

BEST BUY™

Fiscal 2004 Annual Report



Our company capitalized on many opportunities to increase shareholder value in fiscal 2004. Store, field and corporate teams worked closely together to get the right products to the stores and to sell them successfully. As a result, we gained market share and increased revenue and earnings. We also returned value to our shareholders by instituting our first cash dividend and reactivating our share buyback program. We are very optimistic about the continuing opportunities we see in fiscal 2005.

Fiscal 2004 Key Wins

- We achieved revenue growth of 17 percent, to \$24.5 billion, by opening 78 new stores and increasing comparable store sales by 7.1 percent.
- We increased earnings from continuing operations by 29 percent through a combination of higher revenue and growth in the operating income rate. This achievement brings the 10-year compound annual growth rate in earnings from continuing operations to 34 percent.
- Cost savings from our efficient enterprise initiative and gross profit rate gains helped fund the development and testing of our innovative customer centricity strategy in 32 lab stores.
- Our customer satisfaction rating rose and we gained overall market share, driven by share growth in key product areas including computers, digital televisions, digital imaging products and entertainment software.
- Closer teamwork among our store, field and headquarters employees and the positive attitude of our workforce helped drive exceptional results throughout the year.

Fiscal 2005 Goals

- Build our revenue by 11 to 13 percent through opening approximately 70 new stores and garnering strong comparable store sales gains; increase diluted earnings per share from continuing operations by 15 to 20 percent.
- Implement customer centricity in up to 110 additional stores in order to improve our service to our best customers; in addition, transform our corporate and field support teams to enable customer centricity.
- Increase efficiency by expanding our direct sourcing capability and re-engineering our supply chain and customer contact centers to be much more customer-driven.
- Expand the value-added services we can offer to customers, principally through the roll out of Geek Squad's® rapid-response, in-store and in-home computer support task force to a total of approximately 45 markets.
- Create exclusive entertainment content for our customers and offer any format they prefer for enjoying that content.
- Enhance our capability to let customers enjoy their favorite content throughout their homes, cars and offices.
- Upgrade and renovate existing stores in key markets to ensure that we remain competitive in customer experience over the next decade.

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Minneapolis-based Best Buy Co., Inc. (NYSE: BBY) is North America's leading specialty retailer of consumer electronics, personal computers, entertainment software and appliances. The company's subsidiaries operate retail stores and/or Web sites under the names: Best Buy (BestBuy.com), Future Shop (FutureShop.ca), Geek Squad (GeekSquad.com) and Magnolia Audio Video (MagnoliaAV.com). The company's subsidiaries reach consumers through more than 750 stores in the United States and Canada.

Bradbury H. Anderson
Vice Chairman and CEO



To Our Shareholders

Inside Best Buy, we are undergoing a transformation. The change, though quiet, is palpable throughout our organization.

Transformation at many companies is the child of necessity. In contrast, at Best Buy, our business is hitting new records for both revenue and earnings from continuing operations. We have several more years of new-store openings to fuel our growth. We also foresee incredible growth in key digital products, where we have the leading market share in North America.

Our transformation is driven instead by a sense of tremendous opportunity. We have developed and tested an initiative called customer centricity, which enables us to engage more deeply with customers by empowering employees to more effectively deliver products, solutions and services through multiple channels. Our customer centricity work has given us an entirely new lens for looking at our business. Through that lens, we see opportunities to increase

market share with both existing and new customer segments. We see opportunities to tailor stores to local customers' needs. We see new services that no other North American retailer can offer. We see possibilities for connecting more closely with customers through the entertainment they love. We see a more flexible and more productive way to operate that can help us anticipate changing customer needs.

In short, we see a significant growth opportunity.

For me, the case for change had its roots in our experience acquiring Musicland stores and then selling them three years later. One of the Musicland lessons was that we did not understand their mall-based customer. It also occurred to us that perhaps we similarly needed to gain a better understanding of our customer in our core business. This lesson, combined with the ideas Larry Selden, Emeritus Professor of Columbia University, developed into our customer centricity initiative. Professor Seldon encouraged us to view our company as a portfolio of customers. Our premise is that as we deliver superior customer experiences, we will earn commensurately higher financial returns, a mutually exclusive value exchange.



Diluted Earnings Per Share
(from continuing operations)

At the same time, we saw a looming threat from other large retailers with lower cost structures. We realized that we must boost our growth rate and capital efficiency in order to compete more effectively for customers. These desires formed the basis of our efficient enterprise initiative. The beauty of these two initiatives, customer centricity and efficient enterprise, is how well they balance each other while providing opportunities for growth.

Today, we are:

- Teaching our employees to focus on specific customers who have similar needs and expectations, rather than just focusing on product categories.
- Decentralizing authority to allow the person closest to the customer to make informed decisions using new, adaptive operating platforms.
- Teaching all store employees about the financial impact of their decisions so that they can improve their ability to determine profitable ways to meet diverse customer needs.
- Increasing investments in high-return, customer-facing areas, such as store labor and new services.
- Increasing the efficiency and adaptability of back-office functions, such as sourcing and supply chain.

The Opportunity to Transform Our Business

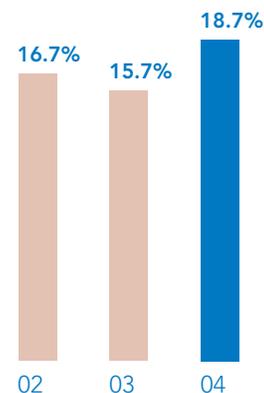
Our transformation began more than a year ago, when we first determined our four strategic initiatives: customer centricity, efficient enterprise, win the home with service and win in entertainment. Our leaders taught these initiatives to employees, and dedicated work teams began to implement them. For example, we opened 32 customer centricity test stores, each focused on one or more of the five specific customer segments. We set goals for profitable sales growth and asked our employees to find efficiencies.

We challenged ourselves to find ways to grow our services business and to take the lead in the entertainment business. We revamped our system of rewards and recognition to focus on employee strengths, performance and company values.

Our goal: to transform into a talent-powered, customer-driven enterprise focused on enhancing our customers' enjoyment of technology.

Historically, consumer electronics retailers have competed by anticipating new technologies and managing accelerating product cycles. We have mastered that business, and our performance has led the industry. But all that wins for us is the right to compete in the next round of retailing. And in the next round, not only is the competition more powerful, but the rules will have changed ... because we are changing them.

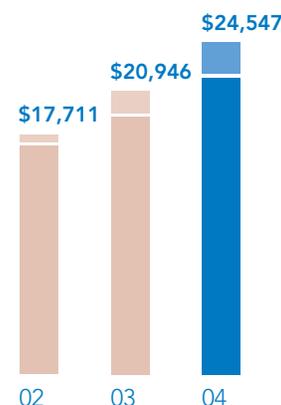
At Best Buy, we see a very different consumer electronics business in the future. This future has critical implications for our customers and for our company. Key products are converging, which works to our advantage as a leader in both consumer electronics and home-office products. Technologies are becoming more complex, which favors retailers with well-trained employees and a robust service offering. Our customer centricity strategy is to serve as the advocate of customers, helping them assemble the solutions that work for them—and backing up those sales with service. Only a few large retailers excel in this environment, and none have our breadth of product and services assortments. We will sharpen our advantage as well, through our national rollout of Geek Squad services. Finally, customers today are unwilling to pay for inefficiency. Low-cost providers have gained significant market share, at the expense of mall-based retailers and others who are less efficient. We believe we must boost our efficiency and lower our expense rate in order to fund our transformation and remain competitive in the marketplace.



