Brazil			Canada		
	Wal-Mart Supercenters	Wal-Mart Supercenters	SAM'S		Total	Wal-Mart Stores	SAM'S	
			CLUBs	Other (2)			CLUBs	Total
2002	11	12	8	2	22	196	—	196
2003	11	12	8	2	22	213	—	213
2004	11	13	10	2	25	231	4	235
2005	11	17	12	120	149	256	6	262
2006	11	23	15	257	295	272	6	278

Fiscal Year	China				Germany	Japan (3)
	Wal-Mart Supercenters	SAM'S		Total	Supercenters	Seiyu Units
		CLUBs	Neighborhood Markets			
2002	15	3	1	19	95	—
2003	20	4	2	26	94	—
2004	28	4	2	34	92	—
2005	38	3	2	43	91	—
2006	51	3	2	56	88	398

Fiscal Year	Mexico				Puerto Rico				
	Wal-Mart Supercenters	CLUBs	Other		Wal-Mart Stores	Wal-Mart Supercenters	CLUBs	Amigo Stores	Total
			(4)	Total					
2002	62	46	427	535	9	1	7	—	17
2003	75	50	456	581	9	1	9	33	52
2004	83	53	487	623	9	3	9	32	53
2005	89	61	529	679	9	4	9	32	54
2006	105	70	599	774	9	5	9	31	54

Fiscal Year	South Korea		United Kingdom				Store Count
	Wal-Mart Supercenters	ASDA Stores	ASDA		Other	Total	Grand Total
			Supercenters	Other			
2002	9	244	6	—	250	1,154	
2003	15	248	10	—	258	1,272	
2004	15	253	12	2	267	1,355	
2005	16	256	19	7	282	1,587	
2006	16	279	21	15	315	2,285	

- (1) Store counts and totals are as of January 31, of the years shown.
- (2) Includes 118 units acquired from Bompreço S.A. Supermercados do Nordeste in February 2004 and 139 units acquired from Sonae Distribuição Brasil S.A. in December 2005.
- (3) Excludes 45 Wakana units, which are take-out restaurants generally less than 1,000 square feet in size.
- (4) At January 31, 2006, included 187 Bodegas (combination discount and grocery stores), 53 Suburbias (specialty department stores), 55 Superamas (traditional supermarkets), 286 Vips (restaurants) and 18 units of other formats compared to 162 Bodegas (combination discount and grocery stores), 50 Suburbias (specialty department stores), 48 Superamas (traditional supermarkets) and 269 Vips (restaurants) at January 31, 2005. Excludes Vips franchises for all years presented.

**INTERNATIONAL SEGMENT NET SQUARE FOOTAGE GROWTH
FISCAL YEARS ENDED JANUARY 31, 2002 THROUGH 2006**

NET SQUARE FOOTAGE (in thousands) (1)

Fiscal Year	Argentina	Brazil		Canada	
	Total	Net Additions (2)	Total	Net Additions	Total
Balance Forward	2,175		3,035		20,480
2002	2,175	108	3,143	2,488	22,968
2003	2,175	—	3,143	1,774	24,742
2004	2,175	227	3,370	2,469	27,211
2005	2,175	8,023	11,393	2,742	29,953
2006	2,175	11,832	23,225	1,777	31,730

Fiscal Year	China		Germany		Japan		Mexico	
	Net Additions	Total	Net Additions (Reductions)	Total	Net Additions	Total	Net Additions	Total
Balance Forward		1,649		9,202		—		22,029
2002	1,266	2,915	4,217	13,419	—	—	6,904	28,933
2003	1,110	4,025	(157)	13,262	—	—	3,173	32,106
2004	1,688	5,713	6	13,268	—	—	3,228	35,334
2005	1,837	7,550	(118)	13,150	—	—	3,799	39,133
2006	2,711	10,261	(565)	12,585	28,618	28,618	5,522	44,655

Fiscal Year	Puerto Rico		South Korea		United Kingdom		Grand Total		
	Net Additions	Total	Net Additions	Total	Net Additions	Total	Net Additions	Total	
Balance Forward		1,784		848		19,278		80,480	
2002		320	2,104	850	1,698	942	20,220	17,095	97,575
2003		1,078	3,182	1,194	2,892	721	20,941	8,893	106,468
2004		296	3,478	17	2,909	1,026	21,967	8,957	115,425
2005		118	3,596	195	3,104	1,361	23,328	17,957	133,382
2006		178	3,774	—	3,104	2,204	25,532	52,277	185,659

(1) Totals are as of January 31, of the years shown.

(2) Includes 7,581 square feet for the 118 units acquired from Bompreço S.A. Supermercados do Nordeste in February 2004 and 11,017 square feet for the 139 units acquired from Sonae Distribuição Brasil S.A. in December 2005.

Much of our growth internationally in recent years has resulted from our acquisition of existing operations in various countries. During May 2002, the Company acquired its initial 6.1% stake in The Seiyu, Ltd. (“Seiyu”), a Japanese retail chain. Through a series of transactions, our ownership percentage in Seiyu was increased to approximately 37% at January 31, 2005. In December 2005, the Company purchased an additional interest in Seiyu, bringing our total ownership percentage in Seiyu to 53.3%, and began consolidating Seiyu as a majority-owned subsidiary.

During the past two fiscal years, we acquired two retailers in Brazil. In December 2005, we completed the purchase of Sonae Distribuição Brasil S.A., a retail operation in Southern Brazil consisting of 139 hypermarkets, supermarkets and wholesale units. In February 2004, the Company completed its purchase of Bompreço S.A. Supermercados do Nordeste (“Bompreço”), a supermarket chain in Northern Brazil with 118 hypermarkets, supermarkets and mini-markets.

In September 2005, the Company acquired a 33.3% interest in CARHCO, a retailer with more than 360 supermarkets and other stores in Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. In February 2006, we acquired an additional 17.7% of CARHCO making us the majority shareholder of that entity. Following our acquisition of majority ownership, CARHCO’s name was changed to Wal-Mart Centro America.

We have provided additional information regarding the accounting treatment of the acquisitions discussed above in Note 6 to the Consolidated Financial Statements, which appear in our Annual Report to Shareholders and are incorporated by reference herein and have been included as an exhibit to this Annual Report.

Our Industry Segments

Our retail operations serve our customers primarily through three segments. We identify those segments based on management responsibility within the United States and in total for international units. The Wal-Mart Stores segment includes our Supercenters, Discount Stores and Neighborhood Markets in the United States as well as Walmart.com. The SAM’S CLUB segment includes the warehouse membership clubs in the United States as well as samsclub.com. The International segment consists of our operations in Argentina, Brazil, Canada, China, Germany, Mexico, Puerto Rico, South Korea, the United Kingdom and, beginning in December 2005, Japan. At January 31, 2006, our share of the results of our unconsolidated minority interest in CARHCO was not included in the International segment, but, following our February 2006 acquisition of an additional 17.7% of CARHCO, will be included in the International segment. You will find information concerning the financial results of our operating segments and the total assets of each of those segments in Note 11 to the Consolidated Financial Statements and in Management’s Discussion and Analysis of Results of Operations and Financial Condition. We have incorporated by reference herein our Consolidated Financial Statements as of January 31, 2006, and for the year then ended, the Notes to the Consolidated Financial Statements, and Management’s Discussion and Analysis of Results of Operations and Financial Condition that are contained in our Annual Report to Shareholders, portions of which are included as an exhibit to this Annual Report on Form 10-K.

Wal-Mart Stores Operating Segment

The Wal-Mart Stores segment had net sales of \$209.9 billion, \$191.8 billion and \$174.2 billion for the fiscal years ended January 31, 2006, 2005, and 2004, respectively. During the most recent fiscal year, no single Supercenter, Discount Store or Neighborhood Market location accounted for as much as 1% of total Company sales or net income.

General. We operate Wal-Mart Discount Stores in all 50 states, Supercenters in 47 states and Neighborhood Markets in 15 states. Our Discount Stores range in size from 30,000 square feet to 224,000 square feet, with an average size of approximately 102,000 square feet. Supercenters range in size from 99,000 square feet to 261,000 square feet, with an average size of approximately 187,000 square feet. Neighborhood Markets range in size from 38,000 square feet to 56,000 square feet, with an average size of approximately 42,000 square feet. Customers can also access a broad assortment of merchandise and services online at www.walmart.com.

Merchandise. Wal-Mart Discount Stores and the general merchandise area of Supercenters carry apparel for women, girls, men, boys and infants, domestics, fabrics and notions, stationery and books, shoes, housewares, hardware, electronics, home furnishings, small appliances, automotive accessories, horticulture and accessories, sporting goods, toys, pet food and pet accessories, cameras and supplies, health and beauty aids, pharmaceuticals, jewelry and optical and provide photo processing services. In addition, our stores offer an assortment of grocery merchandise. The grocery assortment in our Supercenters consists of a full line of grocery items including meat, produce, deli, bakery, dairy, frozen foods and dry grocery. Most of our Discount Stores carry a limited assortment of dry grocery merchandise while a number of our larger Discount Stores in some markets carry a broader assortment of grocery items, including perishable items. Neighborhood Markets are generally organized into departments such as: dry grocery, meat, produce, deli, bakery, dairy, frozen foods,

pharmaceuticals, photo processing, health and beauty aids, household chemicals, paper goods, general merchandise and pet supplies.

Nationally advertised merchandise represents a significant portion of sales in the Wal-Mart Stores segment. We also market lines of merchandise under our private-label store brands including “Sam’s Choice,” “Great Value,” “Everstart,” “Ol’ Roy,” “Puritan,” “Equate,” “No Boundaries,” “George,” “Athletic Works,” “Durabrand,” “ILO,” “HomeTrends,” “Mainstays,” “Parent’s Choice,” “Ozark Trail,” “Relion” and “Kid Connection.” The Company also markets lines of merchandise under licensed brands, some of which include “Faded Glory,” “General Electric,” “Disney,” “McDonald’s,” “Mary-Kate and Ashley,” “Metro 7” and “Starter.”

Sales in Discount Stores and Supercenters, which are subject to seasonal variance, by product category were as follows during the fiscal year ended:

CATEGORY	JANUARY 31,	JANUARY 31,
	2006	2005
Grocery, candy and tobacco	30%	28%
Hardgoods	19%	19%
Softgoods and domestics	15%	16%
Electronics	10%	9%
Pharmaceuticals	8%	9%
Health and beauty aids	7%	7%
Sporting goods and toys	5%	6%
Stationery and books	3%	3%
Photo processing	1%	1%
Jewelry	1%	1%
Shoes	1%	1%
	<u>100%</u>	<u>100%</u>

Operations. Hours of operation for nearly all Supercenters and an increasing number of Discount Stores and Neighborhood Markets are 24 hours each day. Hours of operation for the remaining Discount Stores and Neighborhood Markets vary by location, but are generally 7:00 a.m. to 10:00 p.m., seven days a week. The retail stores in our Wal-Mart Stores segment generally maintain uniform prices, except where lower prices are necessary to meet local competition. Sales are primarily on a cash-and-carry basis with the objective of maximizing sales volume and inventory turnover while minimizing expenses; however, we accept a variety of payment methods. In addition, our pharmacy departments accept payments for prescription drugs through our customers’ health benefit plans.

Seasonal Aspects of Operations. The Wal-Mart Stores operating segment’s business is seasonal to a certain extent. Generally, its highest volume of sales occurs in our fourth fiscal quarter, which includes the holiday season, and the lowest volume occurs during our first fiscal quarter.

Competition. Our Discount Stores compete with other discount, department, drug, variety and specialty stores and supermarkets, many of which are national chains. Our Supercenters compete with other supercenter-type stores, discount stores, supermarkets, department, drug, variety and specialty stores, many of which are national or regional chains. We also compete with other retailers for new store sites.

Our ability to offer value and service to our customers largely determines our competitive position within the retail industry. We employ many programs designed to meet the competitive pressures within our industry. These programs include the following:

- Every day Low Prices (“EDLP”) – our pricing philosophy under which we price items at a low price every day so that our customers trust that our prices will not change erratically under frequent promotional activity;
- Rollbacks – our commitment to pass continually internal and external cost savings on to the customer by lowering prices on selected goods;
- Store Within a Store – a program to provide accountability to assistant managers and department managers as to merchandise planning and overall department performance; and
- Store of the Community – a program to ensure that the merchandise assortment in a particular store fits the demographic needs of the local community in which that store is located.

In addition to these programs, we believe our broad assortment of merchandise that provides one-stop shopping, our high in-stock levels that provide confidence to our customers that we will have what they need, and our long operating hours that allow customers to shop at their convenience provide us with an additional competitive advantage.

Distribution. During fiscal 2006, approximately 81% of the Wal-Mart Stores segment's purchases of merchandise were shipped from 114 distribution centers. The balance of merchandise purchased was shipped directly to stores from suppliers. Wal-Mart owns and operates 39 general merchandise distribution centers, 35 grocery distribution centers, seven apparel and shoes distribution centers, 12 specialty distribution centers, three import distribution centers and one distribution center that supports Walmart.com. Additionally, third-party operators are used in 18 distribution centers of which two are grocery distribution centers, five are specialty distribution centers and two are import distribution centers and eight support Walmart.com. One of our three owned import facilities is operated by a third-party. The specialty distribution centers ship merchandise such as jewelry, tires, optical, product returns, and pharmaceuticals. General merchandise is transported to stores primarily through our private truck fleet. However, we contract with common carriers to transport the majority of our perishable and dry grocery merchandise.

The 114 distribution centers are located throughout the continental United States. Fourteen distribution centers are located in Texas; ten in Arkansas; nine in California; eight in Georgia; six in Indiana; five in Florida; four in each of New York, Ohio and Pennsylvania; three in each of Alabama, Illinois, Kentucky, Missouri, North Carolina, Tennessee, Utah and Virginia; two in each of Arizona, Louisiana, Mississippi, Oklahoma, South Carolina, and Wisconsin; and one each in Colorado, Delaware, Iowa, Kansas, Maine, Michigan, Maryland, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, Oregon and Washington.

In addition to servicing the Wal-Mart Stores segment, some of our Wal-Mart distribution centers also service our SAM'S CLUB segment for perishable items, jewelry, tires and product returns.

SAM'S CLUB Operating Segment

The SAM'S CLUB segment had net sales of \$39.8 billion, \$37.1 billion and \$34.5 billion for the fiscal years ended January 31, 2006, 2005 and 2004, respectively. During the most recent fiscal year, no single club location accounted for as much as 1% of total Company sales or net income.

General. We operate SAM'S CLUBs in 48 states. Facility sizes for SAM'S CLUBs generally range between 70,000 and 190,000 square feet, with the average SAM'S CLUB facility being approximately 129,000 square feet. SAM'S CLUB provides to its members a broad assortment of merchandise and services online at www.samsclub.com.

Merchandise. SAM'S CLUB offers bulk displays of brand name merchandise, including hardgoods, some softgoods, institutional-size grocery items, and selected private-label items under the "MEMBER'S MARK," "BAKERS & CHEFS" and "SAM'S CLUB" brands. Generally, each SAM'S CLUB also carries software, electronics, jewelry, sporting goods, toys, tires, stationery and books. Most clubs have fresh departments, which include bakery, meat, produce, floral and Sam's Cafe. Additionally, a significant number of our clubs offer photo processing, pharmaceuticals, optical departments and gasoline stations.

Sales in the SAM'S CLUB segment, which are subject to seasonal variance, by product category were as follows during the fiscal year ended:

CATEGORY	JANUARY 31,	JANUARY 31,
	2006	2005
Sundries	31%	31%
Food	30%	31%
Hardgoods	23%	23%
Service Businesses	11%	9%
Softgoods	5%	6%
	<u>100%</u>	<u>100%</u>

Certain fiscal 2005 amounts in the preceding table have been reclassified to conform to current period presentation.

Operations. Operating hours for SAM'S CLUBs are Monday through Friday from 10:00 a.m. to 8:30 p.m., Saturday from 9:30 a.m. to 8:30 p.m. and Sunday from 11:00 a.m. to 6:00 p.m. Additionally, all club locations offer a Gold Key

program that permits business members to shop before the regular operating hours Monday through Saturday, starting at 7:00 a.m.

SAM'S CLUBS are membership-only operations. A variety of payment methods are accepted at our clubs. Additionally, SAM'S CLUB issues Private Label and Discover accounts that are without recourse to the Company. Members include both small business owners and individual consumers. Individuals who are not business owners can become "Advantage" members. The annual membership fee for business members is \$35 for the primary membership card with a spouse card available at no additional cost. In addition, business members can add up to eight business associates for \$35 each. The annual membership fee for an individual "Advantage" member is \$40 for the primary membership card with a spouse card available at no additional cost. SAM'S CLUB PLUS is a premium membership program that offers additional benefits and services. The annual membership fee for a PLUS member is \$100.

Seasonal Aspects of Operations. The SAM'S CLUB operating segment's business is seasonal to a certain extent. Generally, its highest volume of sales occurs in our fourth fiscal quarter, which includes the holiday season, and the lowest volume occurs during our first fiscal quarter.

Competition. SAM'S CLUBS compete with other warehouse clubs, as well as with discount retailers, retail and wholesale grocers and general merchandise wholesalers and distributors. We compete with other retailers for desirable new club sites. Our ability to offer low prices and quality merchandise to meet the needs of small business members largely determines our competitive position in the warehouse club industry.

Distribution. During fiscal 2006, approximately 66% of the SAM'S CLUB non-fuel purchases were shipped from the SAM'S CLUB segment's dedicated distribution facilities and some of the Wal-Mart Stores segment's grocery distribution centers for perishable items. Suppliers shipped the balance of the SAM'S CLUB purchases directly to SAM'S CLUB locations. The principal focus of our SAM'S CLUB's distribution operations is on crossdocking product, while stored inventory is minimized. Crossdocking is a distribution process under which shipments are directly transferred from inbound to outbound trailers without extra storage. Shipments typically spend less than 24 hours in a crossdock facility, sometimes less than an hour. A combination of seven Company-owned and operated distribution facilities, thirteen third-party owned and operated facilities, and two third-party owned and operated import distribution centers constitute the overall distribution structure for the SAM'S CLUB segment. To support the samsclub.com business, SAM'S CLUB uses one third-party owned and operated distribution center in Texas. Two of the Company-owned and operated facilities are located in Texas with single facilities located in Arizona, Arkansas, Colorado, Indiana and Minnesota. Of the third-party owned and operated facilities, two are in California and one is in each of Florida, Georgia, Illinois, Maryland, Michigan, Missouri, New Hampshire, North Carolina, Ohio, Pennsylvania and Washington. The third-party operated import facilities are located in California and South Carolina. SAM'S CLUB uses a combination of our private truck fleet as well as common carriers to transport non-perishable merchandise from distribution centers to clubs. We contract with common carriers to transport perishable grocery merchandise from distribution centers to clubs.

International Operating Segment

Our International segment is comprised of our operations through wholly-owned subsidiaries in Argentina, Brazil, Canada, Germany, Puerto Rico, South Korea, and the United Kingdom, our operations through majority-owned subsidiaries in Japan and Mexico and our operations through joint ventures in China. Wal-Mart's portion of the results of our unconsolidated 33.3% minority interest in the CARHCO were included in the Company's Other segment at January 31, 2006. We acquired a controlling interest in CARHCO in February 2006, and after that date CARHCO will be consolidated into our International segment. CARHCO has retail operations in Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

The International segment's net sales for the fiscal years ended January 31, 2006, 2005 and 2004, were \$62.7 billion, \$56.3 billion and \$47.6 billion, respectively. During the most recent fiscal year, no single unit accounted for as much as 1% of total Company sales or net income.

General.

At January 31, 2006, our international operating formats varied by country and included:

- Discount Stores in Canada and Puerto Rico;
- Supercenters in Argentina, Brazil, China, Germany, Japan, Mexico, Puerto Rico, South Korea and the United Kingdom;
- SAM'S CLUBS in Brazil, Canada, China, Mexico, and Puerto Rico; and
- Neighborhood Markets in China.

Some of the more significant other formats that we operated at January 31, 2006, included:

- Todo Dia (combination discount and grocery stores), Balaio (discount food and general merchandise stores), Bompreço (supermarkets), Hipermercado BIG (hypermarkets), Mercadorama (supermarkets), Nacional (supermarkets) and Maxxi Atacado (wholesale units) in Brazil;
- Seiyu stores (supermarkets, discount and department stores), Livin stores (department stores) and Sunny (supermarkets) in Japan;
- Superama (supermarkets), Bodega (combination discount and grocery stores), Suburbia (department stores) and Vips (restaurants) in Mexico;
- ASDA stores (combination grocery and apparel stores), George stores (apparel stores) and ASDA Living stores (general merchandise stores) in the United Kingdom; and,
- Amigo supermarkets in Puerto Rico.

Merchandise. The merchandising strategy for the International operating segment is similar to that of our operations in the United States in terms of the breadth and scope of merchandise offered for sale. While brand name merchandise accounts for a majority of sales, several store brands not found in the United States have been developed to serve customers in the different markets in which the International segment operates. In addition, steps have been taken to develop relationships with local suppliers in each country to ensure reliable sources of quality merchandise.

Operations. The hours of operation for operating units in the International segment vary by country and by individual markets within countries, depending upon local and national ordinances governing hours of operation. While sales are primarily on a cash-and-carry basis, credit cards or other consumer finance programs exist in certain markets to facilitate the purchase of goods by the customer.

Seasonal Aspects of Operations. The International operating segment's business is seasonal to a certain extent. Generally, the highest volume of sales occurs in our fourth fiscal quarter. The seasonality of the business varies by country due to different national and religious holidays, festivals and customs, as well as different climatic conditions.

Competition. The International operating segment competes with a variety of local, national and international chains in the supermarket, discount, department, drug, variety, specialty and wholesale sectors of the retail market in each of the countries in which we operate and, in Mexico, with local, national and international restaurant chains. Our ability to offer our customers low prices on quality merchandise that offers exceptional value in the International operating segment determines, to a large extent, our competitive position. In our international units, our ability to operate effectively the food departments has a major impact on the segment's competitive position in the markets where we operate.

Distribution. We utilize a total of 85 distribution facilities that are located in Argentina, Brazil, Canada, China, Germany, Japan, Mexico, Puerto Rico and the United Kingdom. Through these facilities, we process and distribute both imported and domestic product to the operating units of the International segment. During fiscal 2006, approximately 79% of the International operating segment's purchases flowed through these distribution facilities. Suppliers ship the balance of the International operating segment's purchases directly to our stores in the various countries in which we operate. A combination of Company-owned and operated distribution facilities and third-party facilities makes up the overall distribution structure for the International operating segment. The International operating segment operates export consolidation facilities in California, Florida, Pennsylvania and Texas in support of product flow to our Mexican, Canadian, Asian, and Latin American markets.

Employees

As of January 31, 2006, the Company employed approximately 1.8 million employees ("associates") worldwide, with approximately 1.3 million associates in the United States and approximately 500,000 associates in foreign countries. In the United States, the Company offers a broad range of company-paid benefits to our associates, including a profit sharing and 401(k) plan, store discount cards, bonuses based on Company performance, discounted stock purchase program and life insurance. The Company also offers health care benefits to eligible full-time and part-time associates. After the first year, the Company's medical plan has no lifetime maximum for most expenses.

In our operations outside the United States, the Company provides a variety of associate benefits that vary based on customary local practices and statutory requirements.

Our Website and Availability of SEC Reports and Other Information

Our corporate website is located at www.walmartstores.com. Additional information can be found at www.walmartfacts.com. We make copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current

Reports on Form 8-K and any amendment to those reports filed with or furnished to the SEC available to investors on or through our corporate website free of charge as soon as reasonably practicable after we electronically file them with or furnish them to the SEC. Our SEC filings, our Senior Financial Officer Code of Ethics and our Statement of Ethics can be found on the Investor Relations page of our website at www.walmartstores.com/investors. These documents, as well as our SEC filings are available in print to any shareholder who requests a copy from our Investor Relations Department.

A description of any substantive amendment or waiver of Wal-Mart's Code of Ethics for the CEO and Senior Financial Officers will be disclosed on the Investor Relations page of our website under the Corporate Governance section. Any such description will be located on our website for a period of twelve months following the amendment or waiver.

ITEM 1A. RISK FACTORS

The risks described below could materially and adversely affect our business, financial condition and results of operations. These risks are not the only risks that we face. Our business operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial to our operations.

General economic factors, both domestically and internationally, may adversely affect our financial performance.

General economic conditions, globally or in one or more of the markets we serve, may adversely affect our financial performance. In the United States, higher interest rates, higher fuel and other energy costs, inflation, higher levels of unemployment, higher consumer debt levels, higher tax rates and other changes in tax laws, and other economic factors could adversely affect consumer demand for the products and services we sell through our Wal-Mart Stores segment and SAM'S CLUB segment, change the mix of products we sell to one with a lower average gross margin and result in slower inventory turnover and greater markdowns on inventory. Higher interest rates, higher fuel and other energy costs, transportation costs, inflation, higher costs of labor, insurance and healthcare, foreign exchange rates fluctuations, higher tax rates and other changes in tax laws, changes in other laws and regulations and other economic factors in the United States increase our cost of sales and operating, selling, general and administrative expenses, and otherwise adversely affect the operations and operating results of our Wal-Mart Stores segment and SAM'S CLUB segment. High levels of unemployment, inflation, changes in tax and other laws, currency devaluations and other adverse developments in the economies of the other countries in which we operate may adversely affect consumer demand for our merchandise in those countries, adversely affect our gross margins, cost of sales, inventory turnover and markdowns or otherwise adversely affect our operations and operating results in those countries.

