A MESSAGE FROM

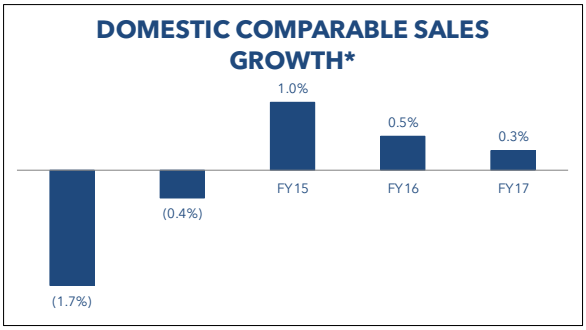
HUBERT JOLY, CHAIRMAN & CEO

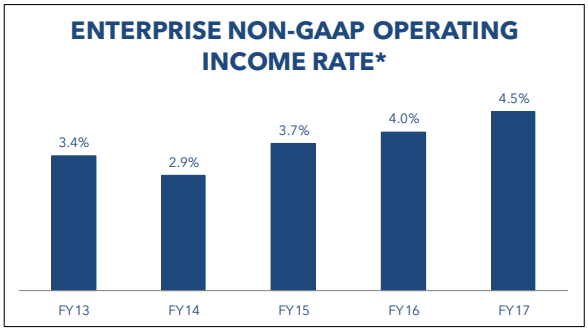
Dear Fellow Shareholders:

In many ways, fiscal 2017 was another positive and exciting milestone for Best Buy. I would like to share and discuss four reasons that support this.

1. We delivered a strong financial performance.

Fiscal 2017 was the third year in a row that the company grew its Domestic comparable sales and non-GAAP operating income*. We delivered the topline performance we outlined at the beginning of the year – with materially better earnings growth than originally expected.





At the Enterprise level, on revenue of $39.4 billion, we increased our non-GAAP operating income rate from 4% in fiscal 2016 to 4.5%* in fiscal 2017 and grew our non-GAAP earnings per share by 28% from $2.78 in fiscal 2016 to $3.56* in fiscal 2017. We did all of this while continuing to invest in our future and returning $1.2 billion to our shareholders through dividends and share repurchases.

2. We executed on the three priorities we outlined at the beginning of the year.

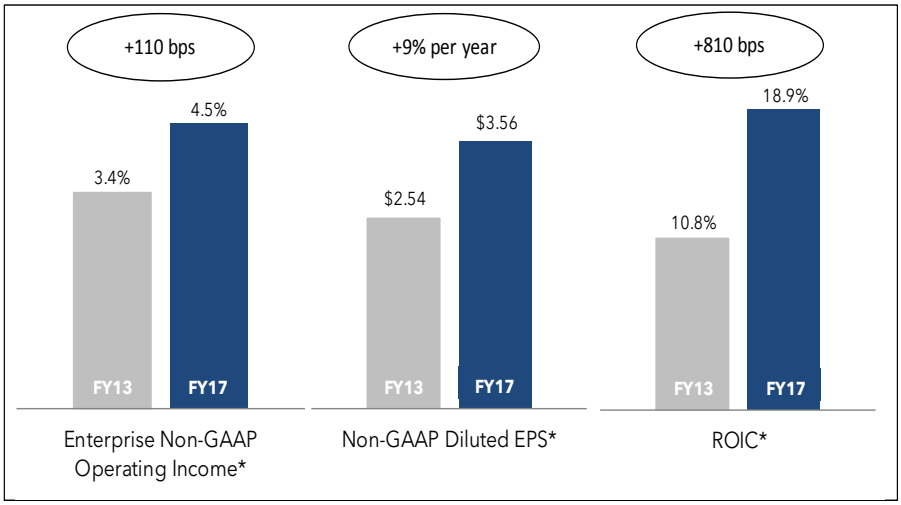
During fiscal 2017, we executed against the three priorities we shared at the beginning of the year: (1) build on our strong industry position and multichannel capabilities to drive the existing business; (2) drive cost reduction and efficiencies; and (3) advance key initiatives to drive future growth and differentiation.

The successful execution against these priorities drove our positive results. Here are some highlights:

- We continued to gain share in home theater, appliances, computing and nearly all of the major product categories. We believe the total market for our product categories was down low-single digits in calendar 2016, so clearly our market share gains helped us offset the market decline.
- We increased our Net Promoter Score by more than 350 basis points.
- We grew Domestic comparable online revenue 21%.
- The successful Canadian transformation was the primary driver of more than $100 million in International operating income growth over last year.
- We have now achieved $350 million of our three-year target to reduce costs and optimize gross profit by $400 million, enabling us to invest in customer experience improvements while maintaining near-flat SG&A.
- Fiscal 2017 was a year of exploration and experimentation. We have been testing several concepts around the country that have the potential to be compelling customer experiences. We began to roll out a number of these experiences this year.

3. We successfully completed our Renew Blue efforts and decided that this phase of our work was officially over.

As you may recall, in November 2012, we introduced our transformation strategy called Renew Blue. Since then we have stabilized comparable sales, increased our non-GAAP operating income rate 110 basis points from 3.4% in fiscal 2013 to 4.5%* in fiscal 2017 and grew our non-GAAP EPS from $2.54 in fiscal 2013 to $3.56* in fiscal 2017, at an average rate of 9% per year. In addition, we increased our non-GAAP return on invested capital (ROIC) 810 basis points from 10.8% to 18.9%* and planted many of the essential seeds for our next chapter.



A little more than four years later, we felt it was time to call Renew Blue officially over and enter the next phase of our journey.

4. **We launched the next phase of our journey, Best Buy 2020: Building the New Blue.**

   On March 1 this year, we unveiled the strategy for this next phase, *Best Buy 2020: Building the New Blue*.

   In this next phase, we go from focusing on turnaround and early-stage growth initiatives to shaping our future and creating a company that customers and employees love and that generates superior returns for our shareholders.

   At the core of *Best Buy 2020* is, of course, the customer. Customers are looking at a technology space that is more and more exciting, with new capabilities that are opening up an increasing range of possibilities. But that same technology is also more complex, and many customers need help with it. We believe we are well positioned to help our customers in a meaningful way with our combination of unique assets, including our online, store and in-home capabilities.

   As we look ahead, our purpose is to help customers pursue their passions and enrich their lives with the help of technology. We want to play two roles for them: be their trusted adviser and solution provider; and be their source for technology services for their home. We summarize this in our customer value proposition: To be the leading technology expert who makes it easy for customers to learn about and confidently enjoy the best technology.

PURPOSE

Help customers pursue their passions and enrich their lives with the help of technology.

ROLES

Trusted Advisor and Solution Provider
America's Source for Home Services

VALUE PROPOSITION

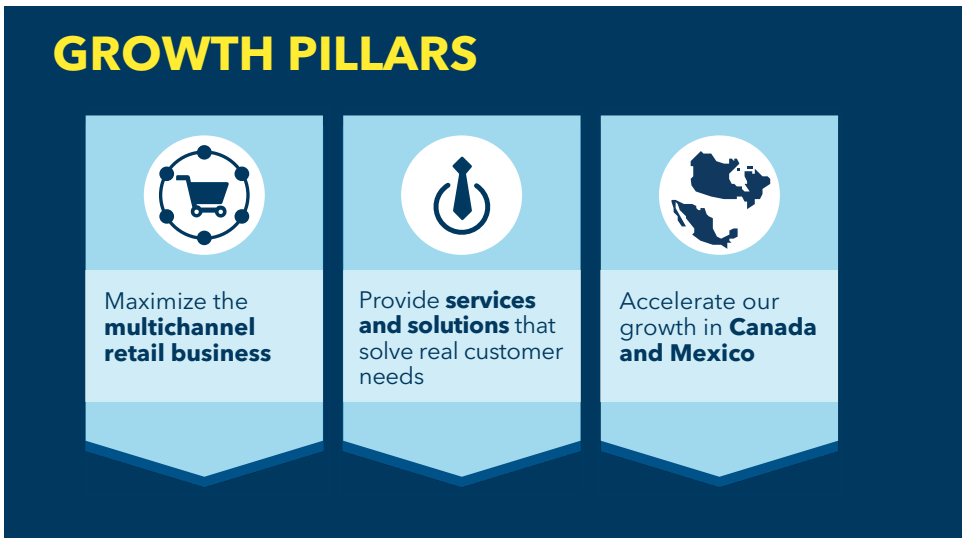
Best Buy is the leading technology expert who makes it easy to learn about and confidently enjoy the best technology.

This means that we can and should go beyond selling products. We want to focus on their underlying needs, such as entertainment, communications, security, energy management and health. We believe this approach will better meet customers' needs and build a stronger relationship with them. This will also allow us to expand our addressable market.

Financially, the equation *Best Buy 2020* seeks to solve is to gradually increase our rate of topline growth, pursue material ongoing cost savings necessary to both offset inflationary pressures and fund investments, and build a more predictable set of revenue streams built on more recurring revenues and stickier customer relationships.

More specifically, with *Best Buy 2020*, there are three growth pillars we will pursue:

1) Maximize the multichannel retail business;
2) Provide services and solutions that solve real customer needs and help us build deeper customer relationships; and
3) Accelerate growth in Canada and Mexico.



Regarding the first pillar, *Maximize the multichannel retail business*, we plan to continue to enhance the customer experience and increase revenue by growing both existing and new channels, by growing certain key product categories, as well as by developing broader, stickier customer relationships.

As for the second pillar, *Provide services and solutions that solve real customer needs*, we plan to meet the significant technical support needs of customers across their homes, without regard to where they may have purchased their technology products. We also plan to offer more complete solutions to our customers that meet their underlying needs. For example, instead of just selling security cameras, we are beginning to sell a security monitoring and home automation service in certain markets across the country.

Our third pillar concerns our transformation efforts in *Canada and Mexico*. In both cases, the multichannel improvements we have made, along with the services-related experimentation we have undertaken in Canada, give us reasons to believe that a key part of *Best Buy 2020* will be derived from the opportunity to accelerate our growth in both markets.

As I hope to be conveying, we are quite excited about the range of opportunities we have in each of these areas. We also know we have work to do to capture them and meaningfully impact our results. As with Renew Blue, we will regularly update you on our progress in our journey to Build the New Blue.

In this context, we see fiscal 2018 as a step toward our *Best Buy 2020* vision of Building the New Blue. This year, we are executing against the following four priorities:

1) We will explore and pursue growth opportunities around the growth pillars I just discussed. To that end, we will:

    - Continue to innovate our digital capabilities to effectively help our customers in their shopping journey;
    - Pursue growth around key product categories, including areas like smart home and appliances, where we believe we can continue to grow share and revenue;
    - Expand our in-home advisor program to more markets;
    - Expand a new home security and automation service;
    - Create growth in our International business by continuing to invest in our e-commerce channel, continuing to roll out the successful store remodels in Canada, and opening nine new stores in Mexico over the next two years.

2) We will improve our execution in key areas. We believe we continue to have significant opportunities, from improving our sales effectiveness and proficiency, to strengthening our supply chain processes, and to enhancing our services fulfillment capabilities.

3) We will continue to reduce costs and drive efficiencies through the business. We are working on identifying and attacking the next phase of cost savings beyond the $1.35 billion we have delivered since the beginning of Renew Blue.

4) We will build the capabilities necessary to deliver on the first three priorities. This will involve making investments in people and systems to drive growth, execution and efficiencies.

As we work to strengthen and grow the business, we remain committed to our previously articulated capital allocation strategy, which is to first fund operations and growth investments, including potential partnerships and acquisitions, and then to return the remaining excess free cash flow to our shareholders over time with dividends and share repurchases, while maintaining investment grade credit metrics.

We continue to believe it is important to reward our shareholders by being a premium dividend payer and increasing our earnings per share through ongoing share repurchases. With this in mind, we announced on March 1 of this year that our board approved a 21% increase in our quarterly dividend to $0.34 per share, or $1.36 per year.

The board also approved our plan to spend $3 billion on share repurchases over the next two years. Last year, we announced our plan to spend $1 billion over two years, and we spent $750 million in the first year. So, with this new plan, we intend to accelerate share repurchases over the next two years.

* * *

In summary, we are proud of the results we delivered in fiscal 2017, and we are excited about our opportunities and the strategy we are pursuing.

I want to again thank all of our associates for what they do every day and for their passion to Build the New Blue.

And I want to thank you, our shareholders, for your support of, and confidence in, our transformation efforts.

Respectfully,

Hubert Joly, Chairman and CEO
Best Buy Co., Inc.

* For "GAAP to non-GAAP" and "non-GAAP Return on Invested Capital" definitions and reconciliations, please refer to the schedules on the last two pages of the company's 2017 Annual Report. Additionally, Domestic comparable sales equal the As Reported figures for the respective years presented which include the benefit from installment billing.