Return On Invested Capital*

(continuing operations)
Increased earnings and more effective use of capital drove a higher return.

* See reconciliation on page 21



Year	International	Domestic
02	\$596	\$17,115
03	\$1,643	\$19,303
04	\$2,322	\$22,225

Revenue

(\$ in millions)
New stores and better execution drove higher revenue. International revenue growth also benefited from the stronger Canadian dollar.

The Opportunity to Reach New Customers

So we started on a journey toward the future. We envisioned a new culture within Best Buy, one focused on specific customer segments and driven by a strengths-based organization. In this culture, employees are energized because they have both the responsibility and the accountability to make decisions and drive innovation based on their knowledge of the customer. This culture treats customers as kings and queens, and the employees closest to the customer as royalty. That leaves headquarters employees—including me—as servant leaders.

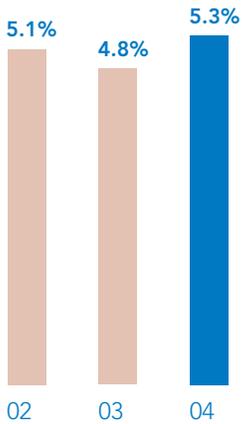
The good news is that not only are employees ready for the change, but they have been clamoring for it.

Based on the performance of our 32 lab stores, we expect to transform up to 110 additional Best Buy stores to our customer centricity format this year. We also plan to deliver approximately 30 basis points of operating income rate improvement, fueled by efficient enterprise activities. Delivering on these promises will be a challenge for us. Yet we are very optimistic about the future because we know we have the talent and creativity needed to complete our transformation. We are well known for the ability, once we grasp an opportunity, to develop a rollout plan and to execute it across North America. Moreover, behind the strategy is essentially the same management team that led us to become North America's No. 1 consumer electronics retailer.

Some investors have asked us to name a customer-centric retailer we hope to emulate. Frankly, we are not aware of any other retailer who has successfully implemented a customer-centered approach in this manner. Actually, that does not dissuade us; rather, it encourages us. At Best Buy, we love to prove conventional wisdom wrong. "No one has successfully sold hardware and software; you have to choose one or the other," they said in 1986. "Nobody will buy high-end consumer electronics from noncommissioned sales associates," they said in 1989. "Retailers can't make money selling computers," they said in 1997. "Dual branding works only with consumer products," they said in 2000. Each time we challenged the status quo, and by running our business for the long term, we frequently have achieved top-quartile performance in total shareholder return.

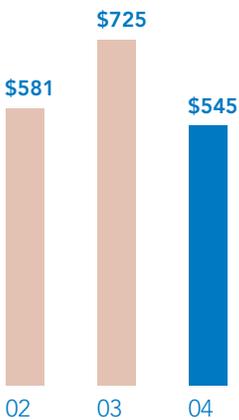
The Opportunity to Boost Results

The coming year will be a critical test for Best Buy. Our initial guidance for fiscal 2005 called for an 11- to 13-percent increase in revenue and a 15- to 20-percent increase in diluted earnings per share from continuing operations. The opening of new stores and comparable store sales gains are expected to drive our top line, while increased efficiency is expected to boost our bottom line. Behind the scenes, we will be running hard in our core business while we begin the work of transformation to a customer-centric organization. In other words, we are attempting our transformation during a period of success and prosperity.



Operating Income Rate

We boosted profitability by selling products at a higher gross-profit rate.



Capital Spending

(\$ in millions)

Lowering the cost per square foot of new stores helped reduce capital spending.



Total Shareholder Return

Comparison of the five-year cumulative total returns on common stock of Best Buy Co., Inc., S&P 500 and S&P Retail 100.

My role as a leader will be to keep our employees inspired and focused on our vision lest success were to erode our resolve to change.

Clearly we are winning in consumer electronics retailing today. We enjoyed a strong performance from nearly every corner of the company last year. Comparable store sales rose 7.1 percent. Revenue rose 17 percent to \$24.5 billion. Earnings from continuing operations jumped 29 percent to \$800 million, or \$2.44 per diluted share. We increased cash provided by operations by more than \$660 million. Our strong cash position enabled us to initiate a quarterly, 10-cent dividend and to resume repurchases of our common shares—a combination few retailers can deliver. We believe that our market share attained a new high, including multiple product groups that are key to our success. Customer loyalty, customer satisfaction, brand awareness and employee attitude measures all are at all-time highs for us. We have positive momentum.

The Opportunity to Win

Because we're the leader in our category today and because we believe in the importance of innovation, we continue to invest in long-term, strategic initiatives. Great product-centric companies excel in product R&D. We need to research, develop and test innovative ways to create truly differentiated customer experiences. We began by spending approximately 0.3 percent of our revenue last year developing and testing our customer centricity initiative (and we also generated additional revenue and gross profit dollars from the test stores). While the experimen-

tation will continue, in the coming year we plan to convert up to 110 additional U.S. Best Buy stores to the customer centricity platform. With a critical mass of these stores, we expect to glean the insights needed to accelerate the rollout the following year. Our goal is to convert the majority of our stores to the customer centricity platform within the next few years.

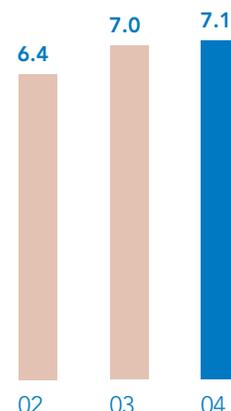
This transformation is no small bet. But we believe that it is the right direction for Best Buy. As we succeed, we will widen the gap between us and all of our competitors. Meanwhile, we will learn more about our customers, and that is always a worthwhile investment.

We have incredible employees running our stores and operating our business. I would like to thank them for the results they achieved in fiscal 2004. They are the reason I am excited about the possibilities ahead of us and optimistic about the future.

With the support of our employees, vendors and, of course, my fellow shareholders, we expect to have a prosperous year in fiscal 2005 and an even brighter future in the years beyond.

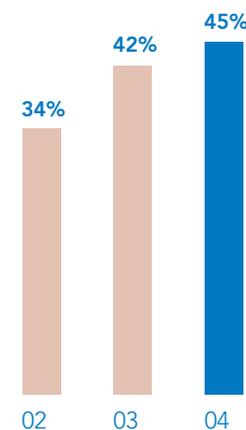


Bradbury H. Anderson
Vice Chairman and CEO



Sales Proficiency

We scored 7.1 in sales proficiency, or the salesperson's ability to match the customer with a product/technology (on a 1 to 10 scale).