We may face impediments to our expansion in the United States, including conversions of Discount Stores into Supercenters, which could adversely affect our financial performance.

The growth in the net sales and operating net income of our Wal-Mart Stores segment and our SAM'S CLUB segment depends to a substantial degree on our expansion programs. Our expansion strategy depends upon our ability to execute our retail concepts successfully in new markets within the United States and upon our ability to increase the number of stores in markets in which we currently have operations. Our ability to open additional Supercenters, Discount Stores, Neighborhood Markets and SAM'S CLUBs and to convert existing Discount Stores into Supercenters depends in large measure upon our ability to locate, hire and retain qualified personnel and to acquire new store sites on acceptable terms. Local land use and other regulations restricting the construction of buildings of the type in which we operate our various formats, as well as local community action opposed to the location of specific stores at specific sites, may affect our ability to open new stores and clubs, to convert Discount Stores into Supercenters or to relocate or expand existing units. Increased real estate, construction and development costs could limit our growth opportunities and our ability to convert our Discount Stores into Supercenters. If we are unable to open new Supercenters, Discount Stores, Neighborhood Markets or SAM'S CLUBs or continue to convert Discount Stores into Supercenters, our financial performance could be adversely affected. In addition, if consumers in the markets into which we expand are not receptive to our retail concepts, our financial performance could be adversely affected.

Impediments to the expansion of our International operations could adversely affect our financial performance.

Our business strategy for our International segment includes expansion by selective acquisitions and strategic alliances that add new stores and markets to our existing International business, as well as opening new units in the countries in which we have existing operations. In the countries in which we have existing operations, new units may be opened in the formats already existing in those countries or may be opened in newly introduced formats, such as Supercenters or SAM'S Clubs, not

previously operated in those markets. As in the United States, our ability to open new stores or to expand or relocate existing stores in a market served by our International segment depends in large measure upon our ability to locate, hire and retain qualified personnel and our ability to acquire new store sites on acceptable terms. Local laws can affect our ability to acquire attractive pre-existing buildings in which to locate units or sites on which to build new units or to expand existing units. In addition, access to local suppliers of certain types of goods may limit our ability to add new units or to expand product selections in existing units in certain markets. Moreover, cultural differences in some markets into which we expand or into which we introduce new retail concepts may result in the consumers in those markets not being as receptive to our retail concepts as we anticipate those consumers will be. If we do not effectively execute our expansion plans for our International segment, our financial performance could be adversely affected.

We may be unable to continue to identify suitable acquisition candidates at acceptable prices and may not be successful in consummating the acquisition of any such candidate identified. Although we believe we will be ultimately able to integrate successfully any newly acquired operations into our existing operations, no certainty exists that future acquisitions or alliances will be successfully integrated into our operations or can be successfully integrated in a reasonable time. Our failure to identify appropriate candidates for acquisition or alliance or to integrate effectively future acquisitions and alliances into our existing operations could adversely affect the growth of our International segment and our future financial performance.

Failure to attract and retain qualified associates and other labor issues could adversely affect our financial performance.

Our ability to continue to expand our operations in the United States and abroad depends on our ability to attract and retain a large and growing number of qualified associates. Our ability to meet our labor needs generally, including our ability to find qualified personnel to fill positions that become vacant at our existing stores, clubs and distribution centers, while controlling our associate wage and related labor costs, is subject to numerous external factors, including the availability of a sufficient number of qualified persons in the work force of the markets in which we are located, unemployment levels within those markets, prevailing wage rates, changing demographics, health and other insurance costs and changes in employment legislation. If we are unable to locate, to attract or to retain qualified personnel or if our costs of labor or related costs increase significantly, our financial performance could be affected adversely.

We face strong competition from other retailers and wholesale club operators, which could adversely affect our financial performance.

The retail business is highly competitive. Each of our business segments competes for customers, employees, store sites, products and services and in other important aspects of its business with many other local, regional and national retailers, both in the United States and in the foreign countries in which we have operations. Our Wal-Mart Stores segment competes with retailers operating discount, department, drug, variety and specialty stores, supermarkets, supercenter-type stores, hypermarkets, as well as internet-based retailers and catalog businesses. Our SAM'S CLUB segment competes with other wholesale club operators, as well as discount retailers, retail and wholesale grocers and general merchandise wholesalers and distributors, as well as internet-based retailers, wholesalers and catalog businesses. Internationally, we compete with retailers who operate department, drug, variety and specialty stores, supermarkets, supercenter-type stores, hypermarkets, wholesale clubs, internet-based retailers and catalog businesses. Such retailers and wholesale club operators compete in a variety of ways, including merchandise selection and availability, services offered to customers, location, store hours, in-store amenities and price. Our ability to offer value and service to our customers through various programs, including EDLP, Rollbacks, Store Within a Store and Store of the Community, have allowed us to compete successfully against our competitors in most instances. Where necessary to compete effectively with competitors who price merchandise at points lower than the prices we set under our EDLP philosophy, we will lower our prices on goods sold. Our ability to respond effectively to competitive pressures and changes in the retail markets could adversely affect our financial performance. See "Item 1. Business." above for additional discussion of our competitive situation in our various operating segments.

Although the retail industry as a whole is highly fragmented, certain segments of the retail industry are currently undergoing some consolidation, which could result in increased competition and significantly alter the dynamics of the retail marketplace. Such consolidation may result in competitors with greatly improved financial resources, improved access to merchandise, greater market penetration than they previously enjoyed and other improvements in their competitive positions. Such business combinations could result in the provision of a wider variety of products and services at competitive prices by such consolidated companies, which could adversely affect our financial performance.

Risks associated with the suppliers from whom our products are sourced could adversely affect our financial performance.

The products we sell are sourced from a wide variety of domestic and international suppliers. Global sourcing of many of the products we sell is an important factor in our financial performance. All of our suppliers must comply with applicable laws, including labor and environmental laws, and otherwise be certified as meeting our required supplier standards of conduct. Our ability to find qualified suppliers who meet our standards, and to access products in a timely and efficient manner is a significant challenge, especially with respect to suppliers located and goods sourced outside the United States. Political and economic instability in the countries in which foreign suppliers are located, the financial instability of suppliers, suppliers' failure to meet our supplier standards, labor problems experienced by our suppliers, the availability of raw materials to suppliers, merchandise quality issues, currency exchange rates, transport availability and cost, inflation, and other factors relating to the suppliers and the countries in which they are located are beyond our control. In addition, the United States' foreign trade policies, tariffs and other impositions on imported goods, trade sanctions imposed on certain countries, the limitation on the importation of certain types of goods or of goods containing certain materials from other countries and other factors relating to foreign trade are beyond our control. These and other factors affecting our suppliers and our access to products could adversely affect our financial performance.

Our International operations subject us to risks associated with the legislative, judicial, accounting, regulatory, political and economic conditions specific to the countries or regions in which we operate, which could adversely affect our financial performance.

We currently conduct operations in Argentina, Brazil, Canada, Costa Rica, El Salvador, Germany, Guatemala, Honduras, Japan, Mexico, Nicaragua, Puerto Rico, South Korea and the United Kingdom, as well as through joint venture agreements in China. During fiscal 2006, our International operations generated 20.1% of our net sales. As a result of recent acquisitions of operations in foreign countries, we expect that our International operations could account for a larger portion of our net sales in future years. Our future operating results in these countries or in other countries or regions throughout the world could be negatively affected by a variety of factors, most of which are beyond our control. These factors include political conditions, economic conditions, legal and regulatory constraints, currency regulations, and other matters in any of the countries or regions in which we operate, now or in the future. In addition, foreign currency exchange rates and fluctuations may have an impact on our future costs or on future cash flows from our International operations, and could adversely affect our financial performance. Moreover, the economies of some of the countries in which we have operations have in the past suffered from high rates of inflation and currency devaluations, which, if they occurred again, could adversely affect our financial performance. Other factors which may impact our International operations include foreign trade, monetary and fiscal policies both of the United States and of other countries, laws, regulations and other activities of foreign governments, agencies and similar organizations, and risks associated with having major facilities located in countries which have historically been less stable than the United States. Additional risks inherent in our International operations generally include, among others, the costs and difficulties of managing international operations, adverse tax consequences and greater difficulty in enforcing intellectual property rights in countries other than the United States. The various risks inherent in doing business in the United States generally also exist when doing business outside of the United States, and may be exaggerated by the difficulty of doing business in numerous sovereign jurisdictions due to differences in culture, laws and regulations.

Natural disasters and geo-political events costs could adversely affect our financial performance.

The occurrence of one or more natural disasters, such as hurricanes and earthquakes, and geo-political events, such as civil unrest in a country in which we operate or in which our suppliers are located and attacks disrupting transportation systems, could adversely affect our operations and financial performance. Such events could result in physical damage to one or more of our properties, the temporary closure of one or more stores, clubs and distribution centers, the temporary lack of an adequate work force in a market, the temporary or long-term disruption in the supply of products from some local and overseas suppliers, the temporary disruption in the transport of goods from overseas, delay in the delivery of goods to our distribution centers or stores within a country in which we are operating and the temporary reduction in the availability of products in our stores. These factors could otherwise disrupt and adversely affect our operations and financial performance.

We expect that the significant property damage experienced by the Company and others during last year's hurricanes will result in substantial increases in property insurance premiums and limitations in coverage offered by the property insurance markets to us and others. As a result the Company will likely face higher property insurance premiums, an increase in retained risk, or a combination of the two, which could adversely affect our financial performance.

We are subject to certain legal proceedings that may adversely affect our financial condition and results of operation.

We are involved in a number of legal proceedings, which include consumer, employment, tort and other litigation. Certain of these lawsuits, if decided adversely to us or settled by us, may result in liability material to our financial condition and results of operations. We are currently a defendant in numerous cases containing class-action allegations in which the plaintiffs have brought claims under federal and state wage and hour laws. In addition, we are a defendant in *Dukes v. Wal-Mart Stores, Inc.*, a class-action lawsuit brought on behalf of all past and present female employees in all of our retail stores and wholesale clubs in the United States. The class as certified in *Dukes* currently includes approximately 1.6 million present and former female associates. The plaintiffs in this case allege that we have engaged in a pattern and practice of discriminating against women in promotions, pay, training and job assignments and seek, among other things, injunctive relief, front pay, back pay, punitive damages and attorneys' fees. The U.S. District Court hearing this case has issued an order granting in part and denying in part the plaintiffs' motion for class certification. We discuss these cases and other litigation to which we are party in greater detail below under the caption "Item 3. Legal Proceedings" and in Note 8 to our consolidated financial statements, which are part of our Annual Report to Shareholders which is incorporated by reference in this Form 10-K and is included as an exhibit to this Annual Report on Form 10-K.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The number and location of United States and international Wal-Mart Discount Stores, Supercenters and SAM'S CLUBS and other formats are incorporated by reference to the table under the caption "Fiscal 2006 End-of-Year Store Count" included in our Annual Report to Shareholders for the year ended January 31, 2006, which information we have included as an exhibit to this Annual Report on Form 10-K.

United States. As of January 31, 2006, in the United States, we owned 2,589 of the buildings in which Discount Stores, Neighborhood Markets and Supercenters operated and 437 of the buildings in which our SAM'S CLUBS operated. Land on which our stores are located is either owned or leased by the Company. In the United States, we either lease the remaining buildings in which our stores and clubs operate from a commercial property developer, lease them pursuant to sale/leaseback arrangements or lease them from a local governmental entity in connection with industrial revenue bond financing arrangements. All store leases provide for fixed annual rentals and, in some cases, the leases provide for additional rent based on sales volume.

We use independent contractors to construct our buildings.

For details on our distribution centers, see the caption "Distribution" provided for each of our segments under Item 1. Business.

We own the office facilities in Bentonville, Arkansas that serve as our home office. We lease an office facility in Brisbane, California that serves as the home office for Walmart.com

International. We operate our International segment stores and restaurants in a combination of owned and leased properties in each country in which our International segment operates. As of January 31, 2006, we owned nine properties in Argentina, 107 properties in Brazil, 96 properties in Canada, no properties in China, 19 properties in Germany, 86 properties in Japan, 16 properties in South Korea, 395 properties in Mexico, 10 properties in Puerto Rico and 202 properties in the United Kingdom in which operating units are located, with the remaining units in each country being leased on terms that vary from property to property. We utilize both owned and leased properties for office facilities in each country in which we are conducting business. Our International operations are supported by 85 distribution facilities as of January 31, 2006. Of these 85 distribution facilities, we owned 38 and leased 29. Third parties owned and operated the remaining 18 distribution facilities.

ITEM 3. LEGAL PROCEEDINGS

I. SUPPLEMENTAL INFORMATION : We discuss certain legal proceedings pending against us in Note 8 to our financial statements, which is captioned "Litigation," contained in the portions of our Annual Report to Shareholders, which are incorporated herein by reference and are an exhibit to this Annual Report on Form 10-K, and refer you to that discussion for important information concerning those legal proceedings, including the basis for such actions and, where known, the relief sought. We provide the following additional information concerning those legal proceedings which sets forth the name of the

lawsuit, the court in which the lawsuit is pending and the date on which the petition commencing the lawsuit was filed. In each lawsuit's name, the letters "WM" refer to Wal-Mart Stores, Inc.

Wage and Hour "Off the Clock" Class Actions : *Adcox v. WM* , US Dist. Ct. ("USDC"), Southern Dist. of TX, 11/9/04; *Armijo v. WM* , 1st Judicial Dist. Ct., Rio Arriba County, NM, 9/18/00; *Bailey v. WM* , Marion County Superior Ct. IN, 8/17/00; *Barnett v. WM* , Superior Ct. of WA, King County, 9/10/01; *Basco v. WM* , USDC, Eastern Dist. of LA, 9/5/00; *Braun v. WM* , 1st Judicial Dist. Ct. Dakota County MN, 9/12/01; *Braun/Hummel v. WM* , Ct. of Common Pleas, Philadelphia County, PA, 3/20/02 / 8/30/04; *Brogan v. WM* , Superior Ct. of NH, Strafford County, 2/17/05; *Brown v. WM* , 14th Judicial Circuit Ct., Rock Island, IL, 6/20/01; *Cole v. WM*, USDC, Dist. of MT, Central Div., 1/13/06; *Curlless v. WM* , USDC, Dist. of WY, 10/26/05; *Culver v. WM* , USDC, Dist. of CO, 12/10/96; *Carter v. WM* , Ct. of Common Pleas, Colleton County, SC, 7/31/02; *Gamble v. WM* , Supreme Ct. of the State of NY, County of Albany, 12/7/01; *Gross v. WM* , Circuit Ct., Laurel County, KY, 9/29/04; *Hale v. WM* , Circuit Ct., Jackson County, MO, 8/15/01; *Hall v. WM* , 8th Judicial Dist. Ct., Clark County, NV, 8/12/05; *Holcomb v. WM* , State Ct. of Chatham County, GA, 3/28/00; *Iliadis v. WM* , Superior Ct. of NJ, Middlesex County, 5/30/02; *Jackson v. WM* , Superior Ct. of DE, New Castle County, 4/4/05; *Kuhlmann (In Re: Wal-Mart Employee Litigation) v. WM* , Circuit Ct., Milwaukee County, WI, 8/30/01; *Lerma v. WM* , Dist. Ct., Cleveland County, OK, 8/31/01; *Lopez v. WM* , 23rd Judicial Dist. Ct. of Brazoria County, TX, 6/23/00; *Luce v. WM*, Circuit Ct., Brown County, SD, 5/11/05; *McFarlin v. WM* , Superior Ct. of AK at Anchorage, 4/7/05; *McGlothan v. WM* , USDC, Middle Dist. of FL, 1/23/06; *Mendoza v. WM* , Superior Ct. of CA, Ventura County, 3/2/04; *Michell v. WM* , USDC, Eastern Dist. of TX, Marshall Div., 9/13/02; *Montgomery v. WM* , USDC, Southern Dist. of MS, 12/30/02; *Moore v. WM* , USDC, Middle Dist. of FL, 1/18/06; *Mussman v. WM* , IA Dist. Ct., Clinton County, 6/5/01; *Nagy v. WM* , Circuit Ct. of Boyd County, KY, 8/29/01; *Newland v. WM* , Superior Ct. of CA, Alameda County, CA, 01/14/05; *Osuna v. WM* , Superior Ct. of AZ, Pima County, 11/30/01; *Parrish v. WM* , Superior Ct., Chatham County, GA, 2/17/05; *Pickett v. WM* , Circuit Court, Shelby County, TN, 10/22/03; *Pittman v. WM* , Circuit Ct. for Prince George's County, MD, 7/31/02; *Poha v. WM* , USDC, Dist. of HI, 11/1/05; *Presley/Yates v. WM*, USDC, Dist. of CO, 7/31/95; *Pritchett v. WM* , Circuit Ct. of Jefferson County, AL, 2/17/05; *Robinson v. WM* , Circuit Ct., Holmes County, MS, 12/30/02; *Sago v. WM* , Circuit Ct., Holmes County, MS, 12/31/02; *Romero v. WM* , Superior Ct. of CA, Monterey County, 03/25/04; *Salvas v. WM* , Superior Ct., Middlesex County, MA, 8/21/01; *Sarda v. WM* , Circuit Ct., Washington County, FL, 9/21/01; *Savaglio v. WM* , Superior Ct. of CA, Alameda County, 2/6/01; *Scott v. WM* , Circuit Ct. of Saginaw County, MI, 9/26/01; *Smith v. WM* , Circuit Ct., Holmes County, MS, 12/31/02; *Thiebes v. WM* , USDC, Dist. of OR, 6/30/98; *Willey v. WM* , Dist. Ct. of Wyandotte County, KS, 9/21/01; *Williams v. WM* , Superior Ct. of CA, Alameda County, 3/23/04; *Williams v. WM* , USDC, Eastern Dist. of NY, 1/5/06; *Williams v. WM* , USDC, Dist of UT, Central Div., 1/20/06; *Wilson v. WM* , Common Pleas Ct. of Butler County, OH, 10/27/03; *Winters v. WM* , Circuit Ct., Holmes County, MS, 5/28/02; *Woods v. WM*, USDC, Dist. of ME, 1/12/06 ; *Works v. WM* , Circuit Ct., Miller County, AR, 5/18/05.

California Labor Code Cases : *Cruz v. WM* , Superior Ct. of CA, Los Angeles County, 10/24/03; *Fries v. SAM'S and WM* , Superior Ct. of CA, Los Angeles County, 06/28/04.

Exempt Status Cases : *Fox v. WM* , USDC, Middle Dist. of TN, 01/27/05; *Comer v. WM* , USDC, Western Dist. of MI, Northern Div., 2/27/04; *Highland v. WM* , USDC, Dist. of NM, 06/24/04; *Salvador v. SAM'S* , USDC, Central Dist. of CA, Western Div., 12/22/05; *Sepulveda v. WM* , USDC, Central Dist. of CA, Western Div., 1/14/04.

Dukes v. WM : *Dukes v. WM* , USDC, Northern Dist. of CA, San Francisco Div., 6/19/01; 9th Circuit Ct. of Appeals, San Francisco, CA, 8/26/04.

Mauldin v. WM : *Mauldin v. WM* , USDC, Northern Dist. of GA, Atlanta Div., 10/16/01.

EEOC (Smith) v. WM : *EEOC (Smith) v. WM* , USDC, Eastern Dist. of KY, London Div., 8/31/01.

II. ENVIRONMENTAL MATTERS : Item 103 of SEC Regulation S-K requires disclosure of certain environmental matters. The following matters are disclosed in accordance with that requirement:

The District Attorney for Solano County, California, has alleged that the Company's store in Vacaville, California, failed to comply with certain California statutes regulating hazardous waste and hazardous materials handling practices. Specifically, the County is alleging that the Company improperly disposed of a limited amount of damaged or returned product containing dry granular fertilizer and pesticides on or about April 3, 2002. The parties are currently negotiating toward a resolution of this matter.

The District Attorney for Orange County, California, has alleged that the Company's store in Foothill Ranch, California, failed to comply with certain California statutes regulating hazardous waste and hazardous materials handling

practices. Specifically, the County is alleging that the Company improperly disposed of a limited amount of damaged product containing dry granular pesticide on or about January 24, 2005. The parties are currently negotiating toward a resolution of this matter.

The EPA has alleged that the Company and one of its construction contractors have violated the EPA's stormwater regulations at a site in Caguas, Puerto Rico. The Administrative Complaint filed by the agency proposes an administrative penalty in the amount of \$157,500. The parties are currently negotiating toward a resolution of this matter.

On November 8, 2005, the Company received a grand jury subpoena from the United States Attorney's Office for the Central District of California, seeking documents and information relating to the Company's receipt, transportation, handling, identification, recycling, treatment, storage and disposal of certain merchandise that constitutes hazardous materials or hazardous waste. The Company has been informed by the U.S. Attorney's Office for the Central District of California that it is a target of a criminal investigation into potential violations of the Resource Conservation and Recovery Act ("RCRA"), the Clean Water Act, and the Hazardous Materials Transportation Statute. This U.S. Attorney's Office contends, among other things, that the use of Company trucks to transport certain returned merchandise from the Company's stores to its return centers is prohibited by RCRA because those materials may be considered hazardous waste. The government alleges that, to comply with RCRA, the Company must ship from the store certain materials as "hazardous waste" directly to a certified disposal facility using a certified hazardous waste carrier. The Company contends that the practice of transporting returned merchandise to its return centers for subsequent disposition, including disposal by certified facilities, is compliant with applicable laws and regulations.

Additionally, the U.S. Attorney's Office in the Northern District of California has initiated its own investigation regarding the Company's handling of hazardous materials and hazardous waste and the Company has received administrative document requests from the California Department of Toxic Substances Control requesting documents and information with respect to two of the Company's distribution facilities. Further, the Company also received a subpoena from the Los Angeles County District Attorney's Office for documents and administrative interrogatories requesting information, among other things, regarding the Company's handling of materials and hazardous waste. California state and local government authorities and the State of Nevada have also initiated investigations into these matters. The Company is cooperating fully with the respective authorities.

The Company cannot estimate the possible loss or range of loss which may arise from this matter.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's security holders during the last quarter of the fiscal year ended January 31, 2006.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Certain information required by this item is incorporated by reference to the "Number of Shareholders of Record" under the caption "11-Year Financial Summary", and all the information under the captions "Market Price of Common Stock," "Listings—Stock Symbol: WMT" and "Dividends Per Common Share" included in the Annual Report to Shareholders for the year ended January 31, 2006. Such information is included in an exhibit to this Annual Report on Form 10-K.

From time to time, we repurchase shares of our common stock under a \$10.0 billion share repurchase program authorized by our Board of Directors in September 2004. Shares purchased under our share repurchase program are constructively retired and returned to unissued status. There is no expiration date for or other restriction limiting the period over which we can make our share repurchases under the program which will expire if and when we have repurchased an aggregate of \$10.0 billion of shares.

We did not purchase any shares of our common stock under our share repurchase program during the quarter ended January 31, 2006. At January 31, 2006, \$6.1 billion of shares may be repurchased under our program. A nominal amount of shares were repurchased from employees during the fourth quarter of fiscal 2006 to satisfy the exercise price and tax withholding of certain stock option exercises.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this item is incorporated by reference to all information under the caption "11-Year Financial Summary" included in the Annual Report to Shareholders for the year ended January 31, 2006. Such information is included in an exhibit to this Annual Report on Form 10-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this item is incorporated by reference to all information under the caption "Management's Discussion and Analysis of Results of Operations and Financial Condition" included in the Annual Report to Shareholders for the year ended January 31, 2006. Such information is included in an exhibit to this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is incorporated by reference to all information under the sub-caption "Market Risk" of the caption "Management's Discussion and Analysis of Results of Operations and Financial Condition" included in the Annual Report to Shareholders for the year ended January 31, 2006. Such information is included in an exhibit to this Annual Report on Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is incorporated by reference to all information under the captions "Consolidated Statements of Income," "Consolidated Balance Sheets," "Consolidated Statements of Shareholders' Equity," "Consolidated Statements of Cash Flows," "Notes to Consolidated Financial Statements" and "Report of Independent Auditors" included in the Annual Report to Shareholders for the year ended January 31, 2006. Such information is included in an exhibit to this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES**Evaluation of Disclosure Controls and Procedures**

We maintain a system of disclosure controls and procedures that are designed to provide reasonable assurance that information, which is required to be timely disclosed, is accumulated and communicated to management in a timely fashion. In designing and evaluating such controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management is necessarily required to use judgment in evaluating controls and procedures. Also, we have investments in certain unconsolidated entities. Since we do not control or manage those entities, our controls and procedures with respect to those entities are substantially more limited than those we maintain with respect to our consolidated subsidiaries.

