



## ***To our Shareholders:***

This is my first time to write to you in my new role, so I want to take this opportunity to tell you how honored I am to lead this exceptional global enterprise. Best Buy is obviously going through a period of change, but I am confident that our company will emerge stronger than ever.

While this letter begins with a review of the previous fiscal year, my focus is on the future. I'll have more to say about where we are headed soon, but I can tell you two things:

- I am committed to following through on the initiatives that Best Buy announced in March, 2012.
- We intend to do more — much more. I believe bold action is required, as are tough decisions. To reach our full potential, we need to make Best Buy more nimble, more strategic about how we use data and technology and more relevant to our customers.

## ***The Year in Review***

Fiscal 2012 included both challenges and successes. Demand in the consumer electronics industry continued to provide headwinds in many of our traditional product categories. Additionally, the macro and consumer environment fueled heavier promotional activity, especially heading into the holidays. These factors impacted our results in fiscal 2012.

However, we had strong growth in our online channel and in strategically critical connectable products such as mobile phones and tablets. We exercised prudent capital allocation, expense control and operational efficiency. We generated \$2.5 billion in free cash flow,<sup>1</sup> a large portion of which we returned to shareholders in the form of share buybacks and dividends.

We also took important steps to begin improving returns. We significantly restructured our international business and closed big box stores in Shanghai, Turkey and the U.K. when it became clear those investments would not deliver acceptable returns. We also purchased Carphone Warehouse Group plc's (CPW) interest of the Best Buy Mobile profit share agreement in the U.S. and Canada to more fully capitalize on the significant and growing connections opportunity.

Finally, and importantly, according to the NPD Group, we maintained our leading market share position in the U.S. consumer electronics market last year. Best Buy was the leading retailer in some major categories, including computers, cameras and televisions. We also sold more tablets than any other retail store or website and significantly grew our share in the mobile phone space.<sup>2</sup> In fact, NPD noted that "Best Buy by any objective measure is either gaining share rapidly or maintaining its industry leading position." ([www.npdgroupblog.com](http://www.npdgroupblog.com))

## ***Moving the Company Forward***

The consumer marketplace is changing rapidly, and we have to change with it. Best Buy not only has to adapt to new realities in the marketplace, where competition is strong. We also must anticipate changes before they occur and lead the way with innovative products and services.

In March 2012, we announced a series of strategic actions, all focused on improving the customer experience and our financial performance. These include opening 100 U.S. Best Buy Mobile stores,

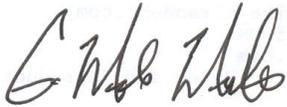
driving growth in e-commerce and China, improving our customers' experience, making \$800 million in cost reductions by fiscal 2015, and closing approximately 50 U.S. big box stores in fiscal 2013.

These actions are just the first phase. As we move forward, the senior leadership team and I are working to develop a longer-term plan to position Best Buy for sustained, profitable growth in the years ahead. We do not intend to just tinker. Bold action is required, and tough decisions will be made. We need to be more nimble and prepared to adapt to the changing marketplace. We need to be smarter and more strategic about using data and technology to reach consumers. And we need to be more relevant to our customers — offering them not just new products, but also accessories and services for personal and business needs.

We do not have all the answers yet, but we are determined to do it right. When we deliver on these plans, we will prove that Best Buy is the best at what we do — and that will be reflected in the customer experience and ultimately in the value we create for you, our shareholders.

I look forward to the coming year and the opportunity to create a great future for Best Buy!

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Mikan". The signature is written in a cursive, flowing style.

Mike Mikan  
Chief Executive Officer (Interim)

<sup>1</sup> Free cash flow is defined as total cash provided by operating activities less additions to property and equipment.

<sup>2</sup> NPD Group, April 2012