Customer Loyalty

Forty-five percent of customers rated us 5 on a 1-to-5 scale in all three categories: overall satisfaction, likelihood to return and likelihood to recommend to others.



From left: social customer, time-starved mom, affluent professional, family man

Customer centricity is a new approach to serving our customers. In fiscal 2004, we identified customer segments with specific needs for which we believe Best Buy can find solutions and tailored 32 pilot stores to meet those needs. The goals are to identify and attract profitable customer segments, create new and improved customer experiences and improve overall customer satisfaction and loyalty. In fiscal 2005, we plan to expand customer centricity to up to 110 more stores.

Operating Review

Opportunity to Gain Market Share

Dynamics within the competitive environment gave Best Buy an opportunity to gain significant market share in fiscal 2004—including more attractive pricing on digital products, customers' preference for efficient retailers, and convergence between home office and consumer electronics devices. We capitalized on this opportunity by playing to our strengths: the quality of our store employees and the effectiveness of our advertising. Namely, we increased the number of employees working in our stores and invested in our new advertising campaign.

Highly effective advertising and promotions included a holiday television campaign that attained the highest customer recall scores of any Best Buy advertising ever. The new advertisements, "Thousands of possibilities. Get yours," showed how our employees seek to understand each customer's unique needs before suggesting products and services. We also successfully launched Reward Zone, our customer loyalty program, which awards discount certificates to members based on purchases. Reward Zone has been enthusiastically received by our customers; as of February 2004, we had signed up more than 2.5 million members. Reward Zone members shop at our stores more frequently than nonmembers and give us valuable information about our customers.

Another key component of our winning strategy this year was increased coordination of promotions between our stores and our corporate teams, which was reflected in the execution in our stores.

Store employees responded to increased customer traffic with excellent advice, the right products and services, and the ability to handle sales of more complex products. We realize that, as the products and services we sell become more complex, shoppers require more advice. Mass merchants and direct sellers cannot offer customers the opportunity to experience products or the face-to-face assistance,

deep product and services assortments and service for which Best Buy increasingly is known.

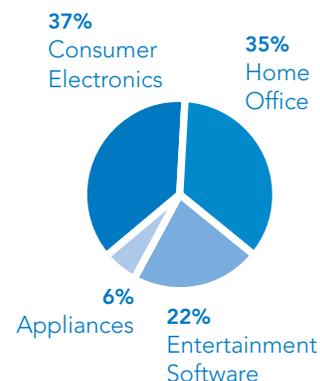
Our strategy of focusing on our strengths was successful. We achieved revenue growth of 17 percent for the fiscal year, including a comparable store sales gain of 7.1 percent. We believe that we increased market share in key products such as notebook and desktop computers, digital cameras and camcorders, and CDs. Moreover, we believe we have potential to make further market share gains in fiscal 2005 as we pursue new customers through new store openings and the roll-out of our customer centricity initiative.

Opportunity to Attract New Customers

In fiscal 2004, we opened 60 new Best Buy stores in the United States, with 23 in our standard 45,000-square-foot format and the balance in our smaller-market formats. Most of these stores expanded our presence in existing markets.

We plan to open approximately 60 new U.S. Best Buy stores in fiscal 2005, with approximately two-thirds of the new stores in our smaller 30,000- and 20,000-square-foot formats. Our new, 20,000-square-foot format proved to be very successful in fiscal 2004 and is on track to deliver a return on invested capital of over 20 percent. It enabled us to reach customers in smaller markets (populations of 100,000), as well as fill in existing markets. In fiscal 2005, we anticipate opening our first store in Hawaii and a flagship store in West Hollywood. We also plan to renovate many of our older stores.

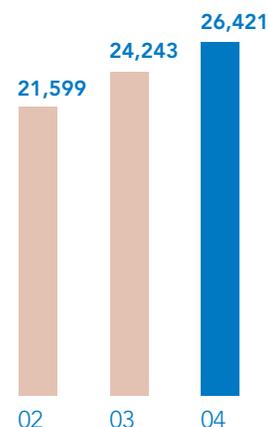
Another key element of our U.S. growth plan is the implementation of innovative ideas that resulted from our customer centricity pilot stores and other tests. Our customer centricity initiative changes our focus from selling products to meeting customers' needs, adapting each store to serve specific, profitable customer segments shopping at that store. We initially identified five customer segments that we believe either represent significant new growth



Product Revenue Mix

(FY 04)

The fastest-growing product category in fiscal 2004 was Home Office, driven by notebook and desktop computers.



U.S. Best Buy Retail Square Footage

Actual footage at period end, in thousands

By adding more stores in our 30,000- and 20,000-square-foot formats, we are able to reach customers in smaller markets, although the percentage growth in retail square footage is moderating.



In fiscal 2004, we opened an office in Shanghai, China, in order to purchase products directly from Asian manufacturers. We expect this office will help Best Buy increase efficiency by reducing our cost of goods sold and providing us with a direct vehicle for giving manufacturers our customers' feedback on new and existing products. In addition, the office provides us with the capability to offer private-label products that fill gaps in our assortment.

opportunities or include some of our best current customers. We believe we can serve these customers better than we do today and better than our competitors, thereby increasing revenue from those segments. The customer segments are as follows:

- The affluent professional who wants the best technology and entertainment and who demands excellent service
- The focused, active, social customer who wants the latest technology
- The family man who likes technology but is not an early adopter—he needs to be sure the technology is established before he will invest
- The busy suburban mom who is time-starved
- The small-business customer who has specific needs related to increasing sales and profitability.

In 32 pilot stores, we empowered the store teams to adapt to meet the needs of the customer segments with the greatest profit potential in their local area, and we taught them to track their success through each store's financial statements. We have moved from our Standard Operating Platform, under which all stores function in exactly the same way, to an Adaptive Operating Platform. This change may involve some variation in product offerings, staffing, promotions and even store design. However, all changes are subject to measures based on return on invested capital, and we have spent a great deal of time teaching our store employees to be accountable for their decisions based on that metric. Part of the training includes supporting a new "owner/operator" mindset within the store.

The pilot stores demonstrated an ability to gain a larger share of our customers' technology and entertainment spending and to increase their gross profit rates

because they focused on better serving the needs of our best customers. We believe that the roll-out of this customer-centered approach will spur our growth and profitability in the future. At this time, we envision up to 110 additional customer centricity stores in fiscal 2005. Even before we commence that roll-out, we will be implementing some of the "better retailing" practices we learned from the pilot, including changes to the store labor model and increased employee training on factors driving store profitability.

Opportunity for Greater Efficiencies

We see many opportunities for increasing our efficiency in fiscal 2005 by reducing costs, investing capital more wisely and increasing our speed to market for new products and services. We began to make progress with our efficient enterprise initiative in fiscal 2004. For example, we enhanced collaboration between store personnel and corporate staff to streamline decision-making. We eliminated many unnecessary tasks for store employees. We outsourced some Human Resources functions to increase efficiency and accelerate the development of new capabilities. Finally, we opened a direct sourcing office in Shanghai, China.