In the ordinary course of business, we review our system of internal control over financial reporting and make changes to our systems and processes to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems and automating manual processes.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was performed as of the end of the period covered by this report. This evaluation was performed under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

Management's Report on Internal Control Over Financial Reporting

Management's report on internal control over financial reporting and the attestation report of Ernst & Young LLP, the Company's independent registered public accounting firm, on management's assessment of internal control over financial reporting are included in our Annual Report to Shareholders for the year ended January 31, 2006, and are incorporated in this Item 9A by reference. Our Annual Report to Shareholders is included as an Exhibit to this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting that occurred during the fiscal quarter ended January 31, 2006, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required by this item with respect to the Company's directors and compliance by the Company's directors, executive officers and certain beneficial owners of the Company's Common Stock with Section 16(a) of the Securities Exchange Act of 1934 is incorporated by reference to all information under the captions entitled "Nominees for Election to the Board of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" from our Proxy Statement.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following chart names each of the executive officers of the Company, each of whom is elected by and serves at the pleasure of the Board of Directors. The business experience shown for each officer has been his principal occupation for at least the past five years.

<u>Name</u>	<u>Business Experience</u>	<u>Current Position Held Since</u>	<u>Age</u>
Eduardo Castro-Wright	Executive Vice President, President and Chief Executive Officer, Wal-Mart Stores Division U.S. From February 2005 to September 2005, he served as Executive Vice President and Chief Operating Officer, Wal-Mart Stores Division. From December 2002 to February 2005, he served as President and Chief Executive Officer, Wal-Mart de Mexico. From July 2001 to December 2002, he served as Senior Vice President and Chief Operating Officer, Wal-Mart de Mexico. Prior to July 2001, he served as President and Chief Executive Officer of Honeywell Transportation and Power Systems since 2000.	2005	51
Michael T. Duke	Vice Chairman, Responsible for Wal-Mart International. From April 2003 to September 2005, he served as Executive Vice President and President and Chief Executive Officer, Wal-Mart Stores Division. From July 2000 to April 2003, he served as Executive Vice President, Administration.	2005	56
David D. Glass	Chairman of the Executive Committee of the Board of Directors.	2000	70
Charles M. Holley, Jr.	Senior Vice President, Finance. From January 2003 to December 2005 he served as Senior Vice President and Controller. From March 1999 to January 2003, he served as Senior Vice President, Finance and Chief Financial Officer, Wal-Mart International.	2005	49
Thomas D. Hyde	Executive Vice President and Corporate Secretary. From June 2003 to June 2005, he served as Executive Vice President, Legal and Corporate Affairs and Corporate Secretary. From July 2001 to June 2003, he served as Executive Vice President, Senior General Counsel. Prior to July 2001, he served as Senior Vice President and General Counsel of Raytheon Company since 1992.	2005	57
Lawrence V. Jackson	Executive Vice President, People Division. Before joining Wal-Mart, he served as President and Chief Operating Officer of Dollar General Corporation since September 2003. Prior to Dollar General Corporation, he was Senior Vice President of supply operations for Safeway Inc.	2004	52

C. Douglas McMillon	Executive Vice President, President and Chief Executive Officer, SAM'S CLUB. From August 2002 to August 2005, he served as Executive Vice President, Merchandising and Replenishment, SAM'S CLUB. Prior to that Mr. McMillon served as Senior Vice President, General Merchandise Manager from October 1999 to August 2002.	2005	39
John B. Menzer	Vice Chairman, Responsible for U.S. From June 1999 to September 2005, he served as Executive Vice President and President and Chief Executive Officer, Wal-Mart International.	2005	55
Thomas M. Schoewe	Executive Vice President and Chief Financial Officer.	2000	53
H. Lee Scott, Jr.	President and Chief Executive Officer.	2000	57
S. Robson Walton	Chairman of the Board of Directors.	1992	61

Additional information regarding our Board and Committee Governing Documents, our Audit Committee, our director nomination process, and our Codes of Ethics for senior financial officers and other associates required by this item is incorporated by reference to all information under the caption entitled "Corporate Governance" included in our Proxy Statement. In addition, Item 1. Business, above contains information relating to the availability of a copy of this code on our website.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to all information under the caption entitled "Compensation of Directors," "Compensation, Nominating and Governance Committee Report on Executive Compensation," "Summary Compensation," "Option Grants In Last Fiscal Year," "Long-Term Incentive Plan-Awards in Fiscal 2006," "Termination of Employment Arrangements" and "Aggregated Option Exercises in Last Fiscal Year and Fiscal Year End Option Values" included in our Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to all information under the caption entitled "Stock Ownership", subcaptions "Holdings of Major Shareholders" and "Holdings of Officers and Directors" and under the caption "Equity Compensation Plan Information" included in our Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated by reference to all information under the caption "Related-Party Transactions" included in our Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to all information under the caption "Ratification of Independent Accountants" included in our Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) and (2) Consolidated Financial Statements

The financial statements listed in the following table, which are included in our Annual Report to Shareholders, are incorporated herein by reference to the portions of this Annual Report on Form 10-K filed as Exhibit 13 hereto.

	Annual Report to Shareholders
	<u>(page)</u>
Consolidated Statements of Income for each of the three years in the period ended January 31, 2006	30
Consolidated Balance Sheets at January 31, 2006 and 2005	31
Consolidated Statements of Shareholders' Equity for each of the three years in the period ended January 31, 2006	32
Consolidated Statements of Cash Flows for each of the three years in the period ended January 31, 2006	33
Notes to Consolidated Financial Statements	34
Report of Independent Registered Public Accounting Firm	48
Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting	49
Management's Report to Our Shareholders	50

All schedules have been omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the financial statements, including the notes thereto.

(3) Exhibits

The following documents are filed as exhibits to this Form 10-K:

- 3(a) Restated Certificate of Incorporation of the Company, is incorporated herein by reference to Exhibit 3(a) to the Annual Report on Form 10-K of the Company for the year ended January 31, 1989 (which document may be found and reviewed in the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, D.C. 20549, in the files therein relating to the Company, whose SEC file number is No. 1-6991), the Certificate of Amendment to the Restated Certificate of Incorporation is incorporated herein by reference to Registration Statement on Form S-8 (File Number 33-43315) and the Certificate of Amendment to the Restated Certificate of Incorporation is incorporated hereby by reference to the Current Report on Form 8-K of the Company, dated August 11, 1999 (which document may be found and reviewed in the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, D.C. 20549, in the files therein relating to the Company, whose SEC file number is No. 1-6991).
- 3(b) Amended and Restated Bylaws of the Company-are incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K of the Company dated March 8, 2005.
- 4(a) Form of Indenture dated as of June 1, 1985, between the Company and Bank of New York, Trustee, (formerly Boatmen's Trust Company and Centerre Trust Company) is incorporated herein by reference to Exhibit 4(c) to Registration Statement on Form S-3 (File Number 2-97917).
- 4(b) Form of Indenture dated as of August 1, 1985, between the Company and Bank of New York, Trustee, (formerly Boatmen's Trust Company and Centerre Trust Company) is incorporated herein by reference to Exhibit 4(c) to Registration Statement on Form S-3 (File Number 2-99162).
- 4(c) Form of Amended and Restated Indenture, Mortgage and Deed of Trust, Assignment of Rents and Security Agreement dated as of December 1, 1986, among the First National Bank of Boston and James E. Mogavero, Owner Trustees, Rewal Corporation I, Estate for Years Holder, Rewal Corporation II, Remainderman, the Company and the First National Bank of Chicago and R.D. Manella, Indenture Trustees, is incorporated herein by reference to Exhibit 4(b) to Registration Statement on Form S-3 (File Number 33-11394).
- 4(d) Form of Indenture dated as of July 15, 1990, between the Company and Harris Trust and Savings Bank, Trustee, is incorporated herein by reference to Exhibit 4(b) to Registration Statement on Form S-3 (File Number 33-35710).
- 4(e) Indenture dated as of April 1, 1991, between the Company and J.P. Morgan Trust Company, National Association, as successor trustee to Bank One Trust Company, NA, as successor trustee to The First National Bank of Chicago, Trustee, is incorporated herein by reference to Exhibit 4(a) to Registration Statement on Form S-3 (File Number 33-51344).
- 4(f) First Supplemental Indenture dated as of September 9, 1992, to the Indenture dated as of April 1, 1991, between the Company and J.P. Morgan Trust Company, National Association, as successor trustee to Bank One Trust Company, NA, as successor trustee to The First National Bank of Chicago, Trustee, is incorporated herein by reference to Exhibit 4(b) to Registration Statement on Form S-3 (File Number 33-51344).

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- 4(g) Indenture dated as of July 5, 2001, between the Company and J.P. Morgan Trust Company, National Association, as successor trustee to Bank One Trust Company, NA, is incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-3 (File Number 333-64740).
 - 4(h) Indenture dated as of December 11, 2002, between the Company and J.P. Morgan Trust Company, National Association, as successor trustee to Bank One Trust Company, NA, is incorporated by reference to Exhibit 4.5 to Registration Statement on Form S-3 (File Number 333-101847).
 - 4(i) Indenture dated as of July 19, 2005, between the Company and J.P. Morgan Trust Company, National Association is incorporated by reference to Exhibit 4.5 to Registration Statement on Form S-3 (File Number 333-126512)
 - + 10(a) Form of individual deferred compensation agreements is incorporated herein by reference to Exhibit 10(b) from the Annual Report on Form 10-K of the Company, as amended, for the fiscal year ended January 31, 1986 (which document may be found and reviewed in the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, D.C. 20549, in the files therein relating to the Company, whose SEC file number is No. 1-6991).
 - + 10(b) Wal-Mart Stores, Inc. Stock Option Plan of 1994 is incorporated herein by reference to Exhibit 4(c) to Registration Statement on Form S-8 (File Number 33-55325).
 - + 10(c) Wal-Mart Stores, Inc. Officer Deferred Compensation Plan as amended and restated effective March 31, 2003 is incorporated herein by reference to Exhibit 10(g) from the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2004, filed on April 9, 2004.
 - + 10(d) Wal-Mart Stores, Inc. Restricted Stock Plan is incorporated herein by reference to Exhibit 10(j) from the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 1997, filed on April 21, 1997.
 - + 10(e) 1996 Amendment to the Wal-Mart Stores, Inc. Stock Option Plan of 1994 is incorporated herein by reference to Exhibit 10(j) from the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 1998, filed on April 23, 1998.
 - + 10(f) 1997 Amendment to the Wal-Mart Stores, Inc. Stock Option Plan of 1994 is incorporated herein by reference to Exhibit 10(k) from the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 1998, filed on April 23, 1998.
 - + 10(g) Wal-Mart Stores, Inc. Stock Incentive Plan of 1998 as amended through January 15, 2004 is incorporated herein by reference to Exhibit 10(k) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2004, filed on April 9, 2004.
 - + 10(h) Wal-Mart Stores, Inc. Management Incentive Plan as amended and restated effective February 1, 2003 is incorporated herein by reference to Exhibit 10(l) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2004, filed on April 9, 2004.
 - + 10(i) The Rules of the Asda Sharesave Plan 2000, as amended June 4, 2004, are incorporated by reference to Exhibit 10(m) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2005, filed on March 31, 2005.
 - + 10(j) The Asda Colleague Share Ownership Plan 1999, as amended June 4, 2004, is incorporated by reference to Exhibit 10(n) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2005, filed on March 31, 2005.
 - + 10(k) Retirement Agreement, dated January 22, 2005 between the Company and Thomas M. Coughlin is incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of the Company dated January 25, 2005.

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- + 10(l) Form of Notice of Non Qualified Stock Option Grant, as amended January 3, 2005, is incorporated by reference to Exhibit 10(p) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2005, filed on March 31, 2005.
 - + 10(m) Form of Notification of Restricted Stock Award and Terms and Conditions of Award, as amended January 3, 2005, is incorporated by reference to Exhibit 10(q) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2005, filed on March 31, 2005.
 - + 10(n) Form of Notification of Stock Value Equivalent Award and Terms and Conditions of Award, is incorporated by reference to Exhibit 10(r) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2005, filed on March 31, 2005.
 - +10(o) Form of Post -Termination Agreement and Covenant Not to Compete with attached Schedule of Executive Officers Who Have Executed a Post-Termination Agreement and Covenant Not to Compete, Together with Summary of Material Differences From Form of Agreement Filed is incorporated by reference to Exhibit 10(o) from Amendment No. 1 to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2004, filed on August 26, 2004.
 - + 10(p) Wal-Mart Stores, Inc. 2004 Associate Stock Purchase Plan, as amended and restated effective as of February 1, 2004, is incorporated by reference to Exhibit 10(p) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2005, filed on March 31, 2005.
 - +10(q) Wal-Mart Stores, Inc. Stock Incentive Plan of 2005, as amended January 1, 2005, is incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of the Company dated June 9, 2005.
 - +10(r) Form of Wal-Mart Stores, Inc. Stock Incentive Plan, Notice of Non Qualified Stock Option Grant is incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of the Company dated June 9, 2005.
 - +10(s) Form of Wal-Mart Stores, Inc. Stock Incentive Plan, Restrictive Stock Award, Notification of Award and Terms and Conditions of Award is incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of the Company dated June 9, 2005.
 - +10(t) Form of Wal-Mart Stores, Inc. Stock Incentive Plan, Performance Share Award, Notification of Award and Terms and Conditions of Award is incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K of the Company dated June 9, 2005.
 - +10(u) Form of Wal-Mart Stores, Inc. Stock Incentive Plan, Performance Based Restrictive Stock Award, Notification of Award and Terms and Conditions of Award is incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of the Company, dated September 28, 2005.
 - +10(v) Amendment to form of Post-Termination Agreement and Covenant Not to Compete Agreements is incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of the Company, dated December 12, 2005.
 - +10(w) Amendment to form of Post-Termination Agreement and Covenant Not to Compete Agreements is incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of the Company dated December 12, 2005.
 - +10(x) Wal-Mart Stores, Inc. Supplemental Executive Retirement Plan (As Amended Effective January 1, 2005) is incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of the Company dated March 7, 2005.
 - +10(y) Wal-Mart Stores, Inc. Director Compensation Plan, Amended and Restated Effective January 1, 2005 (except as otherwise provided therein) is incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of the Company dated March 7, 2005.

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- *12 Ratio of Earnings to Fixed Charges.
 - *13 The Annual Report to Shareholders for the fiscal year ending January 31, 2006. All information incorporated by reference in Items 1, 2, 5, 6, 7, 7A, 8 and 9A of this Annual Report on Form 10-K from the Annual Report to Shareholders for the fiscal year ended January 31, 2006 is filed with the Commission. The balance of this information in the Annual Report to Shareholders is furnished to the Commission in accordance with Item 601(13) of Regulation S-K.
 - *21 List of the Company's Significant Subsidiaries.
 - *23 Consent of Independent Registered Public Accounting Firm.
 - *31.1 Chief Executive Officer Section 302 Certification.
 - *31.2 Chief Financial Officer Section 302 Certification.
 - **32.1 Chief Executive Officer Section 906 Certifications.
 - **32.2 Chief Financial Officer Section 906 Certifications.

* Filed herewith as an Exhibit.

** Furnished herewith as an Exhibit.

+ Management contracts and compensatory plans and arrangements required to be filed as exhibits pursuant to Item 15(b) of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Wal-Mart Stores, Inc.

DATE: March 29, 2006

By /s/ H. Lee Scott, Jr.
H. Lee Scott, Jr.
President and Chief
Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

DATE: March 29, 2006

By /s/ H. Lee Scott, Jr.
H. Lee Scott, Jr.
President and Chief
Executive Officer and Director

DATE: March 29, 2006

By /s/ S. Robson Walton
S. Robson Walton
Chairman of the Board and Director

DATE: March 29, 2006

By /s/ David D. Glass
David D. Glass
Chairman of the Executive Committee
of the Board, and Director

DATE: March 29, 2006

By /s/ Thomas M. Schoewe
Thomas M. Schoewe
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

DATE: March 29, 2006

By /s/ Charles M. Holley, Jr.
Charles M. Holley, Jr.
Senior Vice President, Finance
(Principal Accounting Officer)

DATE: March 29, 2006

By /s/ James W. Breyer
James W. Breyer
Director

DATE: March 29, 2006

By /s/ M. Michele Burns
M. Michele Burns
Director

DATE: March 29, 2006

By /s/ Douglas N. Daft
Douglas N. Daft
Director

DATE: March 29, 2006

By /s/ Roland A. Hernandez
Roland A. Hernandez
Director

DATE: March 29, 2006

By /s/ John D. Opie
John D. Opie
Director

DATE: March 29, 2006

By /s/ J. Paul Reason
J. Paul Reason
Director

DATE: March 29, 2006

By /s/ Jack C. Shewmaker
Jack C. Shewmaker
Director

DATE: March 29, 2006

By /s/ Jose H. Villarreal
Jose H. Villarreal
Director

DATE: March 29, 2006

By /s/ Jim C. Walton
Jim C. Walton
Director

DATE: March 29, 2006

By /s/ Christopher J. Williams
Christopher J. Williams
Director

DATE: March 29, 2006

By /s/ Linda S. Wolf
Linda S. Wolf
Director

RATIO OF EARNINGS TO FIXED CHARGES
(amounts in millions, except ratios)

	Fiscal Year				
	2006	2005	2004	2003	2002
Income from continuing operations before income tax	\$17,358	\$16,105	\$14,193	\$12,368	\$10,396
Capitalized interest	(157)	(120)	(144)	(124)	(130)
Minority interest	(324)	(249)	(214)	(193)	(183)
Adjusted income from continuing operations before income taxes	<u>16,877</u>	<u>15,736</u>	<u>13,835</u>	<u>12,051</u>	<u>10,083</u>
Fixed charges:					
Interest*	1,603	1,332	1,157	1,191	1,491
Interest component of rent	328	319	306	318	289
Total fixed charges	<u>1,931</u>	<u>1,651</u>	<u>1,463</u>	<u>1,509</u>	<u>1,780</u>
Income from continuing operations before income taxes and fixed charges	<u>\$18,808</u>	<u>\$17,387</u>	<u>\$15,298</u>	<u>\$13,560</u>	<u>\$11,863</u>
Ratio of Earnings to Fixed Charges	9.7x	10.5x	10.5x	9.0x	6.7x

* Includes interest on debt and capital leases, amortization of debt issuance costs and capitalized interest.

Certain reclassifications have been made to prior periods to conform to the current period presentation. In addition, the impact of McLane Company, Inc. as a discontinued operation has been removed for all periods presented.

Eleven-Year Financial Summary

WAL-MART

(Dollar amounts in millions except per share data)

Fiscal Year Ended January 31,

	2006	2005	2004
Operating Results			
Net sales	\$312,427	\$285,222	\$256,329
Net sales increase	9.5%	11.3%	11.6%
Comparative store sales increase in the United States ⁽¹⁾	3%	3%	4%
Cost of sales	\$240,391	\$219,793	\$198,747
Operating, selling, general and administrative expenses	56,733	51,248	44,909
Interest expense, net	1,172	986	832
Effective tax rate	33.4%	34.7%	36.1%
Income from continuing operations	\$ 11,231	\$ 10,267	\$ 8,861
Net income	11,231	10,267	9,054
Per share of common stock:			
Income from continuing operations, diluted	\$ 2.68	\$ 2.41	\$ 2.03
Net income, diluted	2.68	2.41	2.07
Dividends	0.60	0.52	0.36
Financial Position			
Current assets of continuing operations	\$ 43,824	\$ 38,854	\$ 34,421
Inventories	32,191	29,762	26,612
Property, equipment and capital lease assets, net	79,290	68,118	59,023
Total assets of continuing operations	138,187	120,154	105,405
Current liabilities of continuing operations	48,826	43,182	37,840
Long-term debt	26,429	20,087	17,102
Long-term obligations under capital leases	3,742	3,171	2,997
Shareholders' equity	53,171	49,396	43,623
Financial Ratios			
Current ratio	0.9	0.9	0.9
Return on assets ⁽²⁾	8.9%	9.3%	9.2%
Return on shareholders' equity ⁽³⁾	22.5%	22.6%	21.3%
Other Year-End Data			
Discount stores in the United States	1,209	1,353	1,478
Supercenters in the United States	1,980	1,713	1,471
SAM'S CLUBs in the United States	567	551	538
Neighborhood Markets in the United States	100	85	64
Units outside the United States	2,285	1,587	1,355

(1) Comparative store sales are considered to be sales at stores that were open as of February 1 of the prior fiscal year and have not been expanded or relocated since that date.

(2) Income from continuing operations before minority interest divided by average total assets.

(3) Income from continuing operations before minority interest divided by average shareholders' equity.

Financial information for all years has been restated to reflect the sale of McLane Company, Inc. ("McLane") that occurred in fiscal 2004. McLane is presented as a discontinued operation. All years have been restated for the fiscal 2004 adoption of the expense recognition provisions of Statement of Financial Accounting Standards No. 123, "Accounting and Disclosure of Stock-Based Compensation." In fiscal 2005, we adopted Statement of Financial Accounting Standards No. 123R, "Share-Based Payment," which did not result in a material impact to our financial statements.

In fiscal 2003, the Company adopted Financial Accounting Standards Board Statement No. 142, "Goodwill and Other Intangible Assets." In years prior to adoption, the Company recorded amortization expense related to goodwill.

2003	2002	2001	2000	1999	1998	1997	1996
\$229,616	\$204,011	\$180,787	\$156,249	\$130,522	\$112,005	\$99,627	\$89,051
12.6%	12.8%	15.7%	19.7%	16.5%	12.4%	11.9%	13.7%
5%	6%	5%	8%	9%	6%	5%	4%
\$178,299	\$159,097	\$140,720	\$121,825	\$102,490	\$ 88,163	\$78,897	\$70,485
39,983	35,147	30,822	26,025	21,778	18,831	16,437	14,547
927	1,183	1,196	840	598	716	807	863
35.2%	36.2%	36.5%	36.8%	37.4%	37.0%	36.8%	36.8%
\$ 7,818	\$ 6,448	\$ 6,087	\$ 5,394	\$ 4,240	\$ 3,424	\$ 2,978	\$ 2,689
7,955	6,592	6,235	5,324	4,397	3,504	3,042	2,737
\$ 1.76	\$ 1.44	\$ 1.36	\$ 1.21	\$ 0.95	\$ 0.76	\$ 0.65	\$ 0.58
1.79	1.47	1.39	1.19	0.98	0.77	0.66	0.59
0.30	0.28	0.24	0.20	0.16	0.14	0.11	0.10
\$ 29,543	\$ 26,615	\$ 25,344	\$ 23,478	\$ 20,064	\$ 18,589	\$17,385	\$16,779
24,401	22,053	20,987	19,296	16,361	16,005	15,556	15,667
51,374	45,248	40,461	35,533	25,600	23,237	19,935	18,554
92,900	81,549	76,231	68,983	48,513	44,221	38,571	36,621
32,225	26,795	28,366	25,525	16,155	13,930	10,432	10,944
16,597	15,676	12,489	13,653	6,887	7,169	7,685	8,483
3,000	3,044	3,152	3,000	2,697	2,480	2,304	2,089
39,461	35,192	31,407	25,878	21,141	18,519	17,151	14,757
0.9	1.0	0.9	0.9	1.2	1.3	1.7	1.5
9.2%	8.4%	8.6%	9.8%	9.5%	8.5%	8.0%	7.9%
20.9%	19.4%	21.3%	22.9%	21.4%	19.2%	18.7%	19.6%
1,568	1,647	1,736	1,801	1,869	1,921	1,960	1,995
1,258	1,066	888	721	564	441	344	239
525	500	475	463	451	443	436	433
49	31	19	7	4	—	—	—
1,272	1,154	1,054	991	703	589	314	276

The consolidation of The Seiyu, Ltd., had a significant impact on the fiscal 2006 financial position amounts in this summary. The acquisition of the ASDA Group PLC and the Company's related debt issuance had a significant impact on the fiscal 2000 amounts in this summary.

Years prior to 1998 have not been restated for the effects of the change in accounting method for SAM'S CLUB membership revenue recognition as the effects of this change would not have a material impact on this summary. The cumulative effect for this accounting change recorded in fiscal 2000 amounted to \$198 million net of tax.

Certain reclassifications have been made to prior periods to conform to current presentations.

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Management's Discussion and Analysis of Results of Operations and Financial Condition

WAL-MART

Overview

Wal-Mart Stores, Inc. ("Wal-Mart" or the "Company") is a global retailer committed to improving the standard of living for our customers throughout the world. We earn the trust of our customers every day by providing a broad assortment of quality merchandise and services at every day low prices ("EDLP") while fostering a culture that rewards and embraces mutual respect, integrity and diversity. EDLP is our pricing philosophy under which we price items at a low price every day so that our customers trust that our prices will not change erratically under frequent promotional activity. Our focus for SAM'S CLUB is to provide exceptional value on brand-name merchandise at "members only" prices for both business and personal use. Internationally, we operate with similar philosophies. Our fiscal year ends on January 31.

We intend for this discussion to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our financial statements. The discussion also provides information about the financial results of the various segments of our business to provide a better understanding of how those segments and their results affect the financial condition and results of operations of the Company as a whole. This discussion should be read in conjunction with our financial statements and accompanying notes as of January 31, 2006, and the year then ended.

