UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended July 29, 2017
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 1-9595

BEST BUY CO., INC.
(Exact name of registrant as specified in its charter)

Minnesota	**41-0907483**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7601 Penn Avenue South	
Richfield, Minnesota	**55423**
(Address of principal executive offices)	(Zip Code)

(612) 291-1000
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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 such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** ☒ **No** ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **Yes** ☒ **No** ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The registrant had 299,184,572 shares of common stock outstanding as of August 30, 2017 .

BEST BUY CO., INC.

FORM 10-Q FOR THE QUARTER ENDED JULY 29, 2017

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Balance Sheets

$ in millions, except per share and share amounts (unaudited)

	July 29, 2017	January 28, 2017	July 30, 2016
Assets			
Current assets			
Cash and cash equivalents	$ 1,365	$ 2,240	$ 1,861
Short-term investments	2,125	1,681	1,590
Receivables, net	965	1,347	926
Merchandise inventories	5,167	4,864	4,908
Other current assets	456	384	409
Total current assets	10,078	10,516	9,694
Property and equipment, net	2,327	2,293	2,295
Goodwill	425	425	425
Other assets	614	622	840
Total assets	$ 13,444	$ 13,856	$ 13,254
Liabilities and equity			
Current liabilities			
Accounts payable	$ 5,072	$ 4,984	$ 4,800
Unredeemed gift card liabilities	383	427	369
Deferred revenue	427	418	380
Accrued compensation and related expenses	309	358	272
Accrued liabilities	787	865	840
Accrued income taxes	83	26	96
Current portion of long-term debt	44	44	43
Total current liabilities	7,105	7,122	6,800
Long-term liabilities	682	704	794
Long-term debt	1,310	1,321	1,341
Equity			
Preferred stock, $1.00 par value: Authorized — 400,000 shares; Issued and outstanding — none	—	—	—
Common stock, $0.10 par value: Authorized — 1.0 billion shares; Issued and outstanding — 300,000,000, 311,000,000 and 317,000,000 shares, respectively	30	31	32
Retained earnings	3,996	4,399	3,991
Accumulated other comprehensive income	321	279	296
Total equity	4,347	4,709	4,319
Total liabilities and equity	$ 13,444	$ 13,856	$ 13,254

NOTE: The Consolidated Balance Sheet as of January 28, 2017 , has been condensed from the audited consolidated financial statements.

See Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Earnings

$ and shares in millions, except per share amounts (unaudited)

	Three Months Ended		Six Months Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Revenue	$ 8,940	$ 8,533	$ 17,468	$ 16,976
Cost of goods sold	6,787	6,471	13,293	12,769
Gross profit	2,153	2,062	4,175	4,207
Selling, general and administrative expenses	1,830	1,773	3,552	3,517
Restructuring charges	2	—	2	29
Operating income	321	289	621	661
Other income (expense)				
Gain on sale of investments	—	—	—	2
Investment income and other	7	8	18	14
Interest expense	(18)	(18)	(37)	(38)
Earnings from continuing operations before income tax expense	310	279	602	639
Income tax expense	101	97	205	231
Net earnings from continuing operations	209	182	397	408
Gain from discontinued operations (Note 2), net of tax benefit (expense) of $0, $(10), $0 and $(7), respectively	—	16	—	19
Net earnings	$ 209	$ 198	$ 397	$ 427
Basic earnings per share				
Continuing operations	$ 0.69	$ 0.57	$ 1.29	$ 1.27
Discontinued operations	—	0.05	—	0.06
Basic earnings per share	$ 0.69	$ 0.62	$ 1.29	$ 1.33
Diluted earnings per share				
Continuing operations	$ 0.67	$ 0.56	$ 1.27	$ 1.26
Discontinued operations	—	0.05	—	0.05
Diluted earnings per share	$ 0.67	$ 0.61	$ 1.27	$ 1.31
Dividends declared per common share	$ 0.34	$ 0.28	$ 0.68	$ 1.01
Weighted-average common shares outstanding				
Basic	304.1	320.8	306.7	322.2
Diluted	310.8	322.9	313.0	324.8

See Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Comprehensive Income

$ in millions (unaudited)

	Three Months Ended		Six Months Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Net earnings	$ 209	$ 198	$ 397	$ 427
Foreign currency translation adjustments	55	(20)	42	25
Comprehensive income	$ 264	$ 178	$ 439	$ 452

See Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Cash Flows

$ in millions (unaudited)

	Six Months Ended	
	July 29, 2017	July 30, 2016
Operating activities		
Net earnings	$ 397	$ 427
Adjustments to reconcile net earnings to total cash provided by operating activities:		
Depreciation	329	327
Restructuring charges	2	29
Stock-based compensation	67	57
Deferred income taxes	9	—
Other, net	(2)	(29)
Changes in operating assets and liabilities:		
Receivables	401	239
Merchandise inventories	(285)	161
Other assets	(45)	(29)
Accounts payable	15	355
Other liabilities	(237)	(159)
Income taxes	41	(81)
Total cash provided by operating activities	692	1,297
Investing activities		
Additions to property and equipment	(296)	(276)
Purchases of investments	(2,221)	(1,388)
Sales of investments	1,806	1,112
Proceeds from property disposition	2	56
Other, net	1	5
Total cash used in investing activities	(708)	(491)
Financing activities		
Repurchase of common stock	(771)	(271)
Repayments of debt	(19)	(374)
Dividends paid	(208)	(328)
Issuance of common stock	125	23
Other, net	(1)	8
Total cash used in financing activities	(874)	(942)
Effect of exchange rate changes on cash	18	25
Decrease in cash, cash equivalents and restricted cash	(872)	(111)
Cash, cash equivalents and restricted cash at beginning of period	2,433	2,161
Cash, cash equivalents and restricted cash at end of period	$ 1,561	$ 2,050

See Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Change in Shareholders' Equity

$ and shares in millions, except per share amounts (unaudited)

	Common Shares	Common Stock	Prepaid Share Repurchase	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balances at January 28, 2017	**311**	**$ 31**	**$ —**	**$ —**	**$ 4,399**	**$ 279**	**$ 4,709**
Adoption of ASU 2016-09	—	—	—	10	(12)	—	(2)
Net earnings, six months ended July 29, 2017	—	—	—	—	397	—	397
Other comprehensive loss, net of tax							
Foreign currency translation adjustments	—	—	—	—	—	42	42
Stock-based compensation	—	—	—	67	—	—	67
Restricted stock vested and stock options exercised	5	—	—	121	—	—	121
Issuance of common stock under employee stock purchase plan	—	—	—	3	—	—	3
Common stock dividends, $0.68 per share	—	—	—	—	(209)	—	(209)
Repurchase of common stock	(16)	(1)	—	(201)	(579)	—	(781)
Balances at July 29, 2017	**300**	**$ 30**	**$ —**	**$ —**	**$ 3,996**	**$ 321**	**$ 4,347**
Balances at January 30, 2016	**324**	**$ 32**	**$ (55)**	**$ —**	**$ 4,130**	**$ 271**	**$ 4,378**
Net earnings, six months ended July 30, 2016	—	—	—	—	427	—	427
Other comprehensive income, net of tax:							
Foreign currency translation adjustments	—	—	—	—	—	25	25
Stock-based compensation	—	—	—	57	—	—	57
Restricted stock vested and stock options exercised	3	—	—	20	—	—	20
Settlement of accelerated share repurchase	—	—	55	—	—	—	55
Issuance of common stock under employee stock purchase plan	—	—	—	3	—	—	3
Tax benefit from stock options exercised, restricted stock vesting and employee stock purchase plan	—	—	—	4	—	—	4
Common stock dividends, $1.01 per share	—	—	—	—	(328)	—	(328)
Repurchase of common stock	(10)	—	—	(84)	(238)	—	(322)
Balances at July 30, 2016	**317**	**$ 32**	**$ —**	**$ —**	**$ 3,991**	**$ 296**	**$ 4,319**

See Notes to Condensed Consolidated Financial Statements.

Notes to Condensed Consolidated Financial Statements

(unaudited)

1. Basis of Presentation

Unless the context otherwise requires, the use of the terms “Best Buy,” “we,” “us” and “our” in these Notes to Condensed Consolidated Financial Statements refers to Best Buy Co., Inc. and its consolidated subsidiaries.

In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments necessary for a fair presentation as prescribed by accounting principles generally accepted in the United States (“GAAP”). All adjustments were comprised of normal recurring adjustments, except as noted in these Notes to Condensed Consolidated Financial Statements.

Historically, we have generated a higher proportion of our revenue and earnings in the fiscal fourth quarter, which includes the majority of the holiday shopping season in the U.S., Canada and Mexico. Due to the seasonal nature of our business, interim results are not necessarily indicative of results for the entire fiscal year. The interim financial statements and the related notes in this Quarterly Report on Form 10-Q should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 . The first six months of fiscal 2018 and fiscal 2017 included 26 weeks.

In order to align our fiscal reporting periods and comply with statutory filing requirements, we consolidate the financial results of our Mexico operations on a one - month lag. Our policy is to accelerate recording the effect of events occurring in the lag period that significantly affect our condensed consolidated financial statements. No such events were identified for the reported periods.

In preparing the accompanying condensed consolidated financial statements, we evaluated the period from July 30, 2017 , through the date the financial statements were issued, for material subsequent events requiring recognition or disclosure. No such events were identified for this period.

Unadopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* . The new guidance establishes a single comprehensive model for entities to use in accounting for revenue and supersedes most current revenue recognition guidance. It introduces a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards under current guidance. It also requires significantly expanded disclosures regarding revenues.

Based on our analysis thus far, we believe the impact of adopting the new guidance will be immaterial to our annual and interim financial statements. The primary impacts we have identified thus far are:

- Minor changes to the timing of recognition of revenues related to gift cards and loyalty programs;
- Changes to certain immaterial revenues that are currently reported on a gross basis, to be reported on a net basis (with no change in timing of recognition) with consequently no impacts to earnings; and
- The balance sheet presentation of our sales returns reserve, which will be shown as a separate asset and liability versus the current net presentation.

In addition, we expect adoption to lead to increased footnote disclosures, particularly with regard to revenue related balance sheet accounts and revenue by channel and category. We also expect the adoption and consequent changes to our procedures and methodologies to require adjustments to our internal controls over financial reporting.