Our cost-reduction work has been largely decentralized. Various teams of employees have focused on ways to streamline their departments, simplify processes, speed up decisions and better allocate employees' time. We have reduced staffing levels at our corporate campus and in our field leadership structure. These savings have helped fund our customer centricity initiative.

While we increased labor at our stores to better assist our customers and drive increased revenue, we have also increased the effectiveness of our sales staff by eliminating certain routine administrative tasks they had been asked to perform. The changes allowed salespeople to spend more of their time with customers.

We have received rave reviews for the personal shopping assistants available in some of our stores. Time-starved moms are "thrilled" to find someone who can answer all their questions and help them in every part of the store. Our affluent professional customers also appreciate this one-on-one service.

A small-business owner came into a Best Buy store to purchase an MP3 player. After a store employee talked with him about the opportunities offered by Best Buy for Business, he bought several computers and hired the Geek Squad® to set up a network and provide computer training. He is also considering a Geek Squad maintenance contract for his business.



Our sales associates and Geek Squad® agents unite in a joint operation to make technology more fun and easier for our customers. Our sales associates are trained to understand customers' technology needs and to guide their purchases. The Geek Squad agents are a rapid-response computer support task force with precincts in our stores that can dispatch agents to customers' homes and businesses. Together, our team can help consumers purchase, install, connect and use their technology for maximum enjoyment of their favorite content.

As technology becomes more integrated and sales transactions become more complex, our store employees must spend extra time helping customers find the right solutions. By reducing the time our employees spend on non-customer-facing work, we can increase customer service levels without adding to payroll expense. In fiscal 2005, we will implement a new store staffing model based on each store's sales volume (instead of square footage) to maximize employee productivity.

In fiscal 2005, we see an opportunity to increase markedly our global sourcing of products directly from manufacturers. Direct sourcing increases efficiency by reducing our cost of goods sold and decreasing the time it takes to bring products to market. In our competitive marketplace, the retailer fastest at bringing new products to market enjoys a significant advantage with the customer. Through a more direct relationship with manufacturers, we can relay our customers' feedback on new and existing products, enabling manufacturers to adapt more quickly to the changing needs of our marketplace. The ability to source directly also gives us insight into new technology and facilitates the introduction of private-label products, enabling us to fill in gaps in our product assortment while continuing to offer great value to our customers.

In addition, we see opportunities to improve the efficiency of our supply chain in the coming year, including shipping containers of product directly from manufacturers to our stores. By working more closely with our suppliers, we expect to reduce inefficiencies while creating more flexibility for responding to customer needs. As a result, we hope to ensure that we have the right product at the right location at the right time. Thus, we expect to improve our in-stock percentage, customer satisfaction, inventory turns and overall profitability.

Opportunity for Enhanced Service Offerings

We see the introduction of new services as a significant opportunity in fiscal 2005 and as a competitive advantage. Our customers increasingly need Best Buy's help in keeping their technology experiences trouble-free as the products we sell become more complex.

Service is an important factor in our customers' loyalty and likelihood to shop with us again, as well as having higher-than-average margins. Customers rely on their technology every day, making fast installation, repairs and upgrades key to their satisfaction. In fiscal 2004, we continued to improve our in-store computer service capability, increasing the number of repairs done in our stores and reducing the average turnaround time. Because we have 750 locations with high productivity, we can offer more services at very convenient locations.

Increasingly, customers are networking their technology products throughout their homes, so in fiscal 2004 we expanded the number of markets patrolled by Geek Squad agents to a total of seven markets. This premier 24-hour installation and repair task force features in-home service, a complement to the services offered by our in-store agents, call centers and on-line assistance. We believe this combination gives us a competitive advantage. By August of fiscal 2005, we plan to expand Geek Squad to approximately 425 stores in 45 markets, or close to two-thirds of our U.S. Best Buy stores. At the same time, we will be rebranding the computer service desks in those markets as Geek Squad Precincts to reflect the upgraded capabilities, leveraging our 4,000 in-store computer technicians. We anticipate that this service will break even in fiscal 2005 and earn a profit in fiscal 2006 and beyond, as we create winning customer experiences through this premier service offering.

Best Buy's internal research showed that few customers used the Sunday newspaper insert to find their local store's address; most simply called us. Now we allocate that space in the insert to vendors for their product advertising. The net benefit: nearly \$2 million per year.

When Best Buy was awarded exclusive rights to sell the Rolling Stones Four Flicks DVD, we generated nearly 2,000 purchase orders for drop-shipping the DVDs to our retail stores. By automating the process, an employee reduced by 85 percent the time required to run invoices for drop shipments.



By operating dual brands—both Future Shop and Best Buy stores—in Canada, we are able to serve a broader spectrum of customers and expand our combined market share. Our two Canadian brands have different operating models and cater to distinct customer groups. For example, Future Shop associates are paid commissions, so the customer experience is directed by the salesperson, who expertly demonstrates the products. Best Buy associates are non-commissioned, and the stores feature an experience-based selling model directed by the customer.

Through Networked Home Solutions™, Best Buy is developing relationships with new customers—builders—to offer homebuyers base-structured wiring and/or wireless network packages. These give homebuyers a simple way to connect all of their entertainment devices into an easy-to-use, versatile system. We are now working with 10 of the nation’s top builders to offer this package in three markets.

To compete, we provide our customers services that go far beyond installation and repair. We also offer a number of subscription services to enhance our customers’ enjoyment of their technology. These include: broadband Internet access; cellular phone service; entertainment content delivery, such as cable, satellite television, and satellite radio; and magazine subscriptions. In fiscal 2004, we helped launch the music downloading services Rhapsody and Napster2, which enable consumers to obtain music legally through the Internet.

To make our customers’ consumer electronics products more fun and easier to use, we plan to expand our service offerings in fiscal 2005. For example, in fiscal 2004, we piloted Best Buy Photo Centers, convenient in-store photo finishing studios that enable customers to edit and print their digital pictures. We intend to expand this offering to more stores in fiscal 2005 to enable more of our customers to take advantage of this solution.

Opportunities in Dual Branding

Our dual-branding strategy in Canada continued to drive gains in market share and customer acceptance in fiscal 2004. We opened 11 new Canadian Best Buy stores in seven markets and added four new Future Shop stores. We also relocated and expanded our distribution center in western Canada to support our future growth. Our Canadian online site, FutureShop.ca, also experienced significant growth in traffic and revenue. It was named Canada’s No. 1 most-visited retail Web store for the month of December 2003 by Media Matrix, an independent research company.

Our two Canadian brands have distinct operating models that lead to different shopping experiences for Canadian customers. Future Shop operates with a commissioned sales model, so the customer experience is led by the salesperson. The Canadian Best Buy stores have an experience-based selling model similar to that of U.S. Best Buy stores, with non-commissioned associates. Customers explore and interact with products as they make their purchase decisions. Knowledgeable salespeople are available to assist, but the customer is in control of the interaction.