Throughout this Management's Discussion and Analysis of Results of Operations and Financial Condition, we discuss segment operating income and comparative store sales. Segment operating income refers to income from continuing operations before net interest expense, income taxes and minority interest. Segment operating income does not include unallocated corporate overhead. Comparative store sales is a measure which indicates the performance of our existing stores by measuring the growth in sales for such stores for a particular period over the corresponding period in the prior year. For fiscal 2006 and prior years, we considered comparative store sales to be sales at stores that were open as of February 1st of the prior fiscal year and had not been expanded or relocated since that date. Stores that were expanded or relocated during that period are not included in the calculation. Comparative store sales is also referred to as "same-store" sales by others within the retail industry. The method of calculating comparative store sales varies across the retail industry. As a result, our calculation of comparative store sales is not necessarily comparable to similarly titled measures reported by other companies. Beginning in fiscal 2007, we changed our method of calculating comparative store sales. These changes are described in our Current Report on Form 8-K that we furnished to the SEC on February 2, 2006.

On May 23, 2003, we consummated the sale of McLane Company, Inc. ("McLane"), one of our wholly-owned subsidiaries, for \$1.5 billion. As a result of this sale, we classified McLane as a discontinued operation in the financial statements for fiscal 2004. McLane's external sales prior to the divestiture were \$4.3 billion in fiscal 2004. McLane continues to be a supplier to the Company.

Operations

Our operations are comprised of three business segments: Wal-Mart Stores, SAM'S CLUB and International.

Our Wal-Mart Stores segment is the largest segment of our business, accounting for approximately 67.2% of our fiscal 2006 net sales. This segment consists of three traditional retail formats, all of which are located in the United States, and Wal-Mart's online retail format, Walmart.com. Our traditional Wal-Mart Stores retail formats include:

- Supercenters, which average approximately 187,000 square feet in size and offer a wide assortment of general merchandise and a full-line supermarket;
- Discount stores, which average approximately 102,000 square feet in size and offer a wide assortment of general merchandise and a limited assortment of food products; and
- Neighborhood Markets, which average approximately 42,000 square feet in size and offer a full-line supermarket and a limited assortment of general merchandise.

Our SAM'S CLUB segment consists of membership warehouse clubs in the United States and the segment's online retail format, samsclub.com. SAM'S CLUB accounted for approximately 12.7% of our fiscal 2006 sales. Our SAM'S CLUBS in the United States average approximately 129,000 square feet in size.

As of January 31, 2006, our International operations were located in nine countries and Puerto Rico. Internationally, we generated approximately 20.1% of our fiscal 2006 sales. Outside the United States, we operate several different formats of retail stores and restaurants, including supercenters, discount stores and SAM'S CLUBS. Additionally, at January 31, 2006, we owned an unconsolidated 33.3% minority interest in Central American Retail Holding Company ("CARHCO"), a retailer operating in five Central American countries. In February 2006, we acquired a controlling interest in CARHCO.

The Retail Industry

We operate in the highly competitive retail industry in both the United States and abroad. We face strong sales competition from other discount, department, drug, variety and specialty stores and supermarkets, many of which are national chains. Additionally, we compete with a number of companies for prime retail site locations, as well as in attracting and retaining quality employees ("associates"). We, along with other retail companies, are influenced by a number of factors including, but not limited to: cost of goods, consumer debt levels, economic conditions, interest rates, customer preferences, employment, labor costs, inflation, currency exchange fluctuations, fuel prices, weather patterns and insurance costs. Our SAM'S CLUB segment faces strong sales competition from other wholesale club operators, as well as other retailers. Further information on risks to our Company can be located in Item 1A, Risk Factors, in our Annual Report on Form 10-K for the year ended

Management's Discussion and Analysis of Results of Operations and Financial Condition

WAL-MART

Key Items in Fiscal 2006

Significant financial items during fiscal 2006 include:

- Net sales increased 9.5% from fiscal 2005 to \$312.4 billion in fiscal 2006, and net income increased 9.4% to \$11.2 billion. Foreign currency exchange rates favorably impacted sales and operating income by \$1.5 billion and \$64 million, respectively, in fiscal 2006.
- Net cash provided by operating activities was \$17.6 billion for fiscal 2006. During fiscal 2006, we repurchased \$3.6 billion of our common stock under our share repurchase program and paid dividends of \$2.5 billion. Additionally during fiscal 2006, we issued \$7.7 billion in long-term debt, repaid \$2.7 billion of long-term debt and funded a net decrease in commercial paper of \$704 million.
- Total assets increased 15.0%, to \$138.2 billion at January 31, 2006, when compared to January 31, 2005. During fiscal 2006, we made \$14.6 billion of capital expenditures which was an increase of 13.0% over capital expenditures of \$12.9 billion in fiscal 2005.
- When compared to fiscal 2005, our Wal-Mart Stores segment experienced an 8.2% increase in operating income and a 9.4% increase in net sales in fiscal 2006.
- SAM'S CLUB's continued focus on our business members helped drive an 8.2% increase in operating income on a 7.2% increase in net sales when comparing fiscal 2006 with fiscal 2005.
- Our International segment generated a net sales and operating income increase of 11.4% compared to fiscal 2005.

Company Performance Measures

Management uses a number of metrics to assess the Company's performance. The following are the more frequently used metrics:

- Comparative store sales is a measure which indicates the performance of our existing stores by measuring the growth in sales for such stores for a particular period over the corresponding period in the prior year. Our Wal-Mart Stores segment's comparative store sales were 3.0% for fiscal 2006 versus 2.9% for fiscal 2005. Our SAM'S CLUB segment's comparative club sales were 5.0% in fiscal 2006 versus 5.8% in fiscal 2005.
- Operating income growth greater than net sales growth has long been a measure of success for us. For fiscal 2006, our operating income increased by 8.4% when compared to fiscal 2005, while net sales increased by 9.5% over the same period. Our SAM'S CLUB segment met this target; however, the Wal-Mart Stores segment fell short of the target, while the International segment grew operating income at the same rate as net sales.
- Inventory growth at a rate less than that of net sales is a key measure of our efficiency. However, our increased purchases of imported merchandise and recent acquisition activity impact this measure. Total inventories at January 31, 2006, were up 8.2% over levels at January 31, 2005, and net sales were up 9.5% when comparing fiscal 2006 with fiscal 2005. Approximately 150 basis points of the fiscal 2006 increase in inventory was from increased levels of imported merchandise, which carries a longer lead time, and an additional 170 basis points was from the consolidation of The Seiyu, Ltd. and the purchase of Sonae Distribuição Brasil S.A.
- With an asset base as large as ours, we are focused on continuing to make certain our assets are productive. It is important for us to sustain our return on assets. Return on assets is defined as income from continuing operations before minority interest divided by average total assets. Return on assets for fiscal 2006, 2005 and 2004 was 8.9%, 9.3% and 9.2%, respectively. Return on assets in fiscal 2006 was impacted by acquisition activity in the fourth quarter.

Results of Operations

The Company and each of its operating segments had net sales (in millions), as follows:

Fiscal Year Ended January 31,	2006			2005			2004	
	Net sales	Percent of total	Percent increase	Net sales	Percent of total	Percent increase	Net sales	Percent of total
Wal-Mart Stores	\$209,910	67.2%	9.4%	\$191,826	67.3%	10.1%	\$174,220	68.0%
SAM'S CLUB	39,798	12.7%	7.2%	37,119	13.0%	7.5%	34,537	13.5%
International	62,719	20.1%	11.4%	56,277	19.7%	18.3%	47,572	18.5%
Total net sales	<u>\$312,427</u>	<u>100.0%</u>	<u>9.5%</u>	<u>\$285,222</u>	<u>100.0%</u>	<u>11.3%</u>	<u>\$256,329</u>	<u>100.0%</u>

Our total net sales increased by 9.5% and 11.3% in fiscal 2006 and 2005 when compared to the previous fiscal year. Those increases resulted from our expansion programs and comparative store sales increases in the United States. Comparative store sales increased 3.4% in fiscal 2006 and 3.3% in fiscal 2005. As we continue to add new stores in the United States, we do so with an understanding that additional stores may take sales away from existing units. We estimate that comparative store sales in fiscal 2006, 2005 and 2004 were negatively impacted by the opening of new stores by approximately 1% per year. We expect that this effect of opening new stores on comparable store sales will continue during fiscal 2007 at a similar rate.

During fiscal 2006 and 2005, foreign currency exchange rates had a \$1.5 billion and \$3.2 billion favorable impact, respectively, on the International segment's net sales, causing an increase in the International segment's net sales as a percentage of total net sales relative to the Wal-Mart Stores and SAM'S CLUB segments. Additionally, the decrease in the SAM'S CLUB segment's net sales as a percent of total Company sales in fiscal 2006 and 2005 when compared to the previous fiscal years resulted from the more rapid development of new stores in the International and Wal-Mart Stores segments than the SAM'S CLUB segment. We expect this trend to continue for the foreseeable future.

Our total gross profit as a percentage of net sales (our "gross margin") was 23.1%, 22.9% and 22.5% in fiscal 2006, 2005 and 2004, respectively. Our Wal-Mart Stores and International segment sales yield higher gross margins than our SAM'S CLUB segment. Accordingly, the greater increases in net sales for the Wal-Mart Stores and International segments in fiscal 2006 and 2005 had a favorable impact on the Company's total gross margin.

Operating, selling, general and administrative expenses ("operating expenses") as a percentage of net sales were 18.2%, 17.9% and 17.5% for fiscal 2006, 2005 and 2004, respectively. The increase in operating expenses as a percentage of total net sales was primarily due to a faster rate of growth in operating expenses in our Wal-Mart Stores and International segments, which have higher operating expenses as a percentage of segment net sales than our SAM'S CLUB segment. Operating expenses in fiscal 2006 were higher as a percentage of net sales because of increases in utilities, maintenance and repairs and advertising. Increases in these expenses in fiscal 2006 were partially offset by reduced payroll costs as a percentage of net sales. Operating expenses in fiscal 2005 were impacted by the Wal-Mart Stores and SAM'S CLUB segments' implementation of a new job classification and pay structure for hourly field associates in the United States. The job classification and pay structure, which was implemented in the second quarter of fiscal 2005, was designed to help maintain internal equity and external competitiveness.

Operating expenses in fiscal 2004 were impacted by the adoption of Emerging Issues Task Force Issue No. 02-16, "Accounting by a Reseller for Cash Consideration Received from a Vendor" ("EITF 02-16"). The adoption of EITF 02-16 resulted in an after-tax reduction in fiscal 2004 net income of approximately \$140 million.

Interest, net, as a percentage of net sales increased from fiscal 2004 through fiscal 2006. The increase was due to higher borrowing levels and higher interest rates during the period from fiscal 2004 through fiscal 2006. The \$186-million increase in interest, net, in fiscal 2006 consisted of a \$221-million increase due to higher borrowing levels and \$99 million due to higher interest rates, partially offset by a benefit from refund of IRS interest paid, reversal of interest on income tax accruals for prior years, and reduced levels of interest on fiscal 2006 income tax accruals. The \$154-million increase in interest, net, in fiscal 2005 consisted of a \$139-million increase due to higher borrowing levels, a \$26-million decrease due to changing interest rates and a \$41-million increase in interest on income tax accruals.

Our effective income tax rates for fiscal 2006, 2005 and 2004 were 33.4%, 34.7% and 36.1%, respectively. The fiscal 2006 rate was less than the fiscal 2005 rate due primarily to adjustments in deferred income taxes and resolutions of certain federal and state tax contingencies. The fiscal 2005 rate was less than the fiscal 2004 rate due to the October 2004 passage of the Working Families Tax-Relief Act of 2004, which retroactively extended the work opportunity tax credit for fiscal 2005. In addition, the fiscal 2004 effective tax rate was impacted by an increase in the deferred tax asset valuation allowance as a result of tax legislation in Germany. This legislation required us to reevaluate the recoverability of deferred tax assets in Germany, resulting in a \$150 million increase in the fiscal 2004 provision for income taxes.

In fiscal 2006, we earned net income of \$11.2 billion, a 9.4% increase over fiscal 2005. In fiscal 2005, we earned income from continuing operations of \$10.3 billion, a 15.9% increase over fiscal 2004. Net income in fiscal 2005 increased 13.4% from fiscal 2004 largely as a result of the increase in income from continuing operations described above, net of the \$193 million provided from the discontinued operations and sale of McLane in fiscal 2004.

Wal-Mart Stores Segment

Fiscal Year	Segment Net Sales Increase		Segment Operating Income (in millions)	Segment Operating Income Increase from Prior Fiscal Year	Operating Income as a Percentage of Segment Sales
	from Prior Fiscal Year				
2006	9.4%		\$15,324	8.2%	7.3%
2005	10.1%		14,163	9.7%	7.4%
2004	10.9%		12,916	9.1%	7.4%

The segment net sales increases in fiscal 2006 and fiscal 2005 from the prior fiscal years resulted from comparative store sales increases of 3.0% in fiscal 2006 and 2.9% in fiscal 2005, in addition to our expansion program. Market development strategies in fiscal 2006 continued to put pressures on comparative stores sales increases as new stores were opened within the trade area of established stores. We have developed several initiatives to help mitigate this pressure and to grow comparable store sales through becoming more relevant to the customer by creating a better store shopping experience, continual improvement in product assortment and an aggressive store upgrade program to be instituted over the next 18 months.

Management's Discussion and Analysis of Results of Operations and Financial Condition

WAL-MART

Our expansion programs consist of opening new units, converting discount stores to supercenters, relocations that result in more square footage, as well as expansions of existing stores. Segment expansion during fiscal 2006 included the opening of 24 discount stores, 15 Neighborhood Markets and 267 supercenters (including the conversion and/or relocation of 166 existing discount stores into supercenters). Two discount stores closed in fiscal 2006. During fiscal 2006, our total expansion program added approximately 39 million of store square footage, an 8.6% increase. Segment expansion during fiscal 2005 included the opening of 36 discount stores, 21 Neighborhood Markets and 242 supercenters (including the conversion and/or relocation of 159 existing discount stores into supercenters). Two discount stores closed in fiscal 2005. During fiscal 2005, our total expansion program added approximately 36 million of store square footage, an 8.6% increase.

Fiscal 2006 segment operating income was down 0.1% as a percentage of segment net sales. This decrease was driven by a 4 basis point decline in gross margin and an 8 basis point increase in operating expenses, partially offset by a slight increase in other income as a percentage of segment net sales. This gross margin decrease from fiscal 2005 can be attributed to the continued increase in sales of our lower-margin food items as a percentage of total segment net sales, rising transportation costs, and the unfavorable impact of an adjustment to our product warranty liabilities in fiscal 2006. The segment's operating expenses as a percentage of segment net sales in fiscal 2006 were higher than fiscal 2005 primarily due to expense pressures from utilities and advertising costs.

While our fiscal 2005 segment operating income as a percentage of segment net sales was unchanged from fiscal 2004, segment gross margin and operating expenses as a percentage of segment net sales were each up 0.4% for the year. Our gross margin improvement in fiscal 2005 can be primarily attributed to our global sourcing effort and reductions in markdowns and shrinkage as a percentage of segment net sales for fiscal 2005 when compared to fiscal 2004. The segment's operating expenses in fiscal 2005 as a percentage of segment net sales were higher than fiscal 2004 primarily due to expense pressures from associate wages and accident costs. Wages primarily increased due to our new job classification and pay structure, which was implemented in the second quarter of fiscal 2005.

SAM'S CLUB Segment

Fiscal Year	Segment Net Sales Increase		Segment Operating Income (in millions)	Segment Operating Income Increase from Prior Fiscal Year	Operating Income as a Percentage of Segment Sales
	from Prior Fiscal Year				
2006	7.2%		\$1,385	8.2%	3.5%
2005	7.5%		1,280	13.7%	3.4%
2004	8.9%		1,126	10.1%	3.3%

Growth in net sales for the SAM'S CLUB segment in fiscal 2006 and fiscal 2005 resulted from comparative club sales increases of 5.0% in fiscal 2006 and 5.8% in fiscal 2005, along with our expansion program. Comparative club sales in fiscal 2006 increased at a slower rate than in fiscal 2005 primarily due to lower growth rates in certain fresh and hardline categories. The impact of fuel sales contributed 130 basis points and 121 basis points to fiscal 2006 and 2005 comparative club sales, respectively. We believe that a greater focus on providing a quality in-club experience for our members will improve overall sales, including sales in these categories. Segment expansion consisted of the opening of 17 new clubs in fiscal 2006 and 13 clubs in fiscal 2005. One club closed in fiscal 2006. Our total expansion program added approximately 3 million of additional club square footage, or 3.8%, in fiscal 2006 and approximately 3 million, or 3.7%, of additional club square footage in fiscal 2005.

Segment operating income as a percentage of segment net sales increased slightly in fiscal 2006 when compared to fiscal 2005. The increase was due to an improvement in operating expenses and other income as a percentage of segment net sales, partially offset by a slight decrease in gross margin as a percentage of segment net sales. Operating expenses as a percentage of segment net sales improved primarily due to lower wage and accident costs in fiscal 2006 when compared to fiscal 2005, partially offset by the impact of increased utility costs. The increase in other income as a percentage of segment net sales was primarily the result of income recognized from higher membership sales in fiscal 2006. Gross margin as a percentage of net sales decreased due to strong sales in certain lower margin categories, including fuel and tobacco, during fiscal 2006.

Segment operating income as a percentage of segment net sales increased slightly in fiscal 2005 when compared to fiscal 2004 due to an improvement in gross margin, partially offset by an increase in operating expenses as a percentage of segment net sales and the impact of the adoption of EITF 02-16 in fiscal 2004. The improvement in gross margin was primarily a result of strong sales in higher margin categories. Operating expenses as a percentage of segment net sales increased due to higher wage costs resulting from our new job classification and pay structure, which was implemented in the second quarter of fiscal 2005. The adoption of EITF 02-16 resulted in a decrease to the segment's operating income in fiscal 2004 of \$44 million.

International Segment

Fiscal Year	Segment Net Sales Increase from Prior Fiscal Year	Segment Operating Income (in millions)	Segment Operating Income Increase from Prior Fiscal Year	Operating income as a Percentage of Segment Sales
2006	11.4%	\$3,330	11.4%	5.3%
2005	18.3%	2,988	26.1%	5.3%
2004	16.6%	2,370	18.6%	5.0%

At January 31, 2006, our International segment was comprised of wholly-owned operations in Argentina, Brazil, Canada, Germany, South Korea, Puerto Rico and the United Kingdom, the operation of joint ventures in China and the operations of majority-owned subsidiaries in Japan and Mexico.

The fiscal 2006 increase in the International segment's net sales primarily resulted from improved operating execution, our international expansion program and the impact of changes in foreign currency exchange rates. In fiscal 2006, the International segment opened 698 units, net of relocations and closings, which added 52 million, or 39.2%, of additional unit square footage. This includes the acquisition of Sonae Distribuição Brasil S.A., ("Sonae") in Southern Brazil, which added 139 stores and 11 million square feet in December 2005, and the consolidation of The Seiyu, Ltd. in Japan, which added 398 stores and 29 million square feet in December 2005. Additionally, the impact of changes in foreign currency exchange rates favorably affected the translation of International segment sales into U.S. dollars by an aggregate of \$1.5 billion in fiscal 2006.

The fiscal 2005 increase in the International segment's net sales primarily resulted from improved operating execution, our international expansion program and the impact of foreign currency exchange rate changes. In fiscal 2005, the International segment opened 232 units, net of relocations and closings, which added 18 million, or 15.6%, of additional unit square footage. This includes the acquisition of Bompreço S.A. Supermercados do Nordeste in Brazil, which added 118 stores and approximately 8 million square feet in February 2004. Additionally, the impact of changes in foreign currency exchange rates favorably affected the translation of International segment sales into U.S. dollars by an aggregate of \$3.2 billion in fiscal 2005.

Fiscal 2006 sales at our United Kingdom subsidiary, ASDA, were 42.7% of the International segment net sales. Sales for ASDA included in our consolidated income statement during fiscal 2006, 2005, and 2004 were \$26.8 billion, \$26.0 billion, and \$21.7 billion, respectively.

While fiscal 2006 International segment operating income as a percentage of segment net sales was unchanged from fiscal 2005, segment gross margin was up 0.5%. This improvement in segment gross margin was offset by an increase in operating expenses and a decrease in other income, both as a percentage of segment net sales. The International segment's improvement in gross margin is primarily due to a favorable shift in the mix of products sold toward general merchandise categories which carry a higher margin. The 0.3% increase in operating expenses was driven primarily by increased advertising, utility and insurance expenditures. Other income declined 0.2% in fiscal 2006 primarily due to a reduction in current year rental income in Canada and a payroll tax recovery in Mexico in fiscal 2005. Fiscal 2006 operating income includes a favorable impact of \$64 million from changes in foreign currency exchange rates.

The fiscal 2005 increase in segment operating income as a percentage of segment net sales compared with fiscal 2004 resulted primarily from a 0.3% improvement in gross margin. The improvement in gross margin was due to a favorable shift in the mix of products sold toward general merchandise categories. Fiscal 2005 operating income includes a favorable impact of \$150 million from changes in foreign currency exchange rates.

Future financial results for our foreign operations could be affected by factors such as changes in foreign currency exchange rates, weak economic conditions, changes in tax law and government regulations in the foreign markets in which we operate.

Liquidity and Capital Resources

Overview

Cash flows provided by operating activities supply us with a significant source of liquidity. Our cash flows from operating activities were \$17.6 billion in fiscal 2006 compared with \$15.0 billion in fiscal 2005. The increase in cash flows provided by operating activities was primarily attributable to improved income from operations and improved inventory management resulting in accounts payable growing at a faster rate than inventory.

Our cash flows from operating activities of continuing operations were \$15.0 billion in fiscal 2005, compared with \$15.9 billion in fiscal 2004. This decrease was primarily attributable to differences in the timing of payroll, income and other taxes, supplier payments and the timing of the collection of receivables in fiscal 2005 compared with fiscal 2004.

In fiscal 2006, we paid dividends of \$2.5 billion, made \$14.6 billion in capital expenditures, paid \$3.6 billion to repurchase shares of our common stock, received \$7.7 billion from the issuance of long-term debt, repaid \$2.7 billion of long-term debt and repaid \$704 million of commercial paper (net of issuances).

Working Capital

Current liabilities exceeded current assets at January 31, 2006, by \$5.0 billion, an increase of \$622 million from January 31, 2005. Our ratio of current assets to current liabilities was 0.9 to 1 at January 31, 2006 and 2005. At January 31, 2006, we had total assets of \$138.2 billion compared with total assets of \$120.2 billion at January 31, 2005.

Management's Discussion and Analysis of Results of Operations and Financial Condition

WAL-MART

Company Share Repurchase Program

From time to time, we repurchase shares of our common stock under a \$10.0 billion share repurchase program authorized by our Board of Directors in September 2004. During the first half of fiscal 2006, we repurchased \$3.6 billion of shares under this repurchase program. No shares of our common stock were repurchased under this program in the third or fourth quarters of fiscal 2006. During fiscal 2005, we repurchased \$4.5 billion of shares under the current and past authorizations. At January 31, 2006, approximately \$6.1 billion of additional shares may be repurchased under the current authorization.

There is no expiration date for or other restriction limiting the period over which we can make our share repurchases under the program, which will expire only when and if we have repurchased \$10.0 billion of our shares under the program. Under the program, repurchased shares are constructively retired and returned to unissued status. We consider several factors in determining when to make share repurchases, including among other things, our current cash needs, the ratio of our debt to our total capitalization, our cost of borrowings, and the market price of the stock.

Common Stock Dividends

We paid dividends totaling approximately \$2.5 billion or \$0.60 per share in fiscal 2006. The dividends paid in fiscal 2006 represent a 15.4% increase over fiscal 2005. The fiscal 2005 dividend of \$0.52 per share represented a 44.4% increase over fiscal 2004. We have increased our dividend every year since the first dividend was declared in March 1974.

On March 2, 2006, the Company's Board of Directors approved an increase in annual dividends to \$0.67 per share. The annual dividend will be paid in four quarterly installments on April 3, 2006, June 5, 2006, September 5, 2006, and January 2, 2007 to holders of record on March 17, May 19, August 18 and December 15, 2006, respectively.

Contractual Obligations and Other Commercial Commitments

The following table sets forth certain information concerning our obligations and commitments to make contractual future payments, such as debt and lease agreements, and contingent commitments:

<i>(In millions)</i>	Payments due during fiscal years ending January 31,				
	Total	2007	2008-2009	2010-2011	Thereafter
Recorded Contractual Obligations					
Long-term debt	\$31,024	\$ 4,595	\$ 6,178	\$ 7,516	\$ 12,735
Commercial paper	3,754	3,754	—	—	—
Capital lease obligations	6,380	592	1,138	1,040	3,610
Unrecorded Contractual Obligations:					
Non-cancelable operating leases	9,683	797	1,461	1,220	6,205
Interest on long-term debt	14,823	1,419	2,374	1,848	9,182
Undrawn lines of credit	5,296	5,296	—	—	—
Trade letters of credit	2,593	2,593	—	—	—
Standby letters of credit	2,800	2,800	—	—	—
Purchase obligations	19,872	10,519	9,023	218	112
Total commercial commitments	\$96,225	\$32,365	\$20,174	\$11,842	\$ 31,844

Purchase obligations include all legally binding contracts such as firm commitments for inventory purchases, utility purchases, as well as commitments to make capital expenditures, software acquisition/license commitments and legally binding service contracts. Purchase orders for the purchase of inventory and other services are not included in the table above. Purchase orders represent authorizations to purchase rather than binding agreements. For the purposes of this table, contractual obligations for purchase of goods or services are defined as agreements that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Our purchase orders are based on our current inventory needs and are fulfilled by our suppliers within short time periods. We also enter into contracts for outsourced services; however, the obligations under these contracts are not significant and the contracts generally contain clauses allowing for cancellation without significant penalty.