As interpretations of the new rules continue to evolve, we will continue to monitor developments and expect to finalize our conclusions in the fourth quarter of fiscal 2018. We plan to adopt this standard in the first quarter of our fiscal 2019. Providing we ultimately conclude that the impacts of adoption are immaterial, we would expect to use the modified retrospective method. Under this method, we would recognize the cumulative effect of the changes in retained earnings at the date of adoption, but would not restate prior periods.

In February 2016, the FASB issued ASU 2016-02, *Leases.* The new guidance was issued to increase transparency and comparability among companies by requiring most leases to be included on the balance sheet and by expanding disclosure requirements. Based on the effective dates, we expect to adopt the new guidance in the first quarter of fiscal 2020 using the modified retrospective method. While we expect adoption to lead to a material increase in the assets and liabilities recorded on our balance sheet and increase our footnote disclosures related to leases, we are still evaluating the impact on our consolidated statement of earnings. We also expect that adoption of the new standard will require changes to our internal controls over financial reporting.

Adopted Accounting Pronouncements

In the first quarter of fiscal 2018, we adopted the following ASUs:

- ASU 2015-11, *Inventory: Simplifying the Measurement of Inventory* . The adoption did not have a material impact on our results of operations, cash flows or financial position.

- ASU 2016-09, *Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting* . Excess tax benefits and tax deficiencies are now recognized in our provision for income taxes as a discrete event rather than as a component of stockholders' equity. In addition, we elected to account for forfeitures as they occur. The cumulative effect of this policy change amounted to $12 million , net of tax, and was recorded as a reduction to our retained earnings opening balance. Finally, we elected to present the Condensed Consolidated Statements of Cash Flows on a retrospective transition method, and prior periods have been adjusted to present excess tax benefits as cash flows from operating activities.

- ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments* , and ASU 2016-18, *Statement of Cash Flows: Restricted Cash* . The retrospective adoption increased our beginning and ending cash balance within our statement of cash flows. The adoption had no other material impacts to our cash flow statement and had no impact on our results of operations or financial position.

The following table reconciles the Condensed Consolidated Statement of Cash Flows line items impacted by the adoption of these standards at July 30, 2016 :

	July 30, 2016 Reported	ASU 2016-09 Adjustment	ASU 2016-15 Adjustment	ASU 2016-18 Adjustment	July 30, 2016 Adjusted
Operating activities					
Other, net	$ (38)	$ 9	$ —	$ —	$ (29)
Changes in operating assets and liabilities:					
Receivables	240	—	(1)	—	239
Merchandise inventories	160	—	1	—	161
Total cash provided by operating activities	1,288	9	—	—	1,297
Investing activities					
Change in restricted assets	(4)	—	—	4	—
Total cash used in investing activities	(495)	—	—	4	(491)
Financing activities					
Other, net	17	(9)	—	—	8
Total cash used in financing activities	(933)	(9)	—	—	(942)
Decrease in cash, cash equivalents and restricted cash	(115)	—	—	4	(111)
Cash, cash equivalents and restricted cash at beginning of period	1,976	—	—	185	2,161
Cash, cash equivalents and restricted cash at end of period	$ 1,861	$ —	$ —	$ 189	$ 2,050

Total Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Condensed Consolidated Balance Sheet to the total shown in the Condensed Consolidated Statement of Cash Flows:

	July 29, 2017	January 28, 2017	July 30, 2016
Cash and cash equivalents	$ 1,365	$ 2,240	$ 1,861
Restricted cash included in Other current assets	196	193	189
Total cash, cash equivalents and restricted cash	$ 1,561	$ 2,433	$ 2,050

Amounts included in restricted cash are pledged as collateral or restricted to use for general liability insurance and workers' compensation insurance.

2. Discontinued Operations

Discontinued operations are primarily comprised of Jiangsu Five Star Appliance Co., Limited ("Five Star") within our International segment. In February 2015, we completed the sale of Five Star. Following the sale, we continued to hold as available for sale one retail property in Shanghai, China. In May 2016, the second quarter of fiscal 2017, we completed the sale of the property and recognized a gain, net of income tax, of $16 million . The gain on sale of the property is included in Other, net within the operating activities section of the Condensed Consolidated Statements of Cash Flows.

The aggregate financial results of discontinued operations were as follows ($ in millions):

	Three Months Ended		Six Months Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Gain from discontinued operations before income tax expense	$ —	$ 26	$ —	$ 26
Income tax expense	—	(10)	—	(7)
Net gain from discontinued operations	$ —	$ 16	$ —	$ 19

3. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. To measure fair value, we use a three-tier valuation hierarchy based upon observable and non-observable inputs:

Level 1 — Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

Level 2 — Significant other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 — Significant unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The fair value hierarchy requires the use of observable market data when available. In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

The following table sets forth, by level within the fair value hierarchy, our financial assets and liabilities that were accounted for at fair value on a recurring basis at July 29, 2017 , January 28, 2017 , and July 30, 2016 , according to the valuation techniques we used to determine their fair values ($ in millions):

	Fair Value Hierarchy	Fair Value at		
		July 29, 2017	January 28, 2017	July 30, 2016
ASSETS				
Cash and cash equivalents				
Money market funds	Level 1	$ 175	$ 290	$ 87
Commercial paper	Level 2	60	—	—
Time deposits	Level 2	16	15	169
Short-term investments				
Corporate bonds	Level 2	—	—	6
Commercial paper	Level 2	299	349	170
Time deposits	Level 2	1,826	1,332	1,414
Other current assets				
Money market funds	Level 1	2	7	—
Commercial paper	Level 2	60	60	60
Foreign currency derivative instruments	Level 2	—	2	1
Time deposits	Level 2	101	100	79
Other assets				
Marketable securities that fund deferred compensation	Level 1	97	96	95
Interest rate swap derivative instruments	Level 2	16	13	27
Auction rate securities	Level 3	—	—	2
LIABILITIES				
Accrued liabilities				
Foreign currency derivative instruments	Level 2	15	3	5