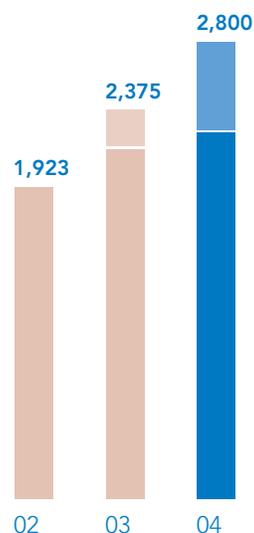
Canadian customers view the two brands as distinctly separate, and our research shows that the customer bases of these two concepts are very different. In fact, only 18 percent of customers applying for a Best Buy credit card in fiscal 2004 already held a Future Shop credit card.

Because our customers do not see the Future Shop and Best Buy brands as interchangeable, the revenue of existing Future Shop stores declined less than we expected when we opened Best Buy stores in the same market. To the contrary, we have gained the most market share in cities where we operate both brands. We believe that we can continue to differentiate the two brands in terms of both product assortment and store experience and thus continue to gain market share.

The profitability of our Canadian operations improved significantly in fiscal 2004 as operating income more than doubled from the prior year, despite increased competition. As this fragmented market rationalizes, we believe that we can expand the operating income rate in Canada to 5 percent over the next four to five years.

In fiscal 2005, we plan to add approximately 10 Canadian Best Buy stores and three Future Shop stores. To support our growth, we anticipate more than doubling the size of our Eastern Canada distribution center, which serves both brands. We also expect to launch an e-commerce Web site to support Canadian Best Buy stores.

Laptops covered by a factory warranty or PSP were typically returned to service centers or vendors for repair, resulting in a 21-day repair cycle. We expedited shipping and consolidated the repair locations. That enabled a seven- to 10-day turn time. We also now provide repair status updates to keep customers informed.



Canadian Best Buy Stores
— 221 542
Future Shop Stores
1,923 2,154 2,258

Canadian Store Footage

Actual footage at period end, in thousands

Due to the success of our dual-branding strategy, we envision expanding to 165 to 180 stores in Canada over the next three to four years.



Entertainment is the heart of Best Buy. More than half of customer transactions include entertainment software—a CD, DVD, video game or computer program. Because we are committed to delivering entertainment to our customers in whatever form they choose, we expanded our assortment of DVDs and CDs and introduced two music downloading services in our stores in fiscal 2004. We are focused on creating new entertainment concepts, introducing new services and leveraging our vendor relationships.

Magnolia Audio Video (previously called Magnolia Hi-Fi), a high-end consumer electronics retailer, offers our second dual-branding play. These stores perform better when located near a Best Buy store, so in the third quarter of fiscal 2004, we opened a Magnolia Audio Video store within the same building as a Best Buy store, but with a separate entrance. To date, the results have been positive, with each of the two brands benefiting from the proximity. We are currently taking this test a step further by locating Magnolia Audio Video stores within two of our Best Buy stores.

Opportunity in Entertainment

One reason customers enjoy shopping at Best Buy is the access to movies, music and games in our stores. Entertainment lies at the very heart of the company. We believe in the integration of entertainment with the hardware and services that support them. Moreover, customers depend on our deep product and services assortments, and that includes delivering entertainment content wherever and whenever they want it, in whichever format.

We also are a pioneer in making markets for new entertainment forms. Our leadership in the entertainment software category was exemplified in the results we achieved for the Rolling Stones, who selected Best Buy to memorialize and sell exclusively a DVD of their Four Licks world tour. The DVD, sold only at Best Buy, achieved 14-times platinum status, selling nearly 300,000 copies of the four-DVD set. The Stones were widely quoted in U.S. and Canadian media on their satisfaction with our retail price of \$29.99, significantly less than foreign retailers charged.

As digital downloading of entertainment content continues to grow, we intend to lead the market by introducing additional opportunities to provide our customers with choices for how they obtain their entertainment.

A Valuable Citizen

In Los Angeles, students create and produce short films to communicate their understanding of academic subjects. Fifteen million students in 45 states across the nation visit NASA's Neutral Buoyancy Lab via Internet and live television to learn about how astronauts train for space walks. In Boston, customers in cars line up to recycle thousands of old electronics. The connection? Best Buy.

Whether it be supporting kids through schools and nonprofit organizations or contributing to a healthy environment, Best Buy ties its philanthropic contributions to what it knows best—technology.

Best Buy donates to its communities approximately 1.5 percent of earnings from continuing operations, primarily through the Best Buy Children's Foundation. The Foundation is devoted to making learning interactive and fun by supporting innovative, high-tech programs that engage and educate elementary and secondary students. A school grant program called Te@ch, electronic field trips and scholarships are examples of how the Foundation helps students become involved, successful and excited about learning.

Our commitment to communities doesn't end with philanthropy. Over the past three years, Best Buy has held events in its communities that collected more than 1.2 million pounds of electronics to be recycled. In Minneapolis, an award-winning transportation program has resulted in more than 10 percent of our corporate employee population riding bikes, carpooling or taking the bus to work, a savings of approximately 1.5 million miles traveled.

Yet the most valuable contributors to Best Buy communities are our employees. Their volunteerism and United Way donations touch communities directly, and their hard work brings our company great success ... success which transforms into valuable opportunities for our neighbors.

The Rolling Stones four-DVD set *Four Flicks* features more than five hours of music and two documentaries. Sold exclusively at Best Buy, the set went multi-platinum in less than a week, later becoming one of the best-selling music DVDs in history at 14-times platinum.

"It was unforgettable," said Will Nielsen, a Minnesota eighth grader, about his trip to Belize. As a participant in the Foundation-funded live Electronic Field Trip that his fellow classmates experienced via broadcast, Will learned first-hand about mangrove forests, sea turtles, a new culture and a different way of life. "It was cool to look at part of the world with a new pair of eyes," he said.