The expected timing for payment of the obligation discussed above is estimated based on current information. Timing of payments and actual amounts paid may be different depending on the timing of receipt of goods or services or changes to agreed-upon amounts for some obligations.

Off Balance Sheet Arrangements

In addition to the unrecorded contractual obligations discussed and presented above, the Company has made certain guarantees as discussed below for which the timing of payment, if any, is unknown.

In connection with certain debt financing, we could be liable for early termination payments if certain unlikely events were to occur. At January 31, 2006, the aggregate termination payment was \$89 million. These two arrangements expire in fiscal 2011 and fiscal 2019.

In connection with the development of our grocery distribution network in the United States, we have agreements with third parties which would require us to purchase or assume the leases on certain unique equipment in the event the agreements are terminated. These agreements, which can be terminated by either party at will, cover up to a five-year period and obligate the Company to pay up to approximately \$233 million upon termination of some or all of these agreements.

There are no recourse provisions which would enable us to recover from third parties any amounts paid under the above guarantees. No liability for these guarantees has been recorded in our financial statements.

The Company has entered into lease commitments for land and buildings for 60 future locations. These lease commitments with real estate developers provide for minimum rentals ranging from five to 35 years, which, if consummated based on current cost estimates, will approximate \$95 million annually over the lease terms.

Capital Resources

During fiscal 2006, we issued \$7.7 billion of long-term debt. The net proceeds from the issuance of such long-term debt were used to repay outstanding commercial paper indebtedness and for other general corporate purposes.

At January 31, 2006 and 2005, the ratio of our debt to our total capitalization was 42% and 39%, respectively. The fiscal 2006 consolidation of Seiyu and purchase of Sonae increased our debt to total capitalization at January 31, 2006, by 2.5 percentage points. Our objective is to maintain a debt to total capitalization ratio averaging approximately 40%.

Management believes that cash flows from operations and proceeds from the sale of commercial paper will be sufficient to finance any seasonal buildups in merchandise inventories and meet other cash requirements. If our operating cash flows are not sufficient to pay dividends and to fund our capital expenditures, we anticipate funding any shortfall in these expenditures with a combination of commercial paper and long-term debt. We plan to refinance existing long-term debt as it matures and may desire to obtain additional long-term financing for other corporate purposes. We anticipate no difficulty in obtaining long-term financing in view of our credit rating and favorable experiences in the debt market in the recent past. The following table details the ratings of the credit rating agencies that rated our outstanding indebtedness at January 31, 2006.

<u>Rating agency</u>	<u>Commercial paper</u>	<u>Long-term debt</u>
Standard and Poor's	A-1 +	AA
Moody's Investors Service	P-1	Aa2
Fitch Ratings	F1 +	AA
Dominion Bond Rating Service	R-1(middle)	AA

In February 2006, we entered into a £150 million revolving credit facility in the United Kingdom. Interest on borrowings under the credit facility accrues at LIBOR plus 25 basis points.

Future Expansion

Capital expenditures for fiscal 2007 are expected to be approximately \$17.5 billion, including additions of capital leases. These fiscal 2007 expenditures will include the construction of 20 to 30 new discount stores, 270 to 280 new supercenters (with relocations or expansions accounting for approximately 160 of those supercenters), 15 to 20 new Neighborhood Markets, 30 to 40 new SAM'S CLUBs (with relocations or expansions accounting for 20 of those SAM'S CLUBs) and 220 to 230 new units in our International segment (with relocations or expansions accounting for approximately 35 of those units). We plan to finance this expansion, and any acquisitions of other operations that we may make during fiscal 2007, primarily out of cash flows from operations.

Market Risk

In addition to the risks inherent in our operations, we are exposed to certain market risks, including changes in interest rates and changes in foreign currency exchange rates.

The analysis presented for each of our market risk sensitive instruments is based on a 10% change in interest or foreign currency exchange rates. These changes are hypothetical scenarios used to calibrate potential risk and do not represent our view of future market changes. As the hypothetical figures indicate, changes in fair value based on the assumed change in rates generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. The effect of a variation in a particular assumption is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which may magnify or counteract the sensitivities.

At January 31, 2006 and 2005, we had \$31.0 billion and \$23.8 billion, respectively, of long-term debt outstanding. Our weighted average effective interest rate on long-term debt, after considering the effect of interest rate swaps, was 4.79% and 4.08% at January 31, 2006 and 2005, respectively. A hypothetical 10% increase in interest rates in effect at January 31, 2006 and 2005, would have increased annual interest expense on borrowings outstanding at those dates by \$48 million and \$25 million, respectively.

At January 31, 2006 and 2005, we had \$3.8 billion of outstanding commercial paper obligations. The rate, including fees, on these obligations at January 31, 2006 and 2005, was 3.9% and 2.9%, respectively. A hypothetical 10% increase in commercial paper rates in effect at January 31, 2006 and 2005, would have increased annual interest expense on the outstanding balances on those dates by \$14 million and \$11 million, respectively.

Management's Discussion and Analysis of Results of Operations and Financial Condition

WAL-MART

We enter into interest rate swaps to minimize the risks and costs associated with financing activities, as well as to maintain an appropriate mix of fixed- and floating-rate debt. Our preference is to maintain approximately 50% of our debt portfolio, including interest rate swaps, in floating-rate debt. The swap agreements are contracts to exchange fixed- or variable-rates for variable- or fixed-interest rate payments periodically over the life of the instruments. The aggregate fair value of these swaps was a gain of approximately \$133 million and \$472 million at January 31, 2006 and 2005, respectively. A hypothetical increase (or decrease) of 10% in interest rates from the level in effect at January 31, 2006, would result in a (loss) or gain in value of the swaps of (\$103 million) or \$104 million, respectively. A hypothetical increase (or decrease) of 10% in interest rates from the level in effect at January 31, 2005, would result in a (loss) or gain in value of the swaps of (\$123 million) or \$126 million, respectively.

We hold currency swaps to hedge the foreign currency exchange component of our net investments in the United Kingdom and Japan. In addition, we hold a cross-currency swap which hedges the foreign currency risk of debt denominated in currencies other than the local currency. The aggregate fair value of these swaps at January 31, 2006 and 2005, was a loss of \$244 million and \$169 million, respectively. A hypothetical 10% increase (or decrease) in the foreign currency exchange rates underlying these swaps from the market rate would result in a (loss) or gain in the value of the swaps of (\$96 million) and \$78 million at January 31, 2006, and (\$90 million) and \$71 million at January 31, 2005. A hypothetical 10% change in interest rates underlying these swaps from the market rates in effect at January 31, 2006 and 2005, would have an insignificant impact on the value of the swaps.

In addition to currency swaps, we have designated debt of approximately £2.0 billion as of January 31, 2006 and 2005, as a hedge of our net investment in the United Kingdom. At January 31, 2006, a hypothetical 10% increase (or decrease) in value of the U.S. dollar relative to the British pound would result in a gain (or loss) in the value of the debt of \$359 million. At January 31, 2005, a hypothetical 10% increase (or decrease) in value of the U.S. dollar relative to the British pound would result in a gain (or loss) in the value of the debt of \$380 million. In addition, we have designated debt of approximately ¥87.1 billion as of January 31, 2006 as a hedge of our net investment in Japan. At January 31, 2006, a hypothetical 10% increase (or decrease) in value of the U.S. dollar relative to the Japanese yen would result in a gain (or loss) in the value of the debt of \$75 million.

Summary of Critical Accounting Policies

Management strives to report the financial results of the Company in a clear and understandable manner, although in some cases accounting and disclosure rules are complex and require us to use technical terminology. In preparing our consolidated financial statements, we follow accounting principles generally accepted in the United States. These principles require us to make certain estimates and apply judgments that affect our financial position and results of operations as reflected in our financial statements. These judgments and estimates are based on past events and expectations of future outcomes. Actual results may differ from our estimates.

Management continually reviews its accounting policies, how they are applied and how they are reported and disclosed in our financial statements. Following is a summary of our more significant accounting policies and how they are applied in preparation of the financial statements.

Inventories

We value our inventories at the lower of cost or market as determined primarily by the retail method of accounting, using the last-in, first-out ("LIFO") method for substantially all merchandise inventories in the United States, except SAM'S CLUB merchandise and merchandise in our distribution warehouses, which is based on the cost LIFO method. Inventories for international operations are primarily valued by the retail method of accounting and are stated using the first-in, first-out ("FIFO") method.

Under the retail method, inventory is stated at cost, which is determined by applying a cost-to-retail ratio to each merchandise grouping's retail value. The cost-to-retail ratio is based on the fiscal year purchase activity. The retail method requires management to make certain judgments and estimates that may significantly impact the ending inventory valuation at cost as well as the amount of gross margin recognized. Judgments made include the recording of markdowns used to sell through inventory and shrinkage. Markdowns designated for clearance activity are recorded at the time of the decision rather than at the point of sale, when management determines the salability of inventory has diminished. Factors considered in the determination of markdowns include current and anticipated demand, customer preferences and age of merchandise, as well as seasonal and fashion trends. Changes in weather patterns and customer preferences related to fashion trends could cause material changes in the amount and timing of markdowns from year to year.

When necessary, the Company records a LIFO provision each quarter for the estimated annual effect of inflation, and these estimates are adjusted to actual results determined at year-end. Our LIFO provision is calculated based on inventory levels, markup rates and internally generated retail price indices except for grocery items, for which we use a consumer price index. At January 31, 2006 and 2005, our inventories valued at LIFO approximated those inventories as if they were valued at FIFO.

The Company provides for estimated inventory losses ("shrinkage") between physical inventory counts on the basis of a percentage of sales. The provision is adjusted annually to reflect the historical trend of the actual physical inventory count results. Historically, shrinkage has not been volatile.

Impairment of Assets

We evaluate long-lived assets other than goodwill for indicators of impairment whenever events or changes in circumstances indicate their carrying values may not be recoverable. Management's judgments regarding the existence of impairment indicators are based on market

conditions and our operational performance, such as operating income and cash flows. The variability of these factors depends on a number of conditions, including uncertainty about future events, and thus our accounting estimates may change from period

to period. These factors could cause management to conclude that impairment indicators exist and require that impairment tests be performed, which could result in management determining that the value of long-lived assets is impaired, resulting in a writedown of the long-lived assets.

Goodwill is not amortized, but is evaluated for impairment annually or whenever events or changes in circumstances indicate that the value of certain goodwill may be impaired. This evaluation requires management to make judgments relating to future cash flows, growth rates, and economic and market conditions. These evaluations are based on discounted cash flows that incorporate the impact of existing Company businesses. Historically, the Company has generated sufficient returns to recover the cost of goodwill and other intangible assets. Because of the nature of the factors used in these tests, if different conditions occur in future periods, future operating results could be materially impacted.

Income Taxes

The determination of our provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items. We establish reserves when, despite our belief that our tax return positions are fully supportable, we believe that certain positions may be successfully challenged. When facts and circumstances change, we adjust these reserves through our provision for income taxes.

Self-Insurance

We use a combination of insurance, self-insured retention and self-insurance for a number of risks, including, without limitation, workers' compensation, general liability, vehicle liability and the Company's portion of employee-related health care benefits. Liabilities associated with the risks that we retain are estimated in part by considering historical claims experience, including frequency, severity, demographic factors, and other actuarial assumptions. In calculating our liability, we analyze our historical trends, including loss development, and apply appropriate loss development factors to the incurred costs associated with the claims made against our self-insured program. The estimated accruals for these liabilities could be significantly affected if future occurrences or loss development differ from these assumptions. For example, for workers' compensation and liability, a 1% increase or decrease to the assumptions for claims costs and loss development factors would increase or decrease our self-insurance accrual by \$23 million and \$62 million, respectively.

For a summary of our significant accounting policies, please see Note 1 to our consolidated financial statements that appear after this discussion.

Forward-Looking Statements

This Annual Report contains statements that Wal-Mart believes are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Those statements are intended to enjoy the protection of the safe harbor for forward-looking statements provided by that Act. These forward-looking statements include statements under the caption "Results of Operations" regarding the effect of the opening of new stores on existing stores sales and the trend in the percentages that the net sales of certain of our business segments represent of our total net sales, under the caption "SAM'S CLUB Segment" regarding the improvement in net sales in the SAM'S CLUB Segment and under the caption "Liquidity and Capital Resources" in Management's Discussion and Analysis of Results of Operations and Financial Condition with respect to our capital expenditures, our ability to fund certain cash flow shortfalls by the sale of commercial paper and long-term debt securities, our ability to sell our long-term securities and our anticipated reasons for repurchasing shares of our common stock. These statements are identified by the use of the words "anticipate," "believe," "contemplate," "expect," "plan," and other, similar words or phrases. Similarly, descriptions of our objectives, strategies, plans, goals or targets are also forward-looking statements. These statements discuss, among other things, expected growth, future revenues, future cash flows, future capital expenditures, future performance and the anticipation and expectations of Wal-Mart and its management as to future occurrences and trends. These forward-looking statements are subject to certain factors, in the United States and internationally, that could affect our financial performance, business strategy, plans, goals and objectives. Those factors include the cost of goods, labor costs, the cost of fuel and electricity, the cost of healthcare benefits, insurance costs, catastrophic events, competitive pressures, inflation, accident-related costs, consumer buying patterns and debt levels, weather patterns, transport of goods from foreign suppliers, currency exchange fluctuations, trade restrictions, changes in tariff and freight rates, changes in tax and other laws and regulations that affect our business, the outcome of legal proceedings to which we are a party, unemployment levels, interest rate fluctuations, changes in employment legislation and other capital market, economic and geo-political conditions. Moreover, we typically earn a disproportionate part of our annual operating income in the fourth quarter as a result of the seasonal buying patterns. Those buying patterns are difficult to forecast with certainty. The foregoing list of factors that may affect our performance is not exclusive. Other factors and unanticipated events could adversely affect our business operations and financial performance. We discuss certain of these matters more fully, as well as certain risk factors that may affect our business operations, financial condition and results of operations, in other of our filings with the SEC, including our Annual Report on Form 10-K. We filed our Annual Report on Form 10-K for the year ended January 31, 2006, with the SEC on or about March 29, 2006. Actual results may materially differ from anticipated results described or implied in these forward-looking statements as a result of changes in facts, assumptions not being realized or other circumstances. You are urged to consider all of these risks, uncertainties and other factors carefully in evaluating the forward-looking statements. The forward-looking statements included in this Annual Report are made only as of the date of this report, and we undertake no obligation to update these forward-looking statements to reflect subsequent events or circumstances, except as may be required by applicable law.

Consolidated Statements of Income

WAL-MART

(Amounts in millions except per share data)

Fiscal Year Ended January 31,

	2006	2005	2004
Revenues:			
Net sales	\$312,427	\$285,222	\$256,329
Other income, net	3,227	2,910	2,352
	315,654	288,132	258,681
Costs and expenses:			
Cost of sales	240,391	219,793	198,747
Operating, selling, general and administrative expenses	56,733	51,248	44,909
Operating income	18,530	17,091	15,025
Interest:			
Debt	1,171	934	729
Capital leases	249	253	267
Interest income	(248)	(201)	(164)
Interest, net	1,172	986	832
Income from continuing operations before income taxes and minority interest	17,358	16,105	14,193
Provision for income taxes:			
Current	5,932	5,326	4,941
Deferred	(129)	263	177
	5,803	5,589	5,118
Income from continuing operations before minority interest	11,555	10,516	9,075
Minority interest	(324)	(249)	(214)
Income from continuing operations	11,231	10,267	8,861
Income from discontinued operation, net of tax	—	—	193
Net income	\$ 11,231	\$ 10,267	\$ 9,054
Basic net income per common share:			
Income from continuing operations	\$ 2.68	\$ 2.41	\$ 2.03
Income from discontinued operation	—	—	0.05
Basic net income per common share	\$ 2.68	\$ 2.41	\$ 2.08
Diluted net income per common share:			
Income from continuing operations	\$ 2.68	\$ 2.41	\$ 2.03
Income from discontinued operation	—	—	0.04
Diluted net income per common share	\$ 2.68	\$ 2.41	\$ 2.07
Weighted-average number of common shares:			
Basic	4,183	4,259	4,363
Diluted	4,188	4,266	4,373
Dividends per common share	\$ 0.60	\$ 0.52	\$ 0.36

See accompanying notes.

Consolidated Balance Sheets

WAL-MART

(Amounts in millions except per share data)

January 31,	2006	2005
Assets		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 6,414	\$ 5,488
Receivables	2,662	1,715
Inventories	32,191	29,762
Prepaid expenses and other	2,557	1,889
Total current assets	<u>43,824</u>	<u>38,854</u>
<i>Property and equipment, at cost:</i>		
Land	16,643	14,472
Buildings and improvements	56,163	46,574
Fixtures and equipment	22,750	21,461
Transportation equipment	1,746	1,530
Property and equipment, at cost	97,302	84,037
Less accumulated depreciation	21,427	18,637
Property and equipment, net	<u>75,875</u>	<u>65,400</u>
<i>Property under capital lease:</i>		
Property under capital lease	5,578	4,556
Less accumulated amortization	2,163	1,838
Property under capital lease, net	<u>3,415</u>	<u>2,718</u>
Goodwill	12,188	10,803
Other assets and deferred charges	2,885	2,379
Total assets	<u>\$138,187</u>	<u>\$120,154</u>
Liabilities and shareholders' equity		
<i>Current liabilities:</i>		
Commercial paper	\$ 3,754	\$ 3,812
Accounts payable	25,373	21,987
Accrued liabilities	13,465	12,120
Accrued income taxes	1,340	1,281
Long-term debt due within one year	4,595	3,759
Obligations under capital leases due within one year	299	223
Total current liabilities	<u>48,826</u>	<u>43,182</u>
Long-term debt	26,429	20,087
Long-term obligations under capital leases	3,742	3,171
Deferred income taxes and other	4,552	2,978
Minority interest	1,467	1,340
Commitments and contingencies		
<i>Shareholders' equity:</i>		
Preferred stock (\$0.10 par value; 100 shares authorized, none issued)	—	—
Common stock (\$0.10 par value; 11,000 shares authorized, 4,165 and 4,234 issued and outstanding at January 31, 2006 and January 31, 2005, respectively)	417	423
Capital in excess of par value	2,596	2,425
Accumulated other comprehensive income	1,053	2,694
Retained earnings	49,105	43,854
Total shareholders' equity	<u>53,171</u>	<u>49,396</u>
Total liabilities and shareholders' equity	<u>\$138,187</u>	<u>\$120,154</u>

See accompanying notes.

Consolidated Statements of Shareholders' Equity

WAL-MART

	Number of Shares	Common Stock	Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings	Total
<i>(Amounts in millions except per share data)</i>						
Balance – January 31, 2003	4,395	\$ 440	\$ 1,954	\$ (509)	\$37,576	\$39,461
Comprehensive income						
Net income from continuing operations					8,861	8,861
Net income from discontinued operation					193	193
Other comprehensive income:						
Foreign currency translation				1,685		1,685
Net unrealized depreciation of derivatives				(341)		(341)
Minimum pension liability				16		16
Total comprehensive income						10,414
Cash dividends (\$0.36 per share)					(1,569)	(1,569)
Purchase of Company stock	(92)	(9)	(182)		(4,855)	(5,046)
Stock options exercised and other	8		363			363
Balance – January 31, 2004	4,311	431	2,135	851	40,206	43,623
Comprehensive income						
Net income from continuing operations					10,267	10,267
Other comprehensive income:						
Foreign currency translation				2,130		2,130
Net unrealized depreciation of derivatives				(194)		(194)
Minimum pension liability				(93)		(93)
Total comprehensive income						12,110
Cash dividends (\$0.52 per share)					(2,214)	(2,214)
Purchase of Company stock	(81)	(8)	(136)		(4,405)	(4,549)
Stock options exercised and other	4		426			426
Balance – January 31, 2005	4,234	423	2,425	2,694	43,854	49,396
Comprehensive income:						
Net income from continuing operations					11,231	11,231
Other comprehensive income:						
Foreign currency translation				(1,920)		(1,920)
Net unrealized depreciation of derivatives				228		228
Minimum pension liability				51		51
Total comprehensive income						9,590
Cash dividends (\$0.60 per share)					(2,511)	(2,511)
Purchase of Company stock	(74)	(7)	(104)		(3,469)	(3,580)
Stock options exercised and other	5	1	275			276
Balance – January 31, 2006	4,165	\$ 417	\$ 2,596	\$ 1,053	\$49,105	\$53,171

See accompanying notes.

Consolidated Statements of Cash Flows

WAL-MART

(Amounts in millions)

Fiscal Year Ended January 31,

	2006	2005	2004
Cash flows from operating activities			
Income from continuing operations	\$ 11,231	\$ 10,267	\$ 8,861
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,717	4,264	3,852
Deferred income taxes	(129)	263	177
Other operating activities	620	378	173
Changes in certain assets and liabilities, net of effects of acquisitions:			
Decrease (increase) in accounts receivable	(456)	(304)	373
Increase in inventories	(1,733)	(2,494)	(1,973)
Increase in accounts payable	2,390	1,694	2,587
Increase in accrued liabilities	993	976	1,896
Net cash provided by operating activities of continuing operations	17,633	15,044	15,946
Net cash provided by operating activities of discontinued operation	—	—	50
Net cash provided by operating activities	17,633	15,044	15,996
Cash flows from investing activities			
Payments for property and equipment	(14,563)	(12,893)	(10,308)
Investment in international operations, net of cash acquired	(601)	(315)	(38)
Proceeds from the disposal of fixed assets	1,049	953	481
Proceeds from the sale of McLane	—	—	1,500
Other investing activities	(68)	(96)	78
Net cash used in investing activities of continuing operations	(14,183)	(12,351)	(8,287)
Net cash used in investing activities of discontinued operation	—	—	(25)
Net cash used in investing activities	(14,183)	(12,351)	(8,312)
Cash flows from financing activities			
Increase (decrease) in commercial paper	(704)	544	688
Proceeds from issuance of long-term debt	7,691	5,832	4,099
Purchase of Company stock	(3,580)	(4,549)	(5,046)
Dividends paid	(2,511)	(2,214)	(1,569)
Payment of long-term debt	(2,724)	(2,131)	(3,541)
Payment of capital lease obligations	(245)	(204)	(305)
Other financing activities	(349)	113	111
Net cash used in financing activities	(2,422)	(2,609)	(5,563)
Effect of exchange rate changes on cash	(102)	205	320
Net increase in cash and cash equivalents	926	289	2,441
Cash and cash equivalents at beginning of year	5,488	5,199	2,758
Cash and cash equivalents at end of year	\$ 6,414	\$ 5,488	\$ 5,199
Supplemental disclosure of cash flow information			
Income tax paid	\$ 5,962	\$ 5,593	\$ 4,538
Interest paid	1,390	1,163	1,024
Capital lease obligations incurred	286	377	252

See accompanying notes.

Notes to Consolidated Financial Statements

WAL-MART

1 Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of Wal-Mart Stores, Inc. and its subsidiaries (“Wal-Mart” or the “Company”). Significant intercompany transactions have been eliminated in consolidation. Investments in which the Company has a 20 percent to 50 percent voting interest and where the Company exercises significant influence over the investee are accounted for using the equity method.

The Company’s operations in Argentina, Brazil, China, Germany, Japan, Mexico, South Korea and the United Kingdom are consolidated using a December 31 fiscal year-end, generally due to statutory reporting requirements. There were no significant intervening events which materially affected the financial statements. The Company’s operations in Canada and Puerto Rico are consolidated using a January 31 fiscal year-end.

The Company consolidates the accounts of certain variable interest entities where it has been determined that Wal-Mart is the primary beneficiary of those entities’ operations. The assets, liabilities and results of operations of these entities are not material to the Company.

Cash and Cash Equivalents

The Company considers investments with a maturity of three months or less when purchased to be cash equivalents. The majority of payments due from banks for third-party credit card, debit card and electronic benefit transactions (“EBT”) process within 24-48 hours, except for transactions occurring on a Friday, which are generally processed the following Monday. All credit card, debit card and EBT transactions that process in less than seven days are classified as cash and cash equivalents. Amounts due from banks for these transactions classified as cash totaled \$575 million and \$549 million at January 31, 2006 and 2005, respectively.

Receivables

Accounts receivable consist primarily of receivables from insurance companies resulting from our pharmacy sales, receivables from suppliers for marketing or incentive programs, receivables from real estate transactions and receivables from property insurance claims. Additionally, amounts due from banks for customer credit card, debit card and EBT transactions that take in excess of seven days to process are classified as accounts receivable.

