



BEST BUY CO., INC.
7601 Penn Avenue South
Richfield, Minnesota 55423

Dear Fellow Shareholders,

This past year was a tumultuous one for Best Buy, by any measure.

It began with one chief executive and ended with another; saw the departure of several long-time executives and the introduction of several new ones; and, was the year in which our founder left the Company in an effort to take it private and, nine months later, became Chairman Emeritus in what was a clear signal of his support for the direction in which Best Buy is heading and the harmony with which he and senior management are now able to operate.

This past year was also significant because it was when the Company decided to take charge of its destiny, take on “showrooming” and declare it dead at the hands of our industry-leading Low Price Guarantee. In fact, if one were to sum it up, 2012 was the year in which the Company rejected the notion of “industry headwinds” and acknowledged that the Company's declining comparative sales and margins were due to its failure to execute. In the end, this was the year Best Buy began to Renew Blue.

Along the way the Board made several key decisions. Some received shareholder support and others did not. In the latter category fell our decision to offer our former CEO, Brian Dunn, a severance package. Many felt that the Company offered Mr. Dunn more than he was entitled to and that the payments did not accurately reflect his business performance in the previous year. This feedback ultimately took the form of a shareholder vote of “no” on “Say on Pay.” It is fair to say that the Board and I have heard these concerns and take them into full account when determining future remuneration for senior executives.

In the middle of these tumultuous times, the Board also made the critical decision to extend continuity awards to key executives. Though we were being ably led at the time by our interim CEO, Mike Mikan, he was the *interim* chief executive. His ability to recruit and retain at the senior level was severely limited and the exposure the Company faced in losing key talent was enormous. The Board needed to act quickly, which is why the Compensation Committee approved a round of continuity grants needed to keep the Company running until a permanent CEO could be identified and put into place.

Another decision, one that resulted in a good outcome for all parties, was our determination to engage our founder, Richard Schulze, in good-faith discussions about his desire to buy the Company and take it private. While this triggered rounds of public speculation, rumor and conjecture the likes of which are rarely seen in corporate America, I think all reasonable observers would agree that we are now able to move forward with Dick once again acting as a strong and insightful voice inside our Company, supportive of where we are going and determined to lend his experience and talent to getting us there.

Finally, the Board made a decision about a permanent CEO. After an exhaustive search, we found a new CEO, Hubert Joly. He was as enthusiastic about joining Best Buy as we were to have him, and the merit of the Board's decision is evident in the hundreds of decisions, large and small, Hubert has made in the months since he started.

Most notably, Hubert stood up before shareholders and analysts in the middle of November, only ten weeks after he formally joined Best Buy, and shared his diagnosis of the Company's strengths and weaknesses and what he and his executive team intended to do about it. It was there that he laid out the Five Pillars of Renew Blue. Since then, he has systematically set out to demonstrate material movement on each of those pillars.

There are three areas in which the most visible and meaningful movement have occurred:

- 1) Rejuvenating the Customer Experience: We announced our Low Price Guarantee, designed to address one of the top reasons customers coming to our website or stores did not purchase — and at the core of the “showrooming” phenomena.

This new policy gets to the heart of consumer price perception and is critical to our efforts to improve comparative store sales. To the extent that there is an impact to margins, we are covering it through greater efficiencies throughout our business.

- 2) Working with Vendor Partners to Innovate and Drive Value: Behind the scenes we have made great progress in this area. The recent announcement with Samsung is proof of our determination to develop innovative, high-value partnerships with key vendors.

Many of our vendors are giants in the consumer electronics industry, spending billions in R&D. Without us, they would have few places in which their products could be showcased and explained by knowledgeable, impartial sales associates. With an increased focus on vendor relationships, our online and retail footprint becomes more and more valuable and our customers are better served.

- 3) Increasing Return on Invested Capital for Shareholders: We have multiple opportunities to improve ROIC. One of our biggest commitments was to reduce SG&A expense by hundreds of millions of dollars and reduce Cost of Goods Sold by a nearly equal amount. During the fiscal 2013 Q4 earnings call, we announced \$150 million in cost reduction initiatives had been enacted, and we indicated then that this was just a down payment on much more to come.

As part of this effort, we are removing management layers and complexity from our business, allowing us to act more nimbly and spend far less money.

There are many other areas of positive movement I could point to: our unique customer promise (*"The latest devices and services in one place; knowledgeable, impartial advice; competitive prices; the ability to shop when and where a customer wants; and, support for the life of the product"*), our meaningful online growth, high employee engagement and great success in attracting and retaining top talent, including a world-class Chief Administrative and Financial Officer, Sharon McCollam.

Yes, this past year started off with great challenge, but it has ended with even greater promise.

Our sales associates are known within the Company as “Blue Shirts” for the uniforms they proudly wear. It was for them that we named our transformation efforts “Renew Blue” and it is for them — and with them — that we will return this Company to its place of preeminence, making it *the* preferred authority and destination for technology products and services.

Thank you for your continued belief in Best Buy.

Hatim A. Tyabji
Chairman of the Board
Best Buy Co., Inc.