11-Year Financial Highlights

\$ in millions, except per share amounts

Fiscal Year ⁽¹⁾	2004	2003 ⁽²⁾	2002 ⁽³⁾	2001 ⁽³⁾
Statement of Earnings Data				
Revenue	\$ 24,547	\$ 20,946	\$ 17,711	\$ 15,189
Gross profit	6,197	5,236	3,770	3,012
Selling, general and administrative expenses	4,893	4,226	2,862	2,401
Operating income	1,304	1,010	908	611
Earnings (loss) from continuing operations	800	622	570	401
Loss from discontinued operations, net of tax	(29)	(441)	—	(5)
Loss on disposal of discontinued operations, net of tax	(66)	—	—	—
Cumulative effect of change in accounting principles, net of tax ⁽²⁾	—	(82)	—	—
Net earnings (loss)	705	99	570	396
Per Share Data⁽⁴⁾				
Continuing operations	\$ 2.44	\$ 1.91	\$ 1.77	\$ 1.26
Discontinued operations	(0.09)	(1.36)	—	(0.02)
Loss on disposal of discontinued operations	(0.20)	—	—	—
Cumulative effect of accounting changes	—	(0.25)	—	—
Net earnings (loss)	2.15	0.30	1.77	1.24
Cash dividends declared and paid	0.40	—	—	—
Common stock price: High	62.70	53.75	51.47	59.25
Low	25.55	16.99	22.42	14.00
Operating Statistics				
Comparable store sales change ⁽⁵⁾	7.1%	2.4%	1.9%	4.9%
Gross profit rate	25.2%	25.0%	21.3%	19.8%
Selling, general and administrative expense rate	19.9%	20.2%	16.2%	15.8%
Operating income rate	5.3%	4.8%	5.1%	4.0%
Year-End Data				
Working capital ⁽⁶⁾	\$ 1,223	\$ 1,074	\$ 895	\$ 214
Total assets ⁽⁶⁾	8,652	7,694	7,367	4,840
Long-term debt, including current portion ⁽⁶⁾	850	834	820	296
Convertible preferred securities	—	—	—	—
Shareholders' equity	3,422	2,730	2,521	1,822
Number of stores				
U.S. Best Buy stores	608	548	481	419
Magnolia Audio Video stores	22	19	13	13
International stores	127	112	95	—
Musicland stores	—	1,195	1,321	1,309
Total retail square footage (000s)				
U.S. Best Buy stores	26,421	24,243	21,599	19,010
Magnolia Audio Video stores	218	189	133	133
International stores	2,800	2,375	1,923	—
Musicland stores	—	8,305	8,806	8,772

Please read this table in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as the Consolidated Financial Statements and Notes, included in Item 7 and Item 8, respectively, of our Annual Report on Form 10-K. Certain prior-year amounts have been reclassified to conform to the current-year presentation. Results for fiscal 2004, 2003, 2002 and 2001 reflect the classification of Musicland's financial results as discontinued operations.

(1) Both fiscal 2001 and 1996 included 53 weeks. All other periods presented included 52 weeks.

(2) Effective on March 3, 2002, we adopted Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*. During fiscal 2003, we completed the required goodwill impairment testing and recognized an after-tax, non-cash impairment charge of \$40 that is reflected in our fiscal 2003 financial results as a cumulative effect of a change in accounting principle. Also effective on March 3, 2002, we changed our method of accounting for vendor allowances in accordance with Emerging Issues Task Force (EITF) Issue No. 02-16, *Accounting by a Reseller for Cash Consideration Received from a Vendor*. The change resulted in an after-tax, non-cash charge of \$42 that also is reflected in our fiscal 2003 financial results as a cumulative effect of a change in accounting principle. Refer to Note 1 of the Notes to Consolidated Financial Statements included in Item 8 of our Annual Report on Form 10-K. Prior fiscal years have not been restated to reflect the pro forma effects of these changes. During fiscal 1994, we adopted SFAS No. 109, *Accounting for Income Taxes*, resulting in a cumulative effect adjustment of \$1.

(3) During the third quarter of fiscal 2002, we acquired the common stock of Future Shop Ltd. During the fourth quarter of fiscal 2001, we acquired the common stock of Musicland Stores Corporation (Musicland) and Magnolia Hi-Fi, Inc. (Magnolia Hi-Fi). During fiscal 2004, Magnolia Hi-Fi began doing business as Magnolia Audio Video. The results of operations of these businesses are included from their respective dates of acquisition. As noted previously, Musicland's financial results are included in discontinued operations.

2000	1999	1998	1997	1996	1995	1994 ⁽²⁾
\$ 12,494	\$ 10,065	\$ 8,338	\$ 7,758	\$ 7,215	\$ 5,080	\$ 3,007
2,393	1,815	1,312	1,046	934	690	457
1,854	1,464	1,146	1,006	814	568	380
539	351	166	40	120	122	77
347	216	82	(6)	46	58	42
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	(1)
347	216	82	(6)	46	58	41
\$ 1.09	\$ 0.69	\$ 0.30	\$ (0.02)	\$ 0.18	\$ 0.21	\$ 0.17
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
1.09	0.69	0.30	(0.02)	0.18	0.21	0.17
—	—	—	—	—	—	—
53.67	32.67	10.20	4.37	4.94	7.54	5.24
27.00	9.83	1.44	1.31	2.13	3.69	1.81
—	—	—	—	—	—	—
11.1%	13.5%	2.0%	(4.7%)	5.5%	19.9%	26.9%
19.2%	18.0%	15.7%	13.5%	12.9%	13.6%	15.2%
14.8%	14.5%	13.7%	13.0%	11.3%	11.2%	12.6%
4.3%	3.5%	2.0%	0.5%	1.7%	2.4%	2.6%
\$ 453	\$ 662	\$ 666	\$ 563	\$ 585	\$ 609	\$ 363
2,995	2,532	2,070	1,740	1,892	1,507	952
31	61	225	238	230	241	220
—	—	230	230	230	230	—
1,096	1,034	536	429	430	376	311
—	—	—	—	—	—	—
357	311	284	272	251	204	151
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
16,205	14,017	12,694	12,026	10,771	8,041	5,072
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—

(4) Earnings per share is presented on a diluted basis and reflects a three-for-two stock split in May 2002; two-for-one stock splits in March 1999, May 1998 and April 1994; and a three-for-two stock split in September 1993.

(5) Comprised of revenue at stores and Internet sites operating for at least 14 full months, as well as remodeled and expanded locations. Relocated stores are excluded from the comparable store sales calculation until at least 14 full months after reopening. Acquired stores are included in the comparable store sales calculation beginning with the first full quarter following the first anniversary of the date of acquisition. The calculation of the comparable store sales percentage change excludes the impact of fluctuations in foreign currency exchange rates.

In the third quarter of fiscal 2004, we refined our methodology for calculating our comparable store sales percentage change. It now reflects the impact of non-point-of-sale (non-POS) revenue transactions. We refined our comparable store sales calculation in light of changes in our business. Previously, our comparable store sales calculation was based on store POS revenue. The comparable store sales change for fiscal 2004 has been computed based on the refined methodology. The comparable store sales changes for prior fiscal years have not been computed using the refined methodology. Refining the methodology for calculating our comparable store sales percentage change did not impact previously reported revenue, earnings or cash flows.

(6) Includes both continuing and discontinued operations.