Inventories

The Company values inventories at the lower of cost or market as determined primarily by the retail method of accounting, using the last-in, first-out (“LIFO”) method for substantially all merchandise inventories in the United States, except SAM’S CLUB merchandise and merchandise in our distribution warehouses, which is based on the cost LIFO method. Inventories of foreign operations are primarily valued by the retail method of accounting, using the first-in, first-out (“FIFO”) method. At January 31, 2006 and 2005, our inventories valued at LIFO approximate those inventories as if they were valued at FIFO.

Financial Instruments

The Company uses derivative financial instruments for purposes other than trading to manage its exposure to interest and foreign exchange rates, as well as to maintain an appropriate mix of fixed and floating-rate debt. Contract terms of a hedge instrument closely mirror those of the hedged item, providing a high degree of risk reduction and correlation. Contracts that are effective at meeting the risk reduction and correlation criteria are recorded using hedge accounting. If a derivative instrument is a hedge, depending on the nature of the hedge, changes in the fair value of the instrument will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of an instrument’s change in fair value will be immediately recognized in earnings. Instruments that do not meet the criteria for hedge accounting, or contracts for which the Company has not elected hedge accounting, are marked to fair value with unrealized gains or losses reported in earnings during the period of change.

Capitalized Interest

Interest costs capitalized on construction projects were \$157 million, \$120 million, and \$144 million in fiscal 2006, 2005 and 2004, respectively.

Long-Lived Assets

Long-lived assets are stated at cost. Management reviews long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The evaluation is performed at the lowest level of identifiable cash flows, which is typically at the individual store level. Cash flows expected to be generated by the related assets are estimated over the asset’s useful life based on updated projections. If the evaluation indicates that the carrying amount of the asset may not be recoverable, any potential impairment is measured based on a projected discounted cash flow method using a discount rate that is considered to be commensurate with the risk inherent in the Company’s current business model.

Goodwill and Other Acquired Intangible Assets

Goodwill is not amortized; rather it is evaluated for impairment annually or whenever events or changes in circumstances indicate that the value of certain goodwill may be impaired. Other acquired intangible assets are amortized on a straight-line basis over the periods that expected economic benefits will be provided. These evaluations are based on discounted cash flows and incorporate the impact of existing Company businesses. The analyses require significant management judgment to evaluate the capacity of an acquired

business to perform within projections. Historically, the Company has generated sufficient returns to recover the cost of the goodwill and other intangible assets.

Goodwill is recorded on the balance sheet in the operating segments as follows (in millions):

January 31,	2006	2005
International	\$11,883	\$10,498
SAM'S CLUB	305	305
Total goodwill	\$12,188	\$10,803

The fiscal 2006 consolidation of The Seiyu, Ltd. and acquisition of Sonae Distribuição Brasil S.A. and the fiscal 2005 acquisition of Bompreço S.A. Supermercados do Nordeste resulted in increases to goodwill. In addition, changes in the International segment's goodwill result from foreign currency exchange rate fluctuations.

Leases

The Company estimates the expected term of a lease by assuming the exercise of renewal options where an economic penalty exists that would preclude the abandonment of the lease at the end of the initial non-cancelable term and the exercise of such renewal is at the sole discretion of the Company. This expected term is used in the determination of whether a store lease is a capital or operating lease and in the calculation of straight-line rent expense. Additionally, the useful life of leasehold improvements is limited by the expected lease term. If significant expenditures are made for leasehold improvements late in the expected term of a lease, judgment is applied to determine if the leasehold improvements have a useful life that extends beyond the original expected lease term or if the leasehold improvements have a useful life that is bound by the end of the original expected lease term.

Rent abatements and escalations are considered in the calculation of minimum lease payments in the Company's capital lease tests and in determining straight-line rent expense for operating leases.

Foreign Currency Translation

The assets and liabilities of all foreign subsidiaries are translated using exchange rates at the balance sheet date. The income statements of foreign subsidiaries are translated using average exchange rates. Related translation adjustments are recorded as a component of accumulated other comprehensive income.

Revenue Recognition

The Company recognizes sales revenue net of estimated sales returns at the time it sells merchandise to the customer, except for layaway transactions. The Company recognizes revenue from layaway transactions when the customer satisfies all payment obligations and takes possession of the merchandise. Customer purchases of Wal-Mart and SAM'S CLUB shopping cards are not recognized as revenue until the card is redeemed and the customer purchases merchandise by using the shopping card.

SAM'S CLUB Membership Fee Revenue Recognition

The Company recognizes SAM'S CLUB membership fee revenues both in the United States and internationally over the term of the membership, which is 12 months. The following table details unearned revenues, membership fees received from members and the amount of revenues recognized in earnings for each of the fiscal years 2006, 2005 and 2004 (in millions):

Fiscal Year Ended January 31,	2006	2005	2004
Deferred membership fee revenue, beginning of year	\$ 458	\$ 449	\$ 437
Membership fees received	940	890	840
Membership fee revenue recognized	(908)	(881)	(828)
Deferred membership fee revenue, end of year	\$ 490	\$ 458	\$ 449

SAM'S CLUB membership revenue is included in other income, net in the revenues section of the Consolidated Statements of Income.

The Company's deferred membership fee revenue is included in accrued liabilities in the Consolidated Balance Sheets. The Company's analysis of historical membership fee refunds indicates that such refunds have been nominal. Accordingly, no reserve existed for membership fee refunds at January 31, 2006 and 2005.

Cost of Sales

Cost of sales includes actual product cost, change in inventory, the cost of transportation to the Company's warehouses from suppliers, the cost of transportation from the Company's warehouses to the stores and clubs and the cost of warehousing for our SAM'S CLUB segment.

Payments from Suppliers

Wal-Mart receives money from suppliers for various programs, primarily volume incentives, warehouse allowances and reimbursements for specific programs such as markdowns, margin protection and advertising. Substantially all allowances are accounted for as a reduction of purchases and recognized in our Consolidated Statements of Income when the related inventory is sold.

Operating, Selling, General and Administrative Expenses

Operating, selling, general and administrative expenses include all operating costs of the Company that are not related to the transportation of products from the supplier to the warehouse or from the warehouse to the store. Additionally, the cost of warehousing and occupancy for our Wal-Mart Stores segment distribution facilities are included in operating, selling, general and administrative expenses. Because we do not

include the cost of our Wal-Mart Stores segment distribution facilities in cost of sales, our gross profit and gross margin may not be comparable to those of other retailers that may include all costs related to their distribution facilities in costs of sales and in the calculation of gross profit and gross margin.

Notes to Consolidated Financial Statements

WAL-MART

Advertising Costs

Advertising costs are expensed as incurred and were \$1.6 billion, \$1.4 billion and \$966 million in fiscal 2006, 2005 and 2004, respectively. Advertising costs consist primarily of print and television advertisements.

Pre-Opening Costs

The costs of start-up activities, including organization costs and new store openings, are expensed as incurred.

Share-Based Compensation

The Company recognizes expense for its share-based compensation based on the fair value of the awards that are granted. The fair value of stock options is estimated at the date of grant using the Black-Scholes-Merton option valuation model which was developed for use in estimating the fair value of exchange traded options that have no vesting restrictions and are fully transferable. Option valuation methods require the input of highly subjective assumptions, including the expected stock price volatility. Measured compensation cost is recognized ratably over the vesting period of the related share-based compensation award.

Share-based compensation awards that may be settled in cash are accounted for as liabilities and marked to market each period.

Insurance/Self-Insurance

The Company uses a combination of insurance, self-insured retention and self-insurance for a number of risks, including, without limitation, workers' compensation, general liability, vehicle liability and the Company-funded portion of employee-related health care benefits. Liabilities associated with these risks are estimated in part by considering historical claims experience, demographic factors, frequency and severity factors and other actuarial assumptions.

Depreciation and Amortization

Depreciation and amortization for financial statement purposes are provided on the straight-line method over the estimated useful lives of the various assets. Depreciation expense, including amortization of property under capital leases for fiscal years 2006, 2005 and 2004 was \$4.7 billion, \$4.3 billion and \$3.9 billion, respectively. For income tax purposes, accelerated methods of depreciation are used with recognition of deferred income taxes for the resulting temporary differences. Leasehold improvements are depreciated over the shorter of the estimated useful life of the asset or the remaining lease term. Estimated useful lives for financial statement purposes are as follows:

Buildings and improvements	5–50 years
Fixtures and equipment	3–12 years
Transportation equipment	3–15 years

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts more likely than not to be realized.

In determining the quarterly provision for income taxes, the Company uses an annual effective tax rate based on expected annual income and statutory tax rates. The effective tax rate also reflects the Company's assessment of the ultimate outcome of tax audits. Significant discrete items are separately recognized in the income tax provision in the quarter in which they occur.

The determination of the Company's provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items. Reserves are established when, despite management's belief that the Company's tax return positions are fully supportable, management believes that certain positions may be successfully challenged. When facts and circumstances change, these reserves are adjusted through the provision for income taxes.

Net Income Per Common Share

Basic net income per common share is based on the weighted-average outstanding common shares. Diluted net income per common share is based on the weighted-average outstanding shares adjusted for the dilutive effect of stock options and restricted stock grants. The dilutive effect of stock options and restricted stock was 5 million, 7 million and 10 million shares in fiscal 2006, 2005 and 2004, respectively. The Company had approximately 57 million, 59 million and 50 million option shares outstanding at January 31, 2006, 2005 and 2004, respectively, which were not included in the diluted net income per share calculation because their effect would be antidilutive as the underlying option price exceeded the average market price of the stock for the period.

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. They also affect the 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 may differ from those estimates.

Reclassifications

Certain reclassifications have been made to prior periods to conform to current presentations.

2 Commercial Paper and Long-term Debt

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

Fiscal Year	2006	2005	2004
Maximum amount outstanding at any month-end	\$9,054	\$7,782	\$4,957
Average daily short-term borrowings	5,719	4,823	1,498
Weighted-average interest rate	3.4%	1.6%	1.1%

At January 31, 2006 and 2005, short-term borrowings consisted of \$3.8 billion of commercial paper. At January 31, 2006, the Company had committed lines of credit of \$5.0 billion with 57 firms and banks, which were used to support commercial paper, and committed and informal lines of credit with various banks totaling an additional \$693 million.

Long-term debt at January 31, consists of (in millions)

Interest Rate	Due by Fiscal Year	2006	2005
2.130 – 6.875%	Notes due 2010	\$ 4,527	\$ 4,500
5.250%	Notes due 2036	4,279	1,883
1.100 – 13.250%, LIBOR less 0.140%	Notes due 2007	3,415	3,164
2.875 – 8.380%, LIBOR less 0.1025%	Notes due 2008	3,311	1,500
0.1838 – 0.880%	Notes due 2011 ⁽¹⁾	3,308	500
0.750 – 7.250%	Notes due 2014	2,885	2,883
3.000 – 3.375%	Notes due 2009	2,800	1,000
1.200 – 4.125%	Notes due 2012	2,015	2,000
5.750 – 7.550%	Notes due 2031	1,890	1,941
3.150 – 6.630%	Notes due 2016	767	—
2.950 – 5.006%	Notes due 2019 ⁽¹⁾	516	500
5.300 – 6.750%	Notes due 2024	266	250
2.100 – 2.875%	Notes due 2015	53	—
2.000 – 2.500%	Notes due 2017	41	—
3.750 – 5.000%	Notes due 2018	31	—
5.170%	Notes due 2021	25	—
1.000 – 2.300%	Notes due 2013	23	—
4.150 – 5.875%, LIBOR less 0.0425%	Notes due 2006	—	2,597
	Other ⁽²⁾	872	1,128
Total		<u>\$31,024</u>	<u>\$23,846</u>

(1) Includes put option on \$500 million.

(2) Includes adjustments to debt hedged by derivatives.

The Company has two separate issuances of \$500 million debt with embedded put options. For the first issuance, beginning June 2001, and each year thereafter, the holders of \$500 million of the debt may require the Company to repurchase the debt at face value, in addition to accrued and unpaid interest. The holders of the other \$500 million issuance may require the Company to repurchase the debt at par plus accrued interest at any time. Both of these issuances have been classified as a current liability in the Consolidated Balance Sheets.

Under the Company's most significant borrowing arrangements, the Company is not required to observe financial covenants. However, under certain lines of credit totaling \$5.0 billion, which were undrawn as of January 31, 2006, the Company has agreed to observe certain covenants, the most restrictive of which relates to minimum net worth levels and amounts of additional secured debt and long-term leases. In addition, one of our subsidiaries has restrictive financial covenants on \$2.0 billion of long-term debt that requires it to maintain certain equity, sales, and profit levels. The Company was in compliance with these covenants at January 31, 2006.

Long-term debt is unsecured except for \$1.1 billion, which is collateralized by property with an aggregate carrying value of approximately \$1.4 billion. Annual maturities of long-term debt during the next five years and thereafter are (in millions):

Fiscal Year Ended January 31,	Annual Maturity
2007	\$ 4,595
2008	3,320
2009	2,858
2010	4,639
2011	2,877
Thereafter	12,735
Total	<u>\$ 31,024</u>

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 schedule above. The resulting obligations are amortized over the lease terms. Future minimum lease payments during the next five years and thereafter are (in millions):

Fiscal Year Ended January 31,	Minimum Payments
-------------------------------	------------------

2007	\$	9
2008		10
2009		10
2010		10
2011		10
Thereafter		211
Total	\$	<u>260</u>

Notes to Consolidated Financial Statements

WAL-MART

The Company had trade letters of credit outstanding totaling \$2.6 billion at January 31, 2006 and 2005. At January 31, 2006 and 2005, the Company had standby letters of credit outstanding totaling \$2.3 billion and \$2.0 billion, respectively. These letters of credit were issued primarily for the purchase of inventory and insurance.

3 Financial Instruments

The Company uses derivative financial instruments for hedging and non-trading purposes to manage its exposure to interest and foreign exchange rates. Use of derivative financial instruments in hedging programs subjects the Company to certain risks, such as market and credit risks. Market risk represents the possibility that the value of the derivative instrument will change. In a hedging relationship, the change in the value of the derivative is offset to a great extent by the change in the value of the underlying hedged item. Credit risk related to derivatives represents the possibility that the counterparty will not fulfill the terms of the contract. The notional, or contractual, amount of the Company's derivative financial instruments is used to measure interest to be paid or received and does not represent the Company's exposure due to credit risk. Credit risk is monitored through established approval procedures, including setting concentration limits by counterparty, reviewing credit ratings and requiring collateral (generally cash) when appropriate. The majority of the Company's transactions are with counterparties rated "AA-" or better by nationally recognized credit rating agencies.

Fair Value Instruments

The Company enters into interest rate swaps to minimize the risks and costs associated with its financing activities. Under the swap agreements, the Company pays variable-rate interest and receives fixed-rate interest payments periodically over the life of the instruments. The notional amounts are used to measure interest to be paid or received and do not represent the exposure due to credit loss. All of the Company's interest rate swaps that receive fixed interest rate payments and pay variable interest rate payments are designated as fair value hedges. As the specific terms and notional amounts of the derivative instruments exactly match those of the instruments being hedged, the derivative instruments were assumed to be perfect hedges and all changes in fair value of the hedges were recorded on the balance sheet with no net impact on the income statement.

Net investment Instruments

At January 31, 2006, the Company is party to cross-currency interest rate swaps that hedge its net investments in the United Kingdom and Japan. The agreements are contracts to exchange fixed-rate payments in one currency for fixed-rate payments in another currency. The Company also has outstanding approximately £2.0 billion of debt that is designated as a hedge of the Company's net investment in the United Kingdom and ¥87.1 billion of debt that is designated as a hedge of the Company's net investment in Japan. All changes in the fair value of these instruments are recorded in other comprehensive income, offsetting the foreign currency translation adjustment that is also recorded in other comprehensive income.

Cash Flow Instruments

The Company is party to a cross-currency interest rate swap to hedge the foreign currency risk of certain foreign-denominated debt. The swap is designated as a cash flow hedge of foreign currency exchange risk. The agreement is a contract to exchange fixed-rate payments in one currency for fixed-rate payments in another currency. Changes in the foreign currency spot exchange rate result in reclassification of amounts from other accumulated comprehensive income to earnings to offset transaction gains or losses on foreign-denominated debt. The instrument matures in fiscal 2007.

The Company expects that the amount of gain or loss existing in other accumulated comprehensive income to be reclassified into earnings within the next 12 months will not be significant.

Fair Value of Financial Instruments

Instrument Fiscal Year Ended January 31, (in millions)	Notional Amount		Fair Value	
	2006	2005	2006	2005
Derivative financial instruments designated for hedging:				
Receive fixed-rate, pay floating rate interest rate swaps designated as fair value hedges	\$ 6,945	\$ 8,042	\$ 133	\$ 477
Receive fixed-rate, pay fixed-rate cross-currency interest rate swaps designated as net investment hedges (Cross-currency notional amount: GBP 795 at 1/31/2006 and 1/31/2005)	1,250	1,250	(107)	(14)
Receive fixed-rate, pay fixed-rate cross-currency interest rate swap designated as a cash flow hedge (Cross-currency notional amount: CAD 503 at 1/31/2006 and 1/31/2005)	325	325	(120)	(87)
Receive fixed-rate, pay fixed-rate cross-currency interest rate swap designated as a net investment hedge (Cross-currency notional amount: ¥52,056 at 1/31/2006 and 1/31/2005)	432	432	(17)	(68)
Receive floating rate, pay fixed-rate interest rate swap designated as a cash flow hedge	—	1,500	—	(5)
Total	\$ 8,952	\$11,549	\$ (111)	\$ 303
Non-derivative financial instruments:				
Long-term debt	\$31,024	\$23,846	\$31,580	\$25,016

Notes to Consolidated Financial Statements

WAL-MART

Hedging instruments with an unrealized gain are recorded on the Consolidated Balance Sheets in other current assets or other assets and deferred charges, based on maturity date. Those instruments with an unrealized loss are recorded in accrued liabilities or deferred income taxes and other, based on maturity date.

Cash and cash equivalents: The carrying amount approximates fair value due to the short maturity of these instruments.

Long-term debt: Fair value is based on the Company's current incremental borrowing rate for similar types of borrowing arrangements.

Fair value instruments and net investment instruments: The fair values are estimated amounts the Company would receive or pay to terminate the agreements as of the reporting dates.

4 Accumulated Other Comprehensive Income

Comprehensive income is net income plus certain other items that are recorded directly to shareholders' equity. Amounts included in accumulated other comprehensive income for the Company's derivative instruments and minimum pension liability are recorded net of the related income tax effects. The following table gives further detail regarding changes in the composition of accumulated other comprehensive income during fiscal 2006, 2005 and 2004 (in millions):

	Foreign Currency	Derivative Instruments	Minimum Pension liability	Total
	Translation			
Balance at January 31, 2003	\$ (1,125)	\$ 822	\$ (206)	\$ (509)
Foreign currency translation adjustment	1,685			1,685
Change in fair value of hedge instruments		(444)		(444)
Reclassification to earnings		103		103
Subsidiary minimum pension liability			16	16
Balance at January 31, 2004	560	481	(190)	851
Foreign currency translation adjustment	2,130			2,130
Change in fair value of hedge instruments		(235)		(235)
Reclassification to earnings		41		41
Subsidiary minimum pension liability			(93)	(93)
Balance at January 31, 2005	\$ 2,690	\$ 287	\$ (283)	\$ 2,694
Foreign currency translation adjustment	(1,920)			(1,920)
Change in fair value of hedge instruments		157		157
Reclassification to earnings		71		71
Subsidiary minimum pension liability			51	51
Balance at January 31, 2006	\$ 770	\$ 515	\$ (232)	\$ 1,053

5 Income Taxes

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

Fiscal Year Ended January 31,	2006	2005	2004
Current:			
Federal	\$4,646	\$4,116	\$4,039
State and local	449	640	333
International	837	570	569
Total current tax provision	<u>5,932</u>	<u>5,326</u>	<u>4,941</u>
Deferred:			
Federal	(62)	311	31
State and local	56	(71)	2
International	(123)	23	144
Total deferred tax provision	<u>(129)</u>	<u>263</u>	<u>177</u>
Total provision for income taxes	<u>\$5,803</u>	<u>\$5,589</u>	<u>\$5,118</u>

Income from continuing operations before income taxes and minority interest by jurisdiction is as follows (in millions):

Fiscal Year Ended January 31,	2006	2005	2004
United States	\$14,447	\$13,599	\$12,075
Outside the United States	\$ 2,911	2,506	2,118
Total income from continuing operations before income taxes and minority interest	<u>\$17,358</u>	<u>\$16,105</u>	<u>\$14,193</u>

Notes to Consolidated Financial Statements

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

January 31,	2006	2005
Deferred tax liabilities		
Property and equipment	\$ 2,355	\$2,210
International, principally asset basis differences	1,141	1,054
Inventory	336	187
Other	265	230
Total deferred tax liabilities	\$ 4,097	\$3,681
Deferred tax assets		
International loss carryforwards and asset basis differences	\$ 2,082	\$1,460
Amounts accrued for financial reporting purposes not yet deductible for tax purposes	1,668	1,361
Stock-based compensation expense	248	258
Other	353	263
Total deferred tax assets	4,351	3,342
Valuation allowance	(1,054)	(526)
Total deferred tax assets, net of valuation allowance	\$ 3,297	\$2,816
Net deferred tax liabilities	\$ 800	\$ 865

The change in the Company's net deferred tax liability is impacted by foreign currency translation.

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

Fiscal Year Ended January 31,	2006	2005	2004
Statutory tax rate	35.00%	35.00%	35.00%
State income taxes, net of federal income tax benefit	1.86%	2.30%	1.53%
Income taxes outside the United States	(1.75%)	(1.81%)	(0.20%)
Other	(1.68%)	(0.79%)	(0.27%)
Effective income tax rate	33.43%	34.70%	36.06%

Federal and state income taxes have not been provided on accumulated but undistributed earnings of foreign subsidiaries aggregating approximately \$6.8 billion at January 31, 2006 and \$5.3 billion at January 31, 2005, as such earnings have been permanently reinvested in the business. The determination of the amount of the unrecognized deferred tax liability related to the undistributed earnings is not practicable.

The Company had foreign net operating loss carryforwards of \$4.7 billion at January 31, 2006. Of this amount, \$1.3 billion related to the December 2005 consolidation of The Seiyu, Ltd. The recording of the related deferred tax asset of \$525 million resulted in a corresponding increase in the valuation allowance. Any tax benefit ultimately realized from the Japan net operating loss carryforward will adjust goodwill. Net operating loss carryforwards of \$1.4 billion expire in various years through 2011.

6 Acquisitions And Disposal

Acquisitions

During December 2005, the Company purchased an additional interest in The Seiyu, Ltd. ("Seiyu"), for approximately \$570 million, bringing the Company's total investment in Seiyu, including adjustments arising from the equity method of accounting, to \$1.2 billion. Seiyu is a retailer in Japan, which operates 398 stores selling apparel, general merchandise, food and certain services. Following this additional purchase, the Company owns approximately 53.3% of Seiyu. Beginning on the date of the controlling interest purchase, the Company began consolidating Seiyu as a majority-owned subsidiary using a December 31 fiscal year-end. Seiyu's results of operations were not material to the Company. As a result of the consolidation of Seiyu, total assets and liabilities of \$6.8 billion and \$5.6 billion, respectively, were recorded in our financial statements. Goodwill recorded in the consolidation amounted to approximately \$1.6 billion. The amount of assets and liabilities recorded in the consolidation of Seiyu are preliminary estimates made by management and will be finalized upon completion of the valuation of tangible and intangible assets and liabilities.

The minority interest in Seiyu is represented, in part, by shares of Seiyu's preferred stock which are convertible into shares of Seiyu common stock. If the minority holder of Seiyu's preferred stock proposes to sell or convert its shares of preferred stock, the Company has the right to purchase those shares at a predetermined price.

Through a warrant exercisable through December 2007, the Company can contribute approximately ¥154.6 billion, or \$1.3 billion at a January 31, 2006, exchange rate of 117.75 yen per dollar, for approximately 538 million additional common shares of Seiyu stock. If the warrant is exercised, we would own approximately 71% of the stock of Seiyu by the end of December 2007. These calculations assume no conversion of Seiyu's preferred stock into common shares and no other issuances of Seiyu common shares.

In December 2005, the Company completed the purchase of Sonae Distribuição Brasil S.A. ("Sonae"), a retail operation in Southern Brazil consisting of 139 hypermarkets, supermarkets and warehouse units. The purchase price was approximately \$720 million. Assets recorded in the acquisition of Sonae were \$1.3 billion and liabilities assumed were \$566 million. As a result of the Sonae acquisition, we recorded goodwill of \$305 million and other identifiable intangible assets of \$89 million. Sonae's results of operations, which were not material to the Company, are

included in our consolidated financial statements following the date of acquisition using a December 31 fiscal year-end. The amount of assets and liabilities recorded in the purchase of Sonae are preliminary estimates made by management and will be finalized upon completion of the valuation of tangible and intangible assets and liabilities.