There were no transfers between levels during the periods presented. During the third quarter of fiscal 2017, our remaining investments in auction rate securities ("ARS") were called at par, which resulted in proceeds of $2 million and no realized gain or loss. As of January 28, 2017 , we had no items measured at fair value on a recurring basis that used significant unobservable inputs (Level 3). For the three and six months ended July 29, 2017 , and July 30, 2016 , there were no changes in the beginning and ending balances of items measured at fair value on a recurring basis that used significant unobservable inputs (Level 3).

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Money market funds. Our money market fund investments were measured at fair value as they trade in an active market using quoted market prices and, therefore, were classified as Level 1.

Commercial paper. Our investments in commercial paper were measured using inputs based upon quoted prices for similar instruments in active markets and, therefore, were classified as Level 2.

Time deposits. Our time deposits are balances held with banking institutions that cannot be withdrawn for specified terms without a penalty. Time deposits are held at face value plus accrued interest, which approximates fair value, and are classified as Level 2.

Corporate bonds. Our corporate bond investments were measured at fair value using quoted market prices. They were classified as Level 2 as they trade in a non-active market for which bond prices are readily available.

Foreign currency derivative instruments. Comprised primarily of foreign currency forward contracts and foreign currency swap contracts, our foreign currency derivative instruments were measured at fair value using readily observable market inputs, such as quotations on forward foreign exchange points and foreign interest rates. Our foreign currency derivative instruments were classified as Level 2 as these instruments are custom, over-the-counter contracts with various bank counterparties that are not traded in an active market.

Marketable securities that fund deferred compensation. The assets that fund our deferred compensation consist of investments in mutual funds. These investments were classified as Level 1 as the shares of these mutual funds trade with sufficient frequency and volume to enable us to obtain pricing information on an ongoing basis.

Interest rate swap derivative instruments. Our interest rate swap contracts were measured at fair value using readily observable inputs, such as the LIBOR interest rate. Our interest rate swap derivative instruments were classified as Level 2 as these instruments are custom, over-the-counter contracts with various bank counterparties that are not traded in an active market.

Auction rate securities. Our investments in ARS were classified as Level 3 as quoted prices were unavailable. Due to limited market information, we utilized a discounted cash flow ("DCF") model to derive an estimate of fair value. The assumptions we used in preparing the DCF model included estimates with respect to the amount and timing of future interest and principal payments, forward projections of the interest rate benchmarks, the probability of full repayment of the principal considering the credit quality and guarantees in place and the rate of return required by investors to own such securities given the current liquidity risk associated with ARS.

Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis

Assets and liabilities that are measured at fair value on a nonrecurring basis relate primarily to our tangible fixed assets, goodwill and other intangible assets, which are remeasured when the derived fair value is below carrying value on our Condensed Consolidated Balance Sheets. For these assets, we do not periodically adjust carrying value to fair value, except in the event of impairment. When we determine that impairment has occurred, the carrying value of the asset is reduced to fair value and the difference is recorded within Selling, general and administrative expenses and Restructuring charges in our Condensed Consolidated Statements of Earnings for non-restructuring and restructuring charges, respectively.

The following table summarizes the fair value remeasurements for property and equipment impairments recorded during the three and six months ended July 29, 2017 , and July 30, 2016 ($ in millions):

	Impairments				Remaining Net Carrying Value [1]	
	Three Months Ended		Six Months Ended			
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Property and equipment (non-restructuring)	$ 1	$ 3	$ 6	$ 8	$ —	$ —
Property and equipment (restructuring) [2]	—	—	—	7	—	—
Total	$ 1	$ 3	$ 6	$ 15	$ —	$ —

(1) Remaining net carrying value approximates fair value. Because assets subject to long-lived asset impairment are not measured at fair value on a recurring basis, certain fair value measurements presented in the table may reflect values at earlier measurement dates and may no longer represent the fair values at July 29, 2017 , and July 30, 2016 .

(2) See Note 5, *Restructuring Charges* , for additional information.

All of the fair value remeasurements included in the table above were based on significant unobservable inputs (Level 3). Fixed asset fair values were derived using a DCF model to estimate the present value of net cash flows that the asset or asset group was expected to generate. The key inputs to the DCF model generally included our forecasts of net cash generated from revenue, expenses and other significant cash outflows, such as capital expenditures, as well as an appropriate discount rate. In the case of assets for which the impairment was the result of restructuring activities, no future cash flows have been assumed as the assets will cease to be used and expected sale values are nominal.

Fair Value of Financial Instruments

Our financial instruments, other than those presented in the disclosures above, include cash, receivables, other investments, accounts payable, other payables and long-term debt. The fair values of cash, receivables, accounts payable and other payables approximated carrying values because of the short-term nature of these instruments. If these instruments were measured at fair value in the financial statements, they would be classified as Level 1 in the fair value hierarchy. Fair values for other investments held at cost are not readily available, but we estimate that the carrying values for these investments approximate fair value. See Note 6, *Debt* , for information about the fair value of our long-term debt.