Directors and Officers

Board of Directors

Richard M. Schulze ⑤
Director since 1966
Best Buy Co., Inc.
Founder and Chairman

Bradbury H. Anderson ⑤
Director since 1986
Best Buy Co., Inc.
Vice Chairman and CEO

Robert T. Blanchard ①, ②, ⑥
Director since 1999
Strategic & Marketing Services
President

Kathy J. Higgins Victor
①, ③, ⑥
Director since 1999
Centera Corporation
Founder and President

Ronald James ①
Director since 2004
Center for Ethical Business
Cultures
President and CEO

Elliot S. Kaplan ①, ④, ⑤
Director since 1971
Robins, Kaplan, Miller &
Ciresi L.L.P.
Partner

Allen U. Lenzmeier ④
Director since 2001
Best Buy Co., Inc.
President and COO

Matthew H. Paull ①, ②, ④
Director since 2003
McDonald's Corporation
Executive Vice President
and CFO

Mark C. Thompson ①, ③, ⑥
Director since 2000
Executive Powertools
Chairman

Mary A. Tolan ①
Director since 2004
Accretive Health
CEO

Frank D. Trestman ①, ②, ③
Director since 1984
Trestman Enterprises
President
The Avalon Group
Chairman

Hatim A. Tyabji ①, ②, ⑤
Director since 1998
Bytemobile
Executive Chairman

James C. Wetherbe, Ph.D.
①, ③, ⑤
Director since 1993
Texas Tech University
Stevenson Professor of
Management Information
Systems

Fiscal 2005 Committee Key:

① = Non-management Director; ② = Audit; ③ = Compensation and Human Resources; ④ = Finance and Investment Policy; ⑤ = Long-range and Strategic Planning; ⑥ = Nominating, Corporate Governance and Public Policy; ● = Committee Chairperson

Executive Officers

Richard M. Schulze
Founder and Chairman
of the Board

Bradbury H. Anderson
Vice Chairman and CEO

Allen U. Lenzmeier
President and COO

Michael P. Keskey
President—U.S. Retail Stores

Ronald D. Boire
Executive Vice President—
General Merchandise Manager

Brian J. Dunn
Executive Vice President—
Retail Sales

Darren R. Jackson
Executive Vice President—
Finance and CFO

Michael A. Linton
Executive Vice President—
Consumer and Brand Marketing
and Chief Marketing Officer

Michael London
Executive Vice President—
Global Sourcing

Philip J. Schoonover
Executive Vice President—
Customer Segments

John C. Walden
Executive Vice President—
Human Capital and Leadership

Robert A. Willett
Executive Vice President—
Operations

Susan S. Hoff
Senior Vice President and
Chief Communications Officer

Joseph M. Joyce
Senior Vice President—
General Counsel and
Assistant Secretary

Bruce H. Besanko
Vice President—Finance

Corporate Governance

For more information on our Board of Directors, please visit "Corporate Governance" in the Investor Relations section of our Web site at www.BestBuy.com. The Investor Relations section of our corporate Web site also includes information about our strategic planning process, a copy of our proxy statement and other information.

Bradbury H. Anderson, Vice Chairman and CEO, has certified to the New York Stock Exchange (NYSE) that he is not aware of any violation by us of the NYSE's Corporate Governance listing standards.

Glossary

Agent a member of the Geek Squad

AOP (Adaptive Operating Platform) a rethinking of the SOP (Standard Operating Platform) that empowers store employees to make informed decisions on how best to serve our customers

appliance product category includes major appliances, microwaves, vacuums and housewares

ASP average selling price

comparable store sales (comps) a measure of sales growth at stores and Internet sites operating for at least 14 full months, as well as remodeled and expanded locations; new stores and relocated stores are included in the calculation after 14 months

consumer electronics product category includes TVs, DVD players, speakers, cameras, camcorders, car stereos, home theater systems, shelf systems, personal portables, satellite systems and accessories

cost of goods sold includes the wholesale price of a product plus the cost of transporting the product to the distribution center and any sales promotions (such as interest-free financing), net of vendor allowances as well as inventory shrink expense, costs of damaged product and customer delivery expenses; cost of services also is included

Counter Intelligence Agent a member of the Geek Squad who is posted at the Precinct inside a Best Buy store

customer centricity one of our four strategic initiatives, it enables us to engage more deeply with customers by empowering employees to deliver products and services more effectively through multiple channels by focusing on customer needs, not products

customer segment a particular group of customers defined by their needs and expectations for products and services

DDC delivery distribution center, which handles appliances and big-screen TVs

DC distribution centers, which handle most inventory to be delivered to the stores (see DDC)

direct sourcing involves working directly with the manufacturers of the products we sell in order to enhance efficiency and reduce costs by shortening delivery time and improving inventory levels and in-stock positions,

while also accelerating time to market for new products

domestic segment includes the results of U.S. Best Buy stores and Magnolia Audio Video stores

dot-com a slang term for e-commerce

Double Agent a member of the Geek Squad who helps people embrace technology at a Precinct in a Best Buy store and also patrols the streets of a jurisdiction

DTV digital television, including plasma, LCD and microdevice

DVD digital versatile disc (or digital video disc), refers to hardware and software used for storing and viewing digitally prerecorded movies or other digital video content

efficient enterprise one of our four strategic initiatives, it focuses on operating our business more efficiently to speed the time to market for new products and services and improving our return on invested capital by streamlining administrative functions and reducing our cost structure

entertainment software product category includes movies, CDs and computer software as well as video game hardware, software and accessories

fiscal quarter a business period of three fiscal months (5 weeks, 4 weeks and 4 weeks, respectively), which for Best Buy always ends on a Saturday

fiscal year a business calendar including 12 months; Best Buy's fiscal year ends on the Saturday nearest to Feb. 28

Geek Squad our Rapid-Response, 24-hour Computer Support Task Force; the conduit between technology and the human race

GO grand opening of a new store(s)

gross profit revenue minus cost of goods sold

gross profit rate gross profit divided by revenue

HDTV high-definition TV, or ATSC-certified device or video content

home office product category includes computers, printers, scanners, paper, ink and accessories, as well as wireless communications devices

Glossary (continued)

HTiB home-theater-in-a-box

international segment includes the results of Future Shop and Best Buy stores in Canada

ISP Internet service provider

in-stock position the number of SKUs available for purchase in the stores at a given time, compared with the planned merchandise assortment for that location

logistics transportation and distribution of products, both inbound and outbound, between vendors and stores

MAP minimum advertised price

market reaction price in-store price changes made in response to competitors' prices

MP3 short for MPEG layer 3, an encoding and compression scheme that allows for efficient storage and playback of digital audio content

Networked Home Solutions™ our program with national home-builders to include wired entertainment and computer networks as part of a home's initial construction

operating income rate operating income divided by revenue

PVR personal video recorder, which records live television based on viewer preferences (also referred to as a digital video recorder, or DVR)

planogram the SKU-assigned layout of a product category or specific fixture, also known as plano

POS point of sale, when the customer is in the process of paying for a purchase

Precinct Geek Squad technology resource center within a Best Buy store

PRP Product Replacement Plan, a contract that provides for replacement of products generally with a retail selling price of \$200 or less, usually within three years of purchase

PSP Performance Service Plan, a contract that covers service and repair for products, usually for a period of three to five years

revenue includes all point-of-sale revenue and other revenue, net of rebates, returns and an allowance for Reward Zone points earned

Reward Zone our customer loyalty program that awards discount certificates to customers who shop regularly at U.S. Best Buy stores

ROIC return on invested capital, represents the rate of return generated by the capital deployed in our business; used as an internal measure of how effectively we use the capital invested (borrowed or owned) in our operations (see reconciliation on page 21).