In September 2005, the Company acquired a 33.3% interest in Central American Retail Holding Company (“CARHCO”), a retailer with more than 360 supermarkets and other stores in Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. The purchase price was approximately \$318 million, including transaction costs. In fiscal 2006, the Company accounted for its investment in CARHCO under the equity method. Concurrent with the purchase of the investment in CARHCO, the Company entered into an agreement to purchase an additional 17.7% of CARHCO in the first quarter of fiscal 2007 and an option agreement that will allow the Company to purchase up to an additional 24% beginning in September 2010. To the extent that the Company does not exercise its option to purchase the additional 24% of CARHCO, the minority shareholders will have certain put rights that could require the Company to purchase the additional 24% after September 2012. In February 2006, the Company purchased the additional 17.7% of CARHCO for a purchase price of approximately \$212 million.

In February 2004, the Company completed its purchase of Bompreço S. A. Supermercados do Nordeste (“Bompreço”), a supermarket chain in northern Brazil with 118 hypermarkets, supermarkets and mini-markets. The purchase price was approximately \$315 million, net of cash acquired. The results of operations for Bompreço, which were not material to the Company, have been included in the Company’s consolidated financial statements since the date of acquisition.

Disposal

On May 23, 2003, the Company completed the sale of McLane Company, Inc. (“McLane”). The Company received \$1.5 billion in cash for the sale. The accompanying consolidated financial statements and notes reflect the gain on the sale and the operations of McLane as a discontinued operation.

Following is summarized financial information for McLane (in millions):

Fiscal Year Ended January 31,	2004
Net sales	<u>\$4,328</u>
Income from discontinued operation	\$ 67
Income tax expense	<u>25</u>
Net operating income from discontinued operation	42
Gain on sale of McLane, net of \$147 income tax expense	<u>151</u>
Income from discontinued operation, net of tax	<u>\$ 193</u>

The effective tax rate on the gain from the sale of McLane was 49% as a result of the non-deductibility of \$99 million of goodwill recorded in the original McLane acquisition.

7 Share-Based Compensation Plans

As of January 31, 2006, the Company has awarded share-based compensation to executives and other associates of the Company through various share-based compensation plans. The compensation cost recognized for all plans was \$244 million, \$204 million, and \$183 million for fiscal 2006, 2005, and 2004, respectively. The total income tax benefit recognized for all share-based compensation plans was \$82 million, \$71 million, and \$66 million for fiscal 2006, 2005, and 2004, respectively.

On February 1, 2003, the Company adopted the expense recognition provisions of Statement of Financial Accounting Standards No. 123 (“SFAS 123”), restating results for prior periods. In December 2004, the Financial Accounting Standards Board issued a revision of SFAS 123 (“SFAS 123(R)”). The Company adopted the provisions of SFAS 123(R) upon its release. The adoption of SFAS 123(R) did not have a material impact on our results of operations, financial position or cash flows. All share-based compensation is accounted for in accordance with the fair-value based method of SFAS 123(R).

The Company’s Stock Incentive Plan of 2005 (the “Plan”), which is shareholder-approved, permits the grant of stock options, restricted (non-vested) stock and performance share compensation awards to its associates for up to 210 million shares of common stock. The Company believes that such awards better align the interests of its associates with those of its shareholders.

Under the Plan and prior plans, stock option awards have been granted with an exercise price equal to the market price of the Company’s stock at the date of grant. Generally, outstanding options granted before fiscal 2001 vest over seven years. Options granted after fiscal 2001 generally vest over five years. Shares issued upon the exercise of options are newly issued. Options granted generally have a contractual term of 10 years. The fair value of each stock option award is estimated on the date of grant using the Black-Scholes-Merton option valuation model that uses various assumptions for inputs, which are noted in the following table. Generally, the Company uses historical volatilities and risk free interest rates that correlate with the expected term of the option. To determine the expected life of the option, the Company bases its estimates on historical grants with similar vesting periods. The following tables represents a weighted-average of the assumptions used by the company to estimate the fair values of the Company’s stock options at the grant dates:

Fiscal Year Ended January 31,	2006	2005	2004
Dividend yield	1.9%	1.1%	0.9%
Volatility	24.9%	26.2%	32.3%
Risk-free interest rate	4.2%	3.5%	2.8%
Expected life in years	6.1	5.3	4.5

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A summary of the stock option award activity for fiscal 2006 is presented below:

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Life in Years	Aggregate Intrinsic Value
Outstanding at January 31, 2005	68,115,000	\$ 46.79		
Granted	4,281,000	50.74		
Exercised	(4,208,000)	23.26		
Forfeited or expired	(8,645,000)	51.92		
Outstanding at January 31, 2006	<u>59,543,000</u>	<u>\$ 48.02</u>	<u>6.5</u>	<u>\$163,326,000</u>
Exercisable at January 31, 2006	<u>32,904,000</u>	<u>\$ 45.20</u>	<u>5.3</u>	<u>\$162,240,000</u>

The weighted-average grant-date fair value of options granted during the fiscal years ended January 31, 2006, 2005 and 2004, was \$12.29, \$11.92 and \$14.89, respectively. The total intrinsic value of options exercised during the years ended January 31, 2006, 2005 and 2004, was \$108.3 million, \$221.6 million and \$231.0 million, respectively.

Under the Plan, the Company grants various types of awards of restricted (non-vested) stock to certain associates. These grants include awards for shares that vest based on the passage of time, performance criteria, or both. Vesting periods vary. The restricted stock awards may be settled in stock, or deferred as stock or cash, based upon the associate's election. Consequently, these awards are classified as liabilities in the accompanying balance sheets unless the associate has elected for the award to be settled or deferred in stock. The fair value of the restricted stock liabilities is remeasured each reporting period. The total liability for restricted stock awards at January 31, 2006, was \$61.1 million.

A summary of the Company's restricted (non-vested) stock award activity for fiscal 2006 is presented below:

Non-Vested Stock Awards	Shares	Weighted-Average Grant-Date Fair Value
Restricted Stock Awards at January 31, 2005	3,423,000	\$ 46.63
Granted	2,955,000	\$ 44.81
Vested	(383,000)	\$ 44.78
Forfeited	(551,000)	\$ 45.02
Restricted Stock Awards at January 31, 2006	<u>5,444,000</u>	<u>\$ 46.08</u>

As of January 31, 2006, there was \$157.9 million of total unrecognized compensation cost related to restricted stock granted under the Plan, which is expected to be recognized over a weighted-average period of 5.9 years. The total fair value of shares vested during the fiscal years ended January 31, 2006, 2005, and 2004, was \$19.9 million, \$33.9 million and \$8.0 million, respectively.

During fiscal 2005, the Company began issuing performance share awards under the Plan, the vesting of which is tied to the achievement of performance criteria. These awards accrue to the associate based on the extent to which revenue growth and return on investment goals are attained or exceeded over a one- to three-year period. Based on the extent to which the targets are achieved, vested shares may range from 0% to 150% of the original award amount. Because the performance shares may be settled in stock or cash, the performance shares are accounted for as liabilities in the accompanying balance sheets. Outstanding performance shares, the related liability and unrecognized compensation cost as of January 31, 2006 and 2005, were not significant.

The Company's United Kingdom subsidiary, ASDA, also offers two other stock option plans to its associates. The first plan, The ASDA Colleague Share Ownership Plan 1999 ("CSOP"), grants options to certain associates. Options granted under the CSOP Plan generally expire six years from the date of grant, with half vesting on the third anniversary of the grant and the other half on the sixth anniversary of the date of grant. Shares in the money at the vesting date are exercised while shares out of the money at the vesting date expire. The second plan, The ASDA Sharesave Plan 2000 ("Sharesave"), grants options to certain associates at 80% of market value on the date of grant. Sharesave options become exercisable after either a three-year or five-year period and generally lapse six months after becoming exercisable. Outstanding options under these plans as well as the related aggregate intrinsic value as of January 31, 2006, were not significant.

8 Litigation

The Company is involved in a number of legal proceedings. In accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies," the Company has made accruals with respect to these matters, where appropriate, which are reflected in the Company's consolidated financial statements. The Company may enter into discussions regarding settlement of these matters, and may enter into settlement agreements, if it believes settlement is in the best interests of the Company's shareholders. The matters, or groups of related matters, discussed below, if decided adversely to or settled by the Company, individually or in the aggregate, may result in liability material to the Company's financial condition or results of operations.

The Company is a defendant in numerous cases containing class-action allegations in which the plaintiffs have brought claims under the Fair Labor Standards Act (“FLSA”), corresponding state statutes, or other laws. The plaintiffs in these lawsuits are current and former hourly associates who allege, among other things, that the Company forced them to work “off the clock,” or failed to provide work breaks, or otherwise claim they were not paid for work performed. The complaints generally seek unspecified monetary damages, injunctive relief, or both. Class certification has yet to be addressed in a majority of the cases. Class certification has been denied or overturned in cases pending in Arizona, Arkansas, Florida, Georgia, Indiana, Louisiana, Maryland, Michigan, Nevada, New Jersey, North Carolina, Ohio, Texas, West Virginia and Wisconsin. Some or all of the requested classes have been certified in cases pending in California, Colorado, Massachusetts, Minnesota, Missouri, New Mexico, Oregon, Pennsylvania and Washington. Conditional certifications for notice purposes under the FLSA have been allowed in cases in Georgia, Michigan and Texas. The Company cannot estimate the possible loss or range of loss which may arise from these lawsuits.

The Company is a defendant in *Savaglio v. Wal-Mart Stores, Inc.*, a class-action lawsuit in which the plaintiffs allege that they were not provided meal and rest breaks in accordance with California law, and seek monetary damages and injunctive relief. A jury trial on the plaintiffs’ claims for monetary damages concluded on December 22, 2005. The jury returned a verdict of \$57,216,673 in statutory penalties and \$115 million in punitive damages. The Company believes that it has substantial defenses to the claims at issue, and intends to challenge the verdict in post-trial motions and, if necessary, on appeal. Meanwhile, the plaintiffs’ claims for injunctive relief have been tentatively set for trial in June 2006.

A putative class action is pending in California challenging the methodology of payments made under various Associate incentive bonus plans, and a second putative class action in California asserts that the Company has omitted to include bonus payments in calculating associates’ regular rate of pay for purposes of determining overtime. As to the first case (*Cruz v. Wal-Mart Stores, Inc.*), the Company cannot estimate the possible loss or range of loss which may arise. The parties have entered into an agreement to settle the second case (*Fries v. Wal-Mart Stores, Inc.*), which must be approved by the court in order to become effective. If approved by the court, the settlement will include all class members who do not opt out of the settlement class. The amount to be paid by Wal-Mart under the settlement will not have a material impact on the Company’s financial condition or results of operations.

The Company is currently a defendant in five putative class actions brought on behalf of assistant store managers who challenge their exempt status under state and federal laws, which are pending in California, Michigan, New Mexico and Tennessee. Conditional certification for notice purposes under the FLSA has been granted in one of these cases (*Comer v. Wal-Mart Stores, Inc.*). Otherwise, no determination has been made as to class certification in any of these cases. The Company cannot estimate the possible loss or range of loss which may arise from these lawsuits.

The Company is a defendant in *Dukes v. Wal-Mart Stores, Inc.*, a class-action lawsuit commenced in June 2001 and pending in the United States District Court for the Northern District of California. The case was brought on behalf of all past and present female employees in all of the Company’s retail stores and warehouse clubs in the United States. The complaint alleges that the Company has engaged in a pattern and practice of discriminating against women in promotions, pay, training and job assignments. The complaint seeks, among other things, injunctive relief, front pay, back pay, punitive damages, and attorneys’ fees. Following a hearing on class certification on September 24, 2003, on June 21, 2004, the District Court issued an order granting in part and denying in part the plaintiffs’ motion for class certification. The class, which was certified by the District Court for purposes of liability, injunctive and declaratory relief, punitive damages, and lost pay, subject to certain exceptions, includes all women employed at any Wal-Mart domestic retail store at any time since December 26, 1998, who have been or may be subjected to the pay and management track promotions policies and practices challenged by the plaintiffs. The class as certified currently includes approximately 1.6 million present and former female associates.

The Company believes that the District Court’s ruling is incorrect. The United States Court of Appeals for the Ninth Circuit has granted the Company’s petition for discretionary review of the ruling. The Court of Appeals heard oral argument from counsel in the case on August 8, 2005. There is no indication at this time as to when a decision will be rendered. If the Company is not successful in its appeal of class certification, or an appellate court issues a ruling that allows for the certification of a class or classes with a different size or scope, and if there is a subsequent adverse verdict on the merits from which there is no successful appeal, or in the event of a negotiated settlement of the litigation, the resulting liability could be material to the Company. The plaintiffs also seek punitive damages which, if awarded, could result in the payment of additional amounts material to the Company. However, because of the uncertainty of the outcome of the appeal from the District Court’s certification decision, because of the uncertainty of the balance of the proceedings contemplated by the District Court, and because the Company’s liability, if any, arising from the litigation, including the size of any damages award if plaintiffs are successful in the litigation or any negotiated settlement, could vary widely, the Company cannot reasonably estimate the possible loss or range of loss which may arise from the litigation.

The Company is a defendant in *Mauldin v. Wal-Mart Stores, Inc.*, a class-action lawsuit that was filed on October 16, 2001, in the United States District Court for the Northern District of Georgia, Atlanta Division. The class was certified on August 23, 2002. On September 30, 2003, the court denied the Company’s motion to reconsider that ruling. The class is composed of female Wal-Mart associates who were participants in the Associates Health and Welfare Plan at any time from March 8, 2001, to the present and who were using prescription contraceptives. The class seeks amendment of the Plan to include coverage for prescription contraceptives, back pay for all members in the form of reimbursement of the cost of prescription contraceptives, pre-judgment interest, and attorneys’

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fees. The complaint alleges that the Company's Health Plan violates Title VII's prohibition against gender discrimination in that the Health Plan's Reproductive Systems provision does not provide coverage for prescription contraceptives. The Company cannot estimate the possible loss or range of loss which may arise from this litigation.

The Company is a defendant in a lawsuit that was filed on August 24, 2001, in the United States District Court for the Eastern District of Kentucky. *EEOC (Janice Smith) v. Wal-Mart Stores, Inc.* is an action brought by the EEOC on behalf of Janice Smith and all other females who made application or transfer requests at the London, Kentucky, distribution center from 1995 to the present, and who were not hired or transferred into the warehouse positions for which they applied. The class seeks back pay for those females not selected for hire or transfer during the relevant time period. The class also seeks injunctive and prospective affirmative relief. The complaint alleges that the Company based hiring decisions on gender in violation of Title VII of the 1964 Civil Rights Act as amended. The EEOC can maintain this action as a class without certification. The Company cannot estimate the possible loss or range of loss which may arise from this litigation.

On November 8, 2005, the Company received a grand jury subpoena from the United States Attorney's Office for the Central District of California, seeking documents and information relating to the Company's receipt, transportation, handling, identification, recycling, treatment, storage and disposal of certain merchandise that constitutes hazardous materials or hazardous waste. The Company has been informed by the U.S. Attorney's Office for the Central District of California that it is a target of a criminal investigation into potential violations of the Resource Conservation and Recovery Act ("RCRA"), the Clean Water Act, and the Hazardous Materials Transportation Statute. This U.S. Attorney's Office contends, among other things, that the use of Company trucks to transport certain returned merchandise from the Company's stores to its return centers is prohibited by RCRA because those materials may be considered hazardous waste. The government alleges that, to comply with RCRA, the Company must ship from the store certain materials as "hazardous waste" directly to a certified disposal facility using a certified hazardous waste carrier. The Company contends that the practice of transporting returned merchandise to its return centers for subsequent disposition, including disposal by certified facilities, is compliant with applicable laws and regulations.

Additionally, the U.S. Attorney's Office in the Northern District of California has initiated its own investigation regarding the Company's handling of hazardous materials and hazardous waste and the Company has received administrative document requests from the California Department of Toxic Substances Control requesting documents and information with respect to two of the Company's distribution facilities. Further, the Company also received a subpoena from the Los Angeles County District Attorney's Office for documents and administrative interrogatories requesting information, among other things, regarding the Company's handling of materials and hazardous waste. California state and local government authorities and the State of Nevada have also initiated investigations into these matters. The Company is cooperating fully with the respective authorities.

The Company cannot estimate the possible loss or range of loss which may arise from this matter.

9 Commitments

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 operating leases and other short-term rental arrangements were \$1.3 billion, \$1.2 billion and \$1.1 billion in 2006, 2005 and 2004, respectively. Aggregate minimum annual rentals at January 31, 2006, under non-cancelable leases are as follows (in millions):

<u>Fiscal Year</u>	<u>Operating Leases</u>	<u>Capital Leases</u>
2007	\$ 797	\$ 592
2008	751	588
2009	710	550
2010	634	526
2011	586	514
Thereafter	6,205	3,610
Total minimum rentals	<u>\$ 9,683</u>	<u>6,380</u>
Less estimated executory costs		39
Net minimum lease payments		<u>6,341</u>
Less imputed interest at rates ranging from 3.0% to 29.0%		<u>2,300</u>
Present value of minimum lease payments		<u>\$4,041</u>

The Company has entered into sale/leaseback transactions involving buildings and the underlying land that were accounted for as capital and operating leases. Included in the annual maturities schedule above are \$429 million of capital leases and \$140 million of operating leases.

Certain of the Company's leases provide for the payment of contingent rentals based on a percentage of sales. Such contingent rentals amounted to \$27 million, \$32 million and \$38 million in 2006, 2005 and 2004, respectively. Substantially all of the Company's store leases have renewal options, some of which may trigger an escalation in rentals.

In connection with certain debt financing, we could be liable for early termination payments if certain unlikely events were to occur. At January 31, 2006, the aggregate termination payment was \$89 million. These two arrangements expire in fiscal 2011 and fiscal 2019.

In connection with the development of our grocery distribution network in the United States, we have agreements with third parties which would require us to purchase or assume the leases on certain unique equipment in the event the agreements are terminated.

These agreements, which can be terminated by either party at will, cover up to a five-year period and obligate the Company to pay up to approximately \$233 million upon termination of some or all of these agreements.

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There are no recourse provisions which would enable us to recover from third parties any amounts paid under the above guarantees. No liability for these guarantees has been recorded in our financial statements.

The Company has entered into lease commitments for land and buildings for 60 future locations. These lease commitments with real estate developers provide for minimum rentals ranging from 5 to 35 years, which if consummated based on current cost estimates, will approximate \$95 million annually over the lease terms.

10 Retirement-related Benefits

In the United States, the Company maintains a Profit Sharing and 401(k) Retirement Savings Plan under which most full-time and many part-time associates become participants following one year of employment. The Profit Sharing component of the plan is entirely funded by the Company, with an additional contribution made by the Company to the associates' 401(k) component of the plan. In addition to the Company contributions to the 401(k) Retirement Savings component of the plan, associates may elect to contribute a percentage of their earnings. During fiscal 2006, participants could contribute up to 25% of their pretax earnings, but not more than statutory limits.

Associates may choose from among 13 different investment options for the 401(k) Retirement Savings component of the plan. For associates who did not make an election, their 401(k) balance in the plan is placed in a balanced fund. Associates are immediately vested in their 401(k) funds and may change their investment options at any time. Additionally, fully vested associates have the same 13 investment options for the Profit Sharing component of the plan. Associates are fully vested in the Profit Sharing component of the plan after seven years of service.

Annual contributions made by the Company to the United States and Puerto Rico Profit Sharing and 401(k) Retirement Savings Plans are made at the sole discretion of the Company, and were \$827 million, \$756 million and \$662 million for fiscal 2006, 2005 and 2004, respectively.

Employees in foreign countries who are not U.S. citizens are covered by various post-employment benefit arrangements. These plans are administered based upon the legislative and tax requirements in the country in which they are established. Annual contributions to foreign retirement savings and profit sharing plans are made at the discretion of the Company, and were \$244 million, \$199 million and \$123 million in fiscal 2006, 2005 and 2004, respectively.

The Company's subsidiaries in the United Kingdom and Japan have defined benefit pension plans. The plan in the United Kingdom was underfunded by \$332 million and \$419 million at January 31, 2006 and 2005, respectively. The plan in Japan was underfunded by \$228 million at January 31, 2006.

11 Segments

At January 31, 2006, the Company and its subsidiaries were principally engaged in the operation of retail stores located in all 50 states, Argentina, Brazil, Canada, Germany, South Korea, Puerto Rico and the United Kingdom, through joint ventures in China, and through majority-owned subsidiaries in Japan and Mexico. The Company identifies segments based on management responsibility within the United States and in total for international units.

The Wal-Mart Stores segment includes the Company's supercenters, discount stores and Neighborhood Markets in the United States, as well as Walmart.com. The SAM'S CLUB segment includes the warehouse membership clubs in the United States as well as samsclub.com. At January 31, 2006, the International segment consisted of the Company's operations in Argentina, Brazil, China, Germany, Mexico, South Korea, Japan and the United Kingdom, which are consolidated using a December 31 fiscal year-end, generally due to statutory reporting requirements. There were no significant intervening events which materially affected the financial statements. The Company's operations in Canada and Puerto Rico are consolidated using a January 31 fiscal year-end. The amounts under the caption "Other" in the following table include unallocated corporate overhead. The Company's portion of the results of our unconsolidated minority interest in Seiyu prior to December 20, 2005, and our unconsolidated minority interest in CARHCO are also included under the caption "Other."

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The Company measures the profit of its segments as “segment operating income,” which is defined as income from continuing operations before net interest expense, income taxes and minority interest. Information on segments and the reconciliation to income from continuing operations before income taxes and minority interest are as follows (in millions):

<u>Fiscal Year Ended January 31, 2006</u>	<u>Wal-Mart Stores</u>	<u>SAM'S CLUB</u>	<u>International</u>	<u>Other</u>	<u>Consolidated</u>
Revenues from external customers	\$ 209,910	\$ 39,798	\$ 62,719	\$ —	\$ 312,427
Intercompany real estate charge (income)	3,454	547	—	(4,001)	—
Depreciation and amortization	1,922	296	1,043	1,456	4,717
Operating income (loss)	15,324	1,385	3,330	(1,509)	18,530
Interest expense, net					(1,172)
Income from continuing operations before income taxes and minority interest					\$ 17,358
Total assets of continuing operations	\$ 32,809	\$ 5,686	\$ 51,581	\$48,111	\$ 138,187

<u>Fiscal Year Ended January 31, 2005</u>	<u>Wal-Mart Stores</u>	<u>SAM'S CLUB</u>	<u>International</u>	<u>Other</u>	<u>Consolidated</u>
Revenues from external customers	\$ 191,826	\$ 37,119	\$ 56,277	\$ —	\$ 285,222
Intercompany real estate charge (income)	2,754	513	—	(3,267)	—
Depreciation and amortization	1,561	274	919	1,510	4,264
Operating income (loss)	14,163	1,280	2,988	(1,340)	17,091
Interest expense, net					(986)
Income from continuing operations before income taxes and minority interest					\$ 16,105
Total assets of continuing operations	\$ 29,489	\$ 5,685	\$ 40,981	\$43,999	\$ 120,154

<u>Fiscal Year Ended January 31, 2004</u>	<u>Wal-Mart Stores</u>	<u>SAM'S CLUB</u>	<u>International</u>	<u>Other</u>	<u>Consolidated</u>
Revenues from external customers	\$ 174,220	\$ 34,537	\$ 47,572	\$ —	\$ 256,329
Intercompany real estate charge (income)	2,468	484	—	(2,952)	—
Depreciation and amortization	1,482	249	810	1,311	3,852
Operating income (loss)	12,916	1,126	2,370	(1,387)	15,025
Interest expense, net					(832)
Income from continuing operations before income taxes and minority interest					\$ 14,193
Total assets of continuing operations	\$ 27,028	\$ 4,751	\$ 35,230	\$38,396	\$ 105,405

Certain information for fiscal years 2005 and 2004 has been reclassified to conform to current-year presentation.

In the United States, long-lived assets, net, excluding goodwill and other assets and deferred charges were \$55.5 billion and \$48.4 billion as of January 31, 2006 and 2005, respectively. In the United States, additions to long-lived assets were \$11.8 billion, \$9.8 billion and \$8.1 billion in fiscal 2006, 2005 and 2004, respectively. Outside of the United States, long-lived assets, net, excluding goodwill and other assets and deferred charges were \$23.8 billion and \$19.7 billion in fiscal 2006 and 2005, respectively. Outside of the United States, additions to long-lived assets were \$2.8 billion, \$3.1 billion and \$2.2 billion in fiscal 2006, 2005 and 2004, respectively. The International segment includes all real estate outside the United States. The operations of the Company's ASDA subsidiary are significant in comparison to the total operations of the International segment. ASDA sales during fiscal 2006, 2005 and 2004 were \$26.8 billion, \$26.0 billion and \$21.7 billion, respectively. At January 31, 2006 and 2005, ASDA long-lived assets, consisting primarily of property and equipment, net, and goodwill, net, totaled \$17.7 billion and \$18.9 billion, respectively. The decline in ASDA's long-lived assets from January 31, 2005 to January 31, 2006 was largely due to foreign currency translation.

12 Quarterly Financial Data (Unaudited)

(Amounts in millions except per share information)	Quarters ended			
	April 30,	July 31,	October 31,	January 31,
Fiscal 2006				
Net sales	\$70,908	\$76,811	\$ 75,436	\$ 89,273
Cost of sales	<u>54,571</u>	<u>58,787</u>	<u>57,988</u>	<u>69,045</u>
Gross profit	\$16,337	\$18,024	\$ 17,448	\$ 20,228
Net income	\$ 2,461	\$ 2,805	\$ 2,374	\$ 3,589
Basic and diluted net income per common share	\$ 0.58	\$ 0.67	\$ 0.57	\$ 0.86
Fiscal 2005				
Net sales	\$64,763	\$69,722	\$ 68,520	\$ 82,216
Cost of sales	<u>49,969</u>	<u>53,533</u>	<u>52,567</u>	<u>63,723</u>
Gross profit	\$14,794	\$16,189	\$ 15,953	\$ 18,493
Net income	\$ 2,166	\$ 2,651	\$ 2,286	\$ 3,164
Basic and diluted net income per common share	\$ 0.50	\$ 0.62	\$ 0.54	\$ 0.75

The sum of quarterly financial data will not agree to annual amounts due to rounding.

13 Subsequent Events

On March 2, 2006, the Company's Board of Directors approved an increase in the Company's annual dividend to \$0.67 per share. The annual dividend will be paid in four quarterly installments on April 3, 2006, June 5, 2006, September 5, 2006, and January 2, 2007 to holders of record on March 17, May 19, August 18 and December 15, 2006, respectively.

In February 2006, we entered into a £150 million revolving credit facility in the United Kingdom. Interest on borrowings under the credit facility accrues at LIBOR plus 25 basis points.

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Wal-Mart Stores, Inc. as of January 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended January 31, 2006. 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 the standards of the Public Company Accounting Oversight Board (United States). 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. at January 31, 2006 and 2005, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 31, 2006, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Wal-Mart Stores, Inc.'s internal control over financial reporting as of January 31, 2006, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 27, 2006 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Rogers, Arkansas
March 27, 2006

**Report of Independent Registered Public Accounting Firm
on Internal Control Over Financial Reporting**

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

We have audited management's assessment, included in the accompanying Management's Report to Our Shareholders under the caption "Report on Internal Control Over Financial Reporting," that Wal-Mart Stores, Inc. maintained effective internal control over financial reporting as of January 31, 2006, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Wal-Mart Stores, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report to Our Shareholders, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of The Seiyu, Ltd., and Sonae Distribuição Brasil S.A., both of which were acquired in fiscal 2006 and are included in the fiscal 2006 consolidated financial statements of Wal-Mart Stores, Inc. These entities represented, in the aggregate, 5.8% and 0.1% of total assets and total net sales, respectively, of the Company as of, and for the year ended, January 31, 2006. These acquisitions are more fully discussed in Note 6 to the consolidated financial statements for fiscal 2006. Our audit of internal control over financial reporting of Wal-Mart Stores, Inc. also did not include an evaluation of the internal control over financial reporting for these fiscal 2006 acquisitions.

In our opinion, management's assessment that Wal-Mart Stores, Inc. maintained effective internal control over financial reporting as of January 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Wal-Mart Stores, Inc., maintained, in all material respects, effective internal control over financial reporting as of January 31, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Wal-Mart Stores, Inc. as of January 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended January 31, 2006 and our report dated March 27, 2006 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Rogers, Arkansas
March 27, 2006

Management's Report to Our Shareholders

WAL-MART

Management of Wal-Mart Stores, Inc. ("Wal-Mart" or the "Company") is responsible for the preparation, integrity and objectivity of Wal-Mart's consolidated financial statements and other financial information contained in this Annual Report to Shareholders. Those consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States. In preparing those consolidated financial statements, management was required to make certain estimates and judgments, which are based upon currently available information and management's view of current conditions and circumstances.

The Audit Committee of the Board of Directors, which consists solely of independent directors, oversees our process of reporting financial information and the audit of our consolidated financial statements. The Audit Committee stays informed of the financial condition of Wal-Mart and regularly reviews management's financial policies and procedures, the independence of our independent auditors, our internal control and the objectivity of our financial reporting. Both the independent auditors and the internal auditors have free access to the Audit Committee and meet with the Audit Committee periodically, both with and without management present.

We have retained Ernst & Young LLP, an independent registered public accounting firm, to audit our consolidated financial statements found in this annual report. We have made available to Ernst & Young LLP all of our financial records and related data in connection with their audit of our consolidated financial statements.

We have filed with the Securities and Exchange Commission ("SEC") the required certifications related to our consolidated financial statements as of and for the year ended January 31, 2006. These certifications are attached as exhibits to our Annual Report on Form 10-K for the year ended January 31, 2006. Additionally, we have also provided to the New York Stock Exchange the required annual certification of our Chief Executive Officer regarding our compliance with the New York Stock Exchange's corporate governance listing standards.

Report on Internal Control Over Financial Reporting

Management has responsibility for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of the Company's internal control over financial reporting as of January 31, 2006. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in *Internal Control — Integrated Framework*. Management concluded that based on its assessment, Wal-Mart's internal control over financial reporting was effective as of January 31, 2006. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of January 31, 2006, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which appears in this Annual Report to Shareholders.

Management's assessment of the effectiveness of the Company's internal control over financial reporting excluded The Seiyu, Ltd. and Sonae Distribuição Brasil S.A., both of which were acquired in fiscal 2006. These entities represented, in the aggregate, 5.8% and 0.1% of consolidated total assets and consolidated net sales, respectively, of the Company as of and for the year ended January 31, 2006. These acquisitions are more fully discussed in Note 6 to our consolidated financial statements for fiscal 2006. Under guidelines established by the SEC, companies are allowed to exclude acquisitions from their first assessment of internal control over financial reporting following the date of the acquisition.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be timely disclosed is accumulated and communicated to management in a timely fashion. Management has assessed the effectiveness of these disclosure controls and procedures as of January 31, 2006, and determined they were effective as of that date to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, was accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosure and were effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

Report on Ethical Standards

Our Company was founded on the belief that open communications and the highest standards of ethics are necessary to be successful. Our long-standing "Open Door" communication policy helps management be aware of and address issues in a timely and effective manner. Through the open door policy all associates are encouraged to inform management at the appropriate level when they are concerned about any matter pertaining to Wal-Mart.

Wal-Mart has adopted a Statement of Ethics to guide our associates in the continued observance of high ethical standards such as honesty, integrity and compliance with the law in the conduct of Wal-Mart's business. Familiarity and compliance with the Statement of Ethics is required of all associates who are part of management. The Company also maintains a separate Code of Ethics for our senior financial officers. Wal-Mart also has in place a Related-Party Transaction Policy. This policy applies to Wal-Mart's senior officers and directors and requires material related-party transactions to be reviewed by the Audit Committee. The senior officers and directors are required to report material related-party transactions to Wal-Mart. We maintain an ethics office which oversees and administers an ethics hotline. The ethics hotline provides a channel for associates to make confidential and anonymous complaints regarding potential violations of our statements of ethics, including violations related to financial or accounting matters.

/s/ H. Lee Scott, Jr.
H. Lee Scott, Jr.
President and Chief Executive Officer

/s/ Thomas M. Schoewe
Thomas M. Schoewe
Executive Vice President and Chief Financial Officer

Fiscal 2006 End-of-Year Store Count

WAL-MART

State	Discount	Supercenters	SAM'S	Neighborhood
	Stores		CLUBs	Markets
Alabama	13	76	11	2
Alaska	7	0	3	0
Arizona	15	42	13	9
Arkansas	20	60	5	6
California	146	13	35	0
Colorado	13	44	15	0
Connecticut	28	4	3	0
Delaware	4	4	1	0
Florida	48	128	39	9
Georgia	15	101	21	0
Hawaii	8	0	2	0
Idaho	3	14	1	0
Illinois	79	51	28	0
Indiana	27	61	16	4
Iowa	18	37	7	0
Kansas	18	35	6	3
Kentucky	22	59	7	2
Louisiana	23	60	13	1
Maine	10	12	3	0
Maryland	33	8	12	0
Massachusetts	41	3	4	0
Michigan	37	40	25	0
Minnesota	31	21	13	0
Mississippi	12	53	6	1
Missouri	40	77	15	0
Montana	4	7	1	0
Nebraska	3	23	3	0
Nevada	8	15	5	6
New Hampshire	19	7	4	0
New Jersey	40	1	9	0
New Mexico	3	26	6	1
New York	48	35	18	0
North Carolina	34	78	19	0
North Dakota	7	1	2	0
Ohio	52	72	27	0
Oklahoma	29	53	8	15
Oregon	17	12	0	0
Pennsylvania	46	70	23	0
Rhode Island	7	1	1	0
South Carolina	14	49	9	0
South Dakota	1	10	2	0
Tennessee	16	81	16	6
Texas	62	253	70	30
Utah	2	26	7	5
Vermont	4	0	0	0
Virginia	20	61	13	0
Washington	21	19	3	0
W Virginia	6	26	4	0
Wisconsin	34	43	11	0
Wyoming	1	8	2	0
U.S. Totals	1,209	1,980	567	100

International/Worldwide

Country	Discount	Supercenters	SAM'S	Neighborhood
	Stores		CLUBs	Markets
Argentina	0	11	0	0
Brazil	255*	23	15	2*
Canada	272	0	6	0
China	0	51	3	2

Germany	0	88	0	0
Japan	2‡	96‡	0	300‡
South Korea	0	16	0	0
Mexico	599†	105	70	0
Puerto Rico	9	5	9	31**
United Kingdom	294§	21	0	0
International Totals	<u>1,431</u>	<u>416</u>	<u>103</u>	<u>335</u>
Grand Totals	<u>2,640</u>	<u>2,396</u>	<u>670</u>	<u>435</u>

* *Brazil includes 2 Todo Dias, 116 Bompreço and 139 Sonae.*

‡ *Japan includes 2 GM only, 96 general merchandise, apparel and food stores and 300 Supermarkets. Japan excludes 45 Wakana units, which are take-out restaurants generally less than 1,000 square feet in size.*

† *Mexico includes 187 Bodegas, 16 Mi Bodegas, 1 Mi Bodega Express, 1 Mercamas, 53 Suburbias, 55 Superamas, 286 Vips and does not include Vips franchises.*

** *Puerto Rico includes 31 Amigos.*

§ *United Kingdom includes 236 ASDA Stores, 10 George Stores, 5 ASDA Living and 43 ASDA Small Town.*

Senior Officers and Board of Directors

WAL-MART

Senior officers

Eduardo Castro-Wright

Executive Vice President, President and Chief Executive Officer, Wal-Mart Stores Division U.S.

M. Susan Chambers

Executive Vice President, Risk Management, Insurance and Benefits Administration

Patricia A. Curran

Executive Vice President, Store Operations, Wal-Mart Stores Division U.S.

Douglas J. Degn

Executive Vice President, Food, Consumables, and Hardlines, Wal-Mart Stores Division U.S.

Linda M. Dillman

Executive Vice President and Chief Information Officer

Michael T. Duke

Vice Chairman, Responsible for Wal-Mart International

Joseph J. Fitzsimmons

Senior Vice President, Treasurer

John E. Fleming

Executive Vice President, Chief Marketing Officer, Wal-Mart Stores Division U.S.

Rollin L. Ford

Executive Vice President, Logistics and Supply Chain

David D. Glass

Chairman of the Executive Committee of the Board of Directors

Mark D. Goodman

Executive Vice President, Marketing and Membership, SAM'S CLUB

Craig R. Herkert

Executive Vice President, President and Chief Executive Officer, The Americas, Wal-Mart International

Charles M. Holley, Jr.

Senior Vice President, Finance

Thomas D. Hyde

Executive Vice President and Corporate Secretary

Lawrence V. Jackson

Executive Vice President, People Division

Gregory L. Johnston

Executive Vice President, Club Operations, SAM'S CLUB

C. Douglas McMillon

Executive Vice President, President and Chief Executive Officer, SAM'S CLUB

John B. Menzer

Vice Chairman, Responsible for U.S.

Thomas M. Schoewe

Executive Vice President and Chief Financial Officer

H. Lee Scott, Jr.

President and Chief Executive Officer

Gregory E. Spragg

Executive Vice President, Merchandising and Replenishment, SAM'S CLUB

S. Robson Walton

Chairman of the Board of Directors

Claire A. Watts

Executive Vice President, Product Development, Apparel and Home Merchandising, Wal-Mart Stores Division U.S.

Eric S. Zorn

Executive Vice President, Wal-Mart Realty

Board of directors

James W. Breyer

Mr. Breyer is the Managing Partner of Accel Partners, a venture capital firm.

M. Michele Burns

Ms. Burns is the Executive Vice President and Chief Financial Officer of Marsh McLennan Companies, a risk management company.

Douglas N. Daft

Mr. Daft is the retired Chairman of the Board of Directors and Chief Executive Officer of The Coca-Cola Company.

David D. Glass

Mr. Glass is Chairman of the Executive Committee of the Board of Directors of Wal-Mart Stores, Inc.

Roland A. Hernandez

Mr. Hernandez is the retired Chairman of the Board of Directors and Chief Executive Officer of Telemundo Group, Inc., a Spanish- language television station company.

John D. Opie

Mr. Opie is the retired Vice Chairman of the Board of Directors and Executive Officer of the General Electric Co., a diversified technology, services, and products company.

J. Paul Reason

Mr. Reason is the Vice Chairman of Metro Machine Corporation, an employee-owned ship repair company.

H. Lee Scott, Jr.

Mr. Scott is the President and Chief Executive Officer of Wal-Mart Stores, Inc.

Jack C. Shewmaker

Mr. Shewmaker is the President of J-COM, Inc., a consulting company, a retired Wal-Mart executive and a rancher.

José H. Villarreal

Mr. Villarreal is a partner in the law firm of Akin, Gump, Strauss, Hauer & Feld, L.L.P

Jim C. Walton

Mr. Walton is the Chairman of the Board of Directors and Chief Executive Officer of Arvest Bank Group, Inc., a group of banks operating in 91 communities in the states of Arkansas, Oklahoma and Missouri.

S. Robson Walton

Mr. Walton is Chairman of the Board of Directors of Wal-Mart Stores, Inc.

Christopher J. Williams

Mr. Williams is the Chairman of the Board of Directors and Chief Executive Officer of The Williams Capital Group, L.P., an investment bank.

Linda S. Wolf

Ms. Wolf is the retired Chairman of the Board of Directors and Chief Executive Officer of Leo Burnett Worldwide, Inc., advertising agency and division of Publicis Groupe S.A.

Corporate and Stock Information

WAL-MART

Corporate information

Registrar and Transfer Agent:
Computershare Trust Company, N.A.
P.O. Box 43069
Providence, Rhode Island 02940-3069
1-800-438-6278
TDD for hearing-impaired inside the U.S. 1-800-952-9245
Internet: <http://www.computershare.com/equishere>
Dividend reinvestment and direct stock purchase available

Listings – Stock Symbol: WMT

New York Stock Exchange
Pacific Stock Exchange

Annual meeting:

Our Annual Meeting of Shareholders will be held on Friday, June 2, 2006, in Bud Walton Arena on the University of Arkansas campus, Fayetteville, Arkansas.

Communication with shareholders:

Wal-Mart Stores, Inc. periodically communicates with its shareholders and other members of the investment community about our operations. For further information regarding our policy on shareholder and investor communications refer to our website www.walmartstores.com/investors.

Independent registered public accounting firm:

Ernst & Young LLP
5414 Pinnacle Point Dr., Suite 102
Rogers, AR 72758

Corporate address:

Wal-Mart Stores, Inc.
702 S.W. 8th Street
Bentonville, Arkansas 72716
Telephone: 479-273-4000

Retail Internet Sites:

<http://www.walmart.com>
<http://www.samsclub.com>

Corporate Internet Sites:

<http://www.walmartstores.com>
<http://www.walmartfacts.com>

The following reports are available without charge upon request by writing the Company c/o Investor Relations or by calling 479-273-8446. These reports are also available via the corporate website.

Annual Report on Form 10-K
Quarterly Reports on Form 10-Q
Current Sales and Earnings Releases
Current Reports on Form 8-K
Copy of Proxy Statement
Supplier Standards Report

Sustainability in action



Market price of common stock

Fiscal year ended January 31,

	2005		2006	
	High	Low	High	Low
1st Quarter	\$61.05	\$54.69	\$53.51	\$46.81
2nd Quarter	\$57.68	\$51.76	\$50.51	\$47.00
3rd Quarter	\$54.97	\$51.33	\$49.80	\$42.49
4th Quarter	\$57.70	\$52.02	\$50.57	\$44.95

Fiscal year ended January 31,

	2007	
	High	Low
1st Quarter*	\$47.76	\$44.74

* Through March 20, 2006.

Certifications

The Company's Chief Executive Officer and Chief Financial Officer have filed their certifications as required by the Securities and Exchange Commission (the "SEC") regarding the quality of the Company's public disclosure for each of the periods ended during the Company's fiscal year ended January 31, 2006 and the effectiveness of internal control over financial reporting as of January 31, 2006 and 2005. Further the Company's Chief Executive Officer has certified to the New York Stock Exchange ("NYSE") that he is not aware of any violation by the Company of the NYSE corporate governance listing standards, as required by Section 303A.12(a) of the NYSE listing standards, and he has certified to the Pacific Stock Exchange that he is not aware of any violation by the Company of the Pacific Stock Exchange Corporate Governance Rules, as required by Rule 5.3(m) of the Corporate Governance Rules.

Shareholders

As of March 20, 2006, there were 312,663 holders of record of Wal-Mart's Common Stock.

Dividends paid per share

Fiscal year ended January 31, 2005

April 5, 2004	\$0.130
June 7, 2004	\$0.130
September 7, 2004	\$0.130
January 3, 2005	\$0.130

Dividends paid per share

Fiscal year ended January 31, 2006

April 4, 2005	\$0.150
June 6, 2005	\$0.150
September 6, 2005	\$0.150
January 3, 2006	\$0.150

Dividends payable per share

Fiscal year ended January 31, 2007

April 3, 2006	\$0.1675
June 5, 2006	\$0.1675
September 5, 2006	\$0.1675
January 2, 2007	\$0.1675

All of the paper used for Wal-Mart's Annual Report came from well-managed forests certified to the international standards of the Forest Stewardship Council (FSC). The financial section paper also contains 10% post-consumer recycled fiber.

SIGNIFICANT SUBSIDIARIES OF WAL-MART STORES, INC.

The following list details certain of the subsidiaries of Wal-Mart Stores, Inc. Subsidiaries not included in the list are omitted because, in the aggregate, they are insignificant as defined by Item 601(b)(21) of Regulation S-K.

SUBSIDIARY	ORGANIZED OR INCORPORATED	PERCENT OF EQUITY SECURITIES OWNED	NAME UNDER WHICH DOING BUSINESS OTHER THAN SUBSIDIARY'S
Wal-Mart Stores East, LP	Delaware, U. S.	100%	Wal-Mart
Wal-Mart Property Company	Delaware, U. S.	100%	NA
Wal-Mart Real Estate Business Trust	Delaware, U. S.	100%	NA
ASDA Group Limited	England	100%	ASDA/Wal-Mart

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Wal-Mart Stores, Inc. of our reports dated March 27, 2006, with respect to the consolidated financial statements of Wal-Mart Stores, Inc., Wal-Mart Stores, Inc. management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Wal-Mart Stores, Inc., included in the 2006 Annual Report to Shareholders of Wal-Mart Stores, Inc.

We consent to the incorporation by reference in the following Registration Statements:

- | | |
|---|---------------------------------------|
| (1) Stock Option Plan of 1984 of Wal-Mart Stores, Inc., as amended | Form S-8 File Nos. 2-94358 and 1-6991 |
| (2) Stock Option Plan of 1994 of Wal-Mart Stores, Inc., as amended | Form S-8 File No. 33-55325 |
| (3) Debt Securities and Pass-Through Certificates of Wal-Mart Stores, Inc. | Form S-3 File No. 33-55725 |
| (4) Director Compensation Plan of Wal-Mart Stores, Inc. | Form S-8 File No. 333-24259 |
| (5) Debt Securities of Wal-Mart Stores, Inc. | Form S-3 File No. 33-53125 |
| (6) Dividend Reinvestment and Stock Purchase Plan of Wal-Mart Stores, Inc. | Form S-3 File No. 333-02089 |
| (7) 401(k) Retirement Savings Plan of Wal-Mart Stores, Inc. | Form S-8 File No. 333-29847 |
| (8) 401(k) Retirement Savings Plan of Wal-Mart Puerto Rico, Inc. | Form S-8 File No. 33-44659 |
| (9) Registration Statement Covering 14,710,000 Shares of Common Stock of Wal-Mart Stores, Inc. | Form S-3 File No. 333-56993 |
| (10) Wal-Mart Stores, Inc. Associate Stock Purchase Plan of 1996 | Form S-8 File No. 333-62965 |
| (11) Wal-Mart Stores, Inc. Stock Incentive Plan of 1998 | Form S-8 File No. 333-60329 |
| (12) The ASDA Colleague Share Ownership Plan 1 | Form S-8 File No. 333-84027 |
| The ASDA Group Long Term Incentive Plan 1 | |
| The ASDA Group PLC Sharesave Scheme 1 | |
| The ASDA 1984 Executive Share Option Scheme 1 | |
| The ASDA 1994 Executive Share Option Scheme 1 | |
| (13) The ASDA Colleague Share Ownership Plan 1999 | Form S-8 File No. 333-88501 |
| (14) Debt Securities of Wal-Mart Stores, Inc. | Form S-3 File No. 333-64740 |
| (15) Debt Securities of Wal-Mart Cayman Canadian Finance Co. | Form S-3 File No. 333-64740-01 |
| (16) Debt Securities of Wal-Mart Cayman Euro Finance Co. | Form S-3 File No. 333-64740-02 |
| (17) Debt Securities of Wal-Mart Cayman Sterling Finance Co. | Form S-3 File No. 333-64740-03 |
| (18) Debt Securities of Wal-Mart Stores, Inc. | Form S-3 File No. 333-101847 |
| (19) Registration Statement Covering 16,000,000 Shares of Common Stock of Wal-Mart Stores, Inc. | Form S-3 File No. 333-101859 |
| (20) Wal-Mart Profit Sharing and 401(k) Plan | Form S-8 File No. 333-109421 |
| (21) Associate Stock Purchase Plan of 1996 | Form S-8 File No. 333-109417 |
| (22) Wal-Mart Puerto Rico Profit Sharing and 401(k) Plan | Form S-8 File No. 333-109414 |
| (23) ASDA Colleague Share Ownership Plan 1999 and ASDA Sharesave Plan 2000 | Form S-8 File No. 333-107439 |
| (24) Debt Securities of Wal-Mart Stores, Inc. | Form S-3 File No. 333-125432 |
| (25) Debt Securities of Wal-Mart Stores, Inc. | Form S-3 File No. 333-126512 |
| (26) Wal-Mart Stores, Inc. Stock Incentive Plan of 2005 | Form S-3 File No. 333-128204 |
| (27) Debt Securities of Wal-Mart Stores, Inc. | Form S-3ASR File No. 333-130569 |

of our reports dated March 27, 2006, with respect to the consolidated financial statements of Wal-Mart Stores, Inc., Wal-Mart Stores, Inc. management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Wal-Mart Stores, Inc., incorporated by reference in this Annual Report (Form 10-K) for the year ended January 31, 2006.

/s/ Ernst & Young LLP

Rogers, Arkansas
March 27, 2006

I, H. Lee Scott, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of Wal-Mart Stores, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations; and
 - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the Audit Committee of the registrant’s Board of Directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 29, 2006

/s/ H. Lee Scott, Jr.

H. Lee Scott, Jr.
President and
Chief Executive Officer

I, Thomas M. Schoewe, certify that:

1. I have reviewed this Annual Report on Form 10-K of Wal-Mart Stores, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations; and
 - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the Audit Committee of the registrant’s Board of Directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 29, 2006

/s/ Thomas M. Schoewe
Thomas M. Schoewe
Executive Vice President
and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350 (AS ADOPTED
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002)**

In connection with the Annual Report of Wal-Mart Stores, Inc. (the "Company") on Form 10-K for the period ending January 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, H. Lee Scott, Jr., President and Chief Executive Officer of the Company, certify to my knowledge and in my capacity as an officer of the Company, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

IN WITNESS WHEREOF, the undersigned has executed this Certificate, effective as of March 29, 2006.

/s/ H. Lee Scott, Jr.

H. Lee Scott, Jr.
President and
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Wal-Mart Stores, Inc. and will be retained by Wal-Mart Stores, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350 (AS ADOPTED
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002)**

In connection with the Annual Report of Wal-Mart Stores, Inc. (the "Company") on Form 10-K for the period ending January 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas M. Schoewe, Executive Vice President and Chief Financial Officer of the Company, certify to my knowledge and in my capacity as an officer of the Company, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

IN WITNESS WHEREOF, the undersigned has executed this Certificate, effective as of March 29, 2006.

/s/ Thomas M. Schoewe

Thomas M. Schoewe
Executive Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Wal-Mart Stores, Inc. and will be retained by Wal-Mart Stores, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.