4. Goodwill and Intangible Assets

The following table provides the carrying values of goodwill and indefinite-lived tradenames for the Domestic segment ($ in millions):

	July 29, 2017	January 28, 2017	July 30, 2016
Goodwill	$ 425	$ 425	$ 425
Intangible assets included in Other assets	18	18	18

The following table provides the gross carrying amount of goodwill and cumulative goodwill impairment ($ in millions):

	July 29, 2017		January 28, 2017		July 30, 2016	
	Gross Carrying Amount	Cumulative Impairment	Gross Carrying Amount	Cumulative Impairment	Gross Carrying Amount	Cumulative Impairment
Goodwill	$ 1,100	$ 675	$ 1,100	$ 675	$ 1,100	$ 675

5. Restructuring Charges

Charges incurred in the three and six months ended July 29, 2017 , and July 30, 2016 , for our restructuring activities were as follows ($ in millions):

	Three Months Ended		Six Months Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Renew Blue Phase 2	$ —	$ (2)	$ —	$ 25
Canadian brand consolidation	(1)	2	(1)	1
Renew Blue [(1)]	3	—	3	3
Other restructuring activities [(2)]	—	—	—	—
Total restructuring charges	$ 2	$ —	$ 2	$ 29

(1) Represents activity related to our remaining vacant space liability, primarily in our International segment, for our Renew Blue restructuring program, which began in the fourth quarter of fiscal 2013. We may continue to incur immaterial adjustments to the liability for changes in sublease assumptions or potential lease buyouts. In addition, lease payments for vacated stores will continue until leases expire or are terminated. The remaining vacant space liability was $12 million at July 29, 2017 .

(2) Represents activity related to our remaining vacant space liability for U.S. large-format store closures in fiscal 2013. We may continue to incur immaterial adjustments to the liability for changes in sublease assumptions or potential lease buyouts. In addition, lease payments for vacated stores will continue until leases expire or are terminated. The remaining vacant space liability was $8 million at July 29, 2017 .

Renew Blue Phase 2

In the first quarter of fiscal 2017, we took several strategic actions to eliminate and simplify certain components of our operations and restructure certain field and corporate teams as part of our Renew Blue Phase 2 plan. No charges were incurred in the three and six months ended July 29, 2017 . We recorded a benefit of $2 million and incurred charges of $25 million related to Phase 2 of the plan during the three and six months ended July 30, 2016 , respectively. The benefit related to lower employee termination benefits and the charges incurred primarily consisted of employee termination benefits and property and equipment impairments.

All restructuring charges related to this plan are from continuing operations and are presented in Restructuring charges in our Condensed Consolidated Statements of Earnings.

The composition of the restructuring charges we incurred for Renew Blue Phase 2 during the three and six months ended July 29, 2017 , and July 30, 2016 , as well as the cumulative amount incurred through July 29, 2017 , was as follows ($ in millions):

	Domestic				
	Three Months Ended		Six Months Ended		Cumulative Amount
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016	July 29, 2017
Property and equipment impairments	$ —	$ —	$ —	$ 7	$ 8
Termination benefits	—	(2)	—	18	18
Total restructuring charges	$ —	$ (2)	$ —	$ 25	$ 26

As of July 29, 2017 , and January 28, 2017 , there was no restructuring accrual balance. The restructuring accrual activity related to termination benefits was as follows for the six months ended July 30, 2016 ($ in millions):

	Termination Benefits
Balances at January 30, 2016	$ —
Charges	19
Cash payments	(15)
Adjustments [(1)]	(2)
Balances at July 30, 2016	$ 2

(1) Adjustments to termination benefits represent changes in retention assumptions.

Canadian Brand Consolidation

In the first quarter of fiscal 2016, we consolidated the Future Shop and Best Buy stores and websites in Canada under the Best Buy brand. This resulted in the permanent closure of 66 Future Shop stores and the conversion of the remaining 65 Future Shop stores to the Best Buy brand.

All restructuring charges related to this plan are from continuing operations and are presented in Restructuring charges in our Condensed Consolidated Statements of Earnings.

The composition of total restructuring charges we incurred for the Canadian brand consolidation in the three and six months ended July 29, 2017 , and July 30, 2016 , as well as the cumulative amount incurred through July 29, 2017 , was as follows ($ in millions):

	International				
	Three Months Ended		Six Months Ended		Cumulative Amount
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016	July 29, 2017
Inventory write-downs	$ —	$ —	$ —	$ —	$ 3
Property and equipment impairments	—	—	—	—	30
Tradename impairment	—	—	—	—	40
Termination benefits	—	—	—	—	25
Facility closure and other costs	(1)	2	(1)	1	104
Total restructuring charges	$ (1)	$ 2	$ (1)	$ 1	$ 202

The following tables summarize our restructuring accrual activity during the six months ended July 29, 2017 , and July 30, 2016 , related to termination benefits and facility closure and other costs associated with the Canadian brand consolidation ($ in millions):

	Termination Benefits	Facility Closure and Other Costs	Total
Balances at January 28, 2017	$ —	$ 34	$ 34
Charges	—	—	—
Cash payments	—	(10)	(10)
Adjustments [1]	—	(1)	(1)
Changes in foreign currency exchange rates	—	1	1
Balances at July 29, 2017	$ —	$ 24	$ 24
Balances at January 30, 2016	$ 2	$ 64	$ 66
Charges	—	1	1
Cash payments	(1)	(18)	(19)
Adjustments [1]	—	(1)	(1)
Changes in foreign currency exchange rates	—	4	4
Balances at July 30, 2016	$ 1	$ 50	$ 51

(1) Adjustments to facility closure and other costs represent changes in sublease assumptions.

6. Debt

Long-term debt consisted of the following ($ in millions):

	July 29, 2017	January 28, 2017	July 30, 2016
2018 Notes	$ 500	$ 500	$ 500
2021 Notes	650	650	650
Interest rate swap valuation adjustments	16	13	27
Subtotal	1,166	1,163	1,177
Debt discounts and issuance costs	(4)	(5)	(6)
Financing lease obligations	166	177	181
Capital lease obligations	26	30	32
Total long-term debt	1,354	1,365	1,384
Less: current portion	44	44	43
Total long-term debt, less current portion	$ 1,310	$ 1,321	$ 1,341

The fair value of total long-term debt, excluding debt discounts and issuance costs and financing and capital lease obligations, approximated $1,242 million , $1,240 million and $1,271 million at July 29, 2017 , January 28, 2017 , and July 30, 2016 , respectively, based primarily on the market prices quoted from external sources, compared with carrying values of $1,166 million , $1,163 million and $1,177 million , respectively. If long-term debt was measured at fair value in the financial statements, it would be classified primarily as Level 2 in the fair value hierarchy.

See Note 5, *Debt* , in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 , for additional information regarding the terms of our debt facilities, debt instruments and other obligations.

7. Derivative Instruments

We manage our economic and transaction exposure to certain risks through the use of foreign currency and interest rate swap derivative instruments. Our objective in holding derivatives is to reduce the volatility of net earnings, cash flows and net asset value associated with changes in foreign currency exchange rates and interest rates. We do not hold derivative instruments for trading or speculative purposes. We have no derivatives that have credit risk-related contingent features, and we mitigate our credit risk by engaging with major financial institutions as our counterparties.

We record all derivative instruments on our Condensed Consolidated Balance Sheets at fair value and evaluate hedge effectiveness prospectively and retrospectively when electing to apply hedge accounting. We formally document all hedging relations at inception for derivative hedges and the underlying hedged items, as well as the risk management objectives and strategies for undertaking the hedge transaction. In addition, we have derivatives which are not designated as hedging instruments.

Net Investment Hedges

We use foreign exchange forward contracts to hedge against the effect of Canadian dollar exchange rate fluctuations on a portion of our net investment in our Canadian operations. The contracts have terms up to 12 months . For a net investment hedge, we recognize changes in the fair value of the derivative as a component of foreign currency translation within other comprehensive income to offset a portion of the change in translated value of the net investment being hedged, until the investment is sold or liquidated. We limit recognition in net earnings of amounts previously recorded in other comprehensive income to circumstances such as complete or substantially complete liquidation of the net investment in the hedged foreign operation. We report the ineffective portion of the gain or loss, if any, in net earnings.

Interest Rate Swaps

We use "receive fixed-rate, pay variable-rate" interest rate swaps to mitigate the effect of interest rate fluctuations on our 2018 Notes and a portion of our 2021 Notes. Our interest rate swap contracts are considered perfect hedges because the critical terms and notional amounts match those of our fixed-rate debt being hedged and are, therefore, accounted as fair value hedges using the shortcut method. Under the shortcut method, we recognize the change in the fair value of the derivatives with an offsetting change to the carrying value of the debt. Accordingly, there is no impact on our Condensed Consolidated Statements of Earnings from the fair value of the derivatives.

Derivatives Not Designated as Hedging Instruments

We use foreign currency forward contracts to manage the impact of fluctuations in foreign currency exchange rates relative to recognized receivable and payable balances denominated in non-functional currencies and on certain forecast inventory purchases denominated in non-functional currencies. The contracts generally have terms of up to 12 months . These derivative instruments are not designated as hedging relationships, and, therefore, we record gains and losses on these contracts directly to net earnings.

Summary of Derivative Balances

The following table presents the gross fair values for outstanding derivative instruments and the corresponding classification at July 29, 2017 , January 28, 2017 , and July 30, 2016 ($ in millions):

	July 29, 2017		January 28, 2017		July 30, 2016	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Derivatives designated as net investment hedges [(1)]	$ —	$ 13	$ 2	$ 2	$ 1	$ 5
Derivatives designated as interest rate swaps [(2)]	16	—	13	—	27	—
No hedge designation (foreign exchange forward contracts) [(1)]	—	2	—	1	—	—
Total	$ 16	$ 15	$ 15	$ 3	$ 28	$ 5

(1) The fair value is recorded in Other current assets or Accrued liabilities.

(2) The fair value is recorded in Other assets or Long-term liabilities.

The following table presents the effects of derivative instruments by contract type on other comprehensive income ("OCI") and on our Condensed Consolidated Statements of Earnings for the three and six months ended July 29, 2017 , and July 30, 2016 ($ in millions):

	Three Months Ended		Six Months Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Derivatives designated as net investment hedges				
Pre-tax gain (loss) recognized in OCI	$ (19)	$ 8	$ (11)	$ (16)
Derivatives designated as interest rate swaps				
Gain (loss) recognized within Interest expense				
Interest rate swap gain	$ 14	$ 12	$ 3	$ 2
Long-term debt loss	(14)	(12)	(3)	(2)
Net impact	$ —	$ —	$ —	$ —
No hedge designation (foreign exchange forward contracts)				
Gain (loss) recognized within Selling, general and administrative expenses	$ (4)	$ 2	$ (3)	$ (3)

The following table presents the notional amounts of our derivative instruments at July 29, 2017 , January 28, 2017 , and July 30, 2016 ($ in millions):

	July 29, 2017	January 28, 2017	July 30, 2016
Derivatives designated as net investment hedges	$ 205	$ 205	$ 203
Derivatives designated as interest rate swaps	1,000	750	750
No hedge designation (foreign exchange forward contracts)	48	43	41
Total	$ 1,253	$ 998	$ 994

8. Earnings per Share

We compute our basic earnings per share based on the weighted-average number of common shares outstanding and our diluted earnings per share based on the weighted-average number of common shares outstanding adjusted by the number of additional shares that would have been outstanding had potentially dilutive common shares been issued. Potentially dilutive securities include stock options, nonvested share awards and shares issuable under our employee stock purchase plan. Nonvested market-based share awards and nonvested performance-based share awards are included in the average diluted shares outstanding for each period if established market or performance criteria have been met at the end of the respective periods.

The following table presents a reconciliation of the numerators and denominators of basic and diluted earnings per share from continuing operations for the three and six months ended July 29, 2017 , and July 30, 2016 ($ and shares in millions, except per share amounts):

	Three Months Ended		Six Months Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Numerator				
Net earnings from continuing operations	$ 209	$ 182	$ 397	$ 408
Denominator				
Weighted-average common shares outstanding	304.1	320.8	306.7	322.2
Dilutive effect of stock compensation plan awards	6.7	2.1	6.3	2.6
Weighted-average common shares outstanding, assuming dilution	310.8	322.9	313.0	324.8
Net earnings per share from continuing operations				
Basic	$ 0.69	$ 0.57	$ 1.29	$ 1.27
Diluted	$ 0.67	$ 0.56	$ 1.27	$ 1.26

The computation of weighted-average common shares outstanding, assuming dilution, excluded options to purchase zero shares and 8.8 million shares of common stock for the three months ended July 29, 2017 , and July 30, 2016 , respectively, and options to purchase zero shares and 8.8 million shares of common stock for the six months ended July 29, 2017 , and July 30, 2016 , respectively. These amounts were excluded as the options' exercise prices were greater than the average market price of our common stock for the periods presented, and, therefore, the effect would be anti-dilutive (i.e., including such options would result in higher earnings per share).

9. Comprehensive Income

The following tables provide a reconciliation of the components of accumulated other comprehensive income, net of tax, attributable to Best Buy Co., Inc. for the three and six months ended July 29, 2017 , and July 30, 2016 ($ in millions):

	Foreign Currency Translation
Balances at April 29, 2017	$ 266
Foreign currency translation adjustments	55
Balances at July 29, 2017	$ 321
Balances at January 28, 2017	$ 279
Foreign currency translation adjustments	42
Balances at July 29, 2017	$ 321
Balances at April 30, 2016	$ 316
Foreign currency translation adjustments	(20)
Balances at July 30, 2016	$ 296
Balances at January 30, 2016	$ 271
Foreign currency translation adjustments	25
Balances at July 30, 2016	$ 296

The gains and losses on our net investment hedges, which are included in foreign currency translation adjustments, were not material for the periods presented. There is generally no tax impact related to foreign currency translation adjustments, as the earnings are considered permanently reinvested.

10. Repurchase of Common Stock

Our Board of Directors authorized a $5.0 billion share repurchase program in February 2017. The program, which became effective on February 27, 2017, terminated and replaced a $5.0 billion share repurchase program authorized by our Board of Directors in June 2011. There is no expiration governing the period over which we can make our share repurchases under the February 2017 $5.0 billion share repurchase program.

The following table presents information regarding the shares we repurchased during the three and six months ended July 29, 2017 , and July 30, 2016 ($ and shares in millions, except per share amounts):

	Three Months Ended		Six Months Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Total cost of shares repurchased				
Open market [(1)]	$ 397	$ 221	$ 781	$ 277
Settlement of January 2016 ASR [(2)]	—	—	—	45
Total	$ 397	$ 221	$ 781	$ 322
Average price per share				
Open market	$ 55.07	$ 30.65	$ 50.38	$ 30.98
Settlement of January 2016 ASR [(2)]	$ —	$ —	$ —	$ 28.55
Average	$ 55.07	$ 30.65	$ 50.38	$ 30.62
Number of shares repurchased and retired				
Open market [(1)]	7.2	7.2	15.5	8.9
Settlement of January 2016 ASR [(2)]	—	—	—	1.6
Total	7.2	7.2	15.5	10.5

(1) As of July 29, 2017 , $18 million , or 0.3 million shares, in trades remained unsettled. As of July 30, 2016 , $6 million , or 0.2 million shares, in trades remained unsettled. The liability for unsettled trades is included in Accrued liabilities in the Condensed Consolidated Balance Sheets.

(2) See Note 7, *Shareholders' Equity* , in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 , for additional information regarding the January 2016 ASR.

Approximately 4.3 billion shares remained available for additional purchases under the February 2017 share repurchase program as of July 29, 2017 . Repurchased shares are retired and constitute authorized but unissued shares.

11. Segments

Our chief operating decision maker ("CODM") is our Chief Executive Officer. Our business is organized into two segments: Domestic (which is comprised of all operations within the U.S. and its districts and territories) and International (which is comprised of all operations within Canada and Mexico). Our CODM has ultimate responsibility for enterprise decisions. Our CODM determines, in particular, resource allocation for, and monitors performance of, the consolidated enterprise, the Domestic segment and the International segment. The Domestic segment managers and International segment managers have responsibility for operating decisions, allocating resources and assessing performance within their respective segments. Our CODM relies on internal management reporting that analyzes enterprise results to the net earnings level and segment results to the operating income level.

We aggregate our Canada and Mexico businesses into one International operating segment. Our Domestic and International operating segments also represent our reportable segments. The accounting policies of the segments are the same as those described in Note 1, *Summary of Significant Accounting Policies* , in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 .

Revenue by reportable segment was as follows ($ in millions):

	Three Months Ended		Six Months Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Domestic	$ 8,272	$ 7,889	$ 16,184	$ 15,718
International	668	644	1,284	1,258
Total revenue	$ 8,940	$ 8,533	$ 17,468	$ 16,976

Operating income by reportable segment and the reconciliation to earnings from continuing operations before income tax expense were as follows ($ in millions):

	Three Months Ended		Six Months Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Domestic	$ 316	$ 289	$ 614	$ 661
International	5	—	7	—
Total operating income	321	289	621	661
Other income (expense)				
Gain on sale of investments	—	—	—	2
Investment income and other	7	8	18	14
Interest expense	(18)	(18)	(37)	(38)
Earnings from continuing operations before income tax expense	$ 310	$ 279	$ 602	$ 639

Assets by reportable segment were as follows ($ in millions):

	July 29, 2017	January 28, 2017	July 30, 2016
Domestic	$ 11,972	$ 12,496	$ 11,968
International	1,472	1,360	1,286
Total assets	$ 13,444	$ 13,856	$ 13,254

12. Contingencies

We are involved in a number of legal proceedings. Where appropriate, we have made accruals with respect to these matters, which are reflected in our Condensed Consolidated Financial Statements. However, there are cases where liability is not probable or the amount cannot be reasonably estimated and, therefore, accruals have not been made. We provide disclosure of matters where we believe it is reasonably possible the impact may be material to our Condensed Consolidated Financial Statements.

Securities Actions

In February 2011, a purported class action lawsuit captioned, *IBEW Local 98 Pension Fund, individually and on behalf of all others similarly situated v. Best Buy Co., Inc., et al.* , was filed against us and certain of our executive officers in the U.S. District Court for the District of Minnesota. This federal court action alleges, among other things, that we and the officers named in the complaint violated Sections 10(b) and 20A of the Exchange Act and Rule 10b-5 under the Exchange Act in connection with press releases and other statements relating to our fiscal 2011 earnings guidance that had been made available to the public. Additionally, in March 2011, a similar purported class action was filed by a single shareholder, Rene LeBlanc, against us and certain of our executive officers in the same court. In July 2011, after consolidation of the IBEW Local 98 Pension Fund and Rene LeBlanc actions, a consolidated complaint captioned, *IBEW Local 98 Pension Fund v. Best Buy Co., Inc., et al.* , was filed and served. We filed a motion to dismiss the consolidated complaint in September 2011, and in March 2012, subsequent to the end of fiscal 2012, the court issued a decision dismissing the action with prejudice. In April 2012, the plaintiffs filed a motion to alter or amend the court's decision on our motion to dismiss. In October 2012, the court granted plaintiff's motion to alter or amend the court's decision on our motion to dismiss in part by vacating such decision and giving plaintiff leave to file an amended complaint, which plaintiff did in October 2012. We filed a motion to dismiss the amended complaint in November 2012 and all responsive pleadings were filed in December 2012. A hearing was held on April 26, 2013. On August 5, 2013, the court issued an order granting our motion to dismiss in part and, contrary to its March 2012 order, denying the motion to dismiss in part, holding that certain of the statements alleged to have been made were not forward-looking statements and therefore were not subject to the “safe-harbor” provisions of the Private Securities Litigation Reform Act. Plaintiffs moved to certify the purported class. By Order filed August 6, 2014, the court certified a class of persons or entities who acquired Best Buy common stock between 10:00 a.m. EDT on September 14, 2010, and December 13, 2010, and who were damaged by the alleged violations of law. The 8th Circuit Court of Appeals granted our request for interlocutory appeal. On April 12, 2016, the 8th Circuit held the trial court misapplied the law and reversed the class certification order. IBEW petitioned the 8th Circuit for a rehearing *en banc* , which was denied on June 1, 2016. In October 2016, IBEW advised the trial court it will not seek review by the Supreme Court. On June 23, 2017, the trial court denied Plantiff's request to file a new Motion for Class Certification. We continue to believe that the remaining individual plaintiff's allegations are without merit and intend to vigorously defend our company in this matter.

In June 2011, a purported shareholder derivative action captioned, *Salvatore M. Talluto, Derivatively and on Behalf of Best Buy Co., Inc. v