SG&A selling, general and administrative expenses, including compensation and benefits, occupancy costs, administration, advertising, warehousing and transportation costs from distribution centers to stores

SG&A rate SG&A expense divided by revenue

shrink the loss of inventory, such as that due to loss or theft

SKU stock-keeping unit (an indication of the depth of product assortment)

Special Agent a member of the Geek Squad team patrolling the streets protecting any computer

SOP (standard operating platform) a part of Best Buy culture that relies on documented processes for handling many aspects of the business

supply chain management the coordination of inventory, the merchant group and logistics to manage the flow of products from the vendor to the customer, and the flow of information among all of these players

street date date an item is first available for sale

value proposition a set of products and services bundled together to meet a specific customer's needs

win in entertainment one of our four strategic initiatives, focused on gaining market share in the rapidly changing entertainment category, including music, movies, video game hardware and software, computer software, subscriptions and other related products

win the home with service one of our four strategic initiatives, focused on creating a market-leadership position in delivering lifestyle-based solutions for our customers and building a life-long relationship with our customers by delivering product selection, home integration, service and future technology upgrades

Return on Invested Capital (ROIC)

Our return on invested capital calculation represents the rate of return generated by the capital deployed in our business. We use ROIC as an internal measure of how effectively we use the capital invested (borrowed or owned) in our operations.

As a company, we define ROIC as follows:

$$\text{ROIC} = \frac{\text{NOPAT (as adjusted)}}{\text{Adjusted Average Invested Capital}}$$

Numerator = NOPAT

(trailing four quarters, as adjusted)

Operating Income
+ Net Rent Expense ⁽¹⁾
– Interest Portion of Rent Expense ⁽¹⁾
= NOPBT (net operating profit before taxes, as adjusted)
– Tax Expense ⁽²⁾
= NOPAT (net operating profit after taxes, as adjusted)

Denominator = Adjusted Average Invested Capital

(trailing four quarter average)

Total Equity
+ Long-Term Debt ⁽³⁾
+ Capitalized Operating Leases
– Excess Cash
= Adjusted Average Invested Capital

Return on Invested Capital

(\$ in millions)

	FY 2002	FY 2003	FY 2004
Net Operating Profit (as adjusted)			
Operating Income	\$ 908	\$ 1,010	\$ 1,304
+ Net Rent Expense ⁽¹⁾	283	362	410
– Interest Portion of Rent Expense ⁽¹⁾	(102)	(154)	(183)
= NOPBT (as adjusted)	\$ 1,089	\$ 1,218	\$ 1,531
– Tax Expense ⁽²⁾	(418)	(471)	(586)
= NOPAT (as adjusted)	\$ 671	\$ 747	\$ 945
Adjusted Average Invested Capital			
Total Equity	\$ 2,158	\$ 2,429	\$ 3,034
+ Long-Term Debt ⁽³⁾	428	821	835
+ Capitalized Operating Leases, net of excess cash ⁽⁴⁾	1,434	1,511	1,181
= Adjusted Average Invested Capital	\$ 4,020	\$ 4,761	\$ 5,050
ROIC	16.7%	15.7%	18.7%

Note: NOPAT (as adjusted) based on continuing operations data

(1) Based on fixed rent associated with leased properties

(2) Tax expense calculated using effective tax rates for FY 2004 (38.3%), FY 2003 (38.7%) and FY 2002 (38.4%)

(3) Long-Term Debt plus current portion of convertible debt, as applicable

(4) Capitalized Operating Leases, net of Cash & Cash Equivalents in excess of \$300 million

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Shareholder Information

General Information

Shareholders may obtain a copy of the most recent quarter's financial results by visiting our corporate Web site, www.BestBuy.com. Scroll down to the bottom of the page, select "For Our Investors" and then "SEC Filings." A Web-based e-mail notification system also is available under "E-mail Alerts" to alert subscribers to new financial releases, SEC filings, upcoming events and other significant postings.

You also may visit our Web site, www.BestBuy.com, to obtain product information, company background information, current news and financial information.

Or, write to:

Best Buy Co., Inc.
Investor Relations Department
7601 Penn Avenue South
Richfield, MN 55423-3645
Phone: (612) 291-6111 Fax: (612) 292-4001

General Counsel

Robins, Kaplan, Miller & Ciresi L.L.P.

Independent Auditors

Ernst & Young LLP

Annual Shareholders' Meeting

June 24, 2004, at 10 a.m. (CDT)
Best Buy Corporate Campus - Theater
7601 Penn Avenue South
Richfield, MN 55423-3645

If you have a proposal for a future meeting, please send it to the Investor Relations Department at our corporate campus in Richfield. The deadline for proposals to be considered at the 2005 regular meeting of shareholders is Jan. 18, 2005.

Transfer Agent

For questions regarding your stock certificates—such as lost certificates, name changes and transfers of ownership—please contact our transfer agent:

EquiServe Trust Company, N.A.
P.O. Box 43069, Providence, RI 02940-3069
Phone: (800) 446-2617
Hearing impaired: (800) 490-1493
or (781) 575-2692
www.equiserve.com

Dividend Policy

Best Buy in fiscal 2004 initiated a quarterly cash dividend to holders of common shares. The quarterly rate was 10 cents per common share at the end of fiscal 2004.

Financial Releases for Fiscal 2005

	Revenue	Earnings
First quarter	06/03/2004	06/16/2004
Second quarter	09/02/2004	09/15/2004
Third quarter	12/02/2004	12/15/2004
December	01/06/2005	NA
Fourth quarter	03/03/2005	03/30/2005

Conference calls normally are scheduled at 10 a.m., eastern time, for quarterly earnings and for December revenue releases. All dates are subject to change without notice.

Shareholders at a Glance

As of February 28, 2004, the percentage of shares beneficially held by directors and executive officers (24 people) was 19 percent, and Founder and Chairman Richard M. Schulze held 53 million shares beneficially (16 percent of shares outstanding).

As of December 31, 2003, the number of institutional shareholders was 861. The percentage of shares held by institutional shareholders was 69 percent. The top institutional shareholders were:

Fidelity Management & Research
24.8 million shares (7.6 percent of shares outstanding)

Barclays Global Investors, N.A.
9.0 million shares

State Street Global Advisors
8.4 million shares

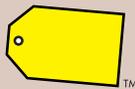
Vanguard Group, Inc.
6.5 million shares

T. Rowe Price
5.2 million shares.



Visit www.BestBuy.com and click on "For Our Investors" to download digital files of this and previous annual reports. More information about store counts and locations also can be found online.

We value and appreciate your feedback on this report and look forward to reading your comments on the attached investor survey card.



BEST BUYTM

Best Buy Co., Inc.

7601 Penn Avenue South • Richfield, MN 55423-3645

(612) 291-1000 • www.BestBuy.com • NYSE symbol: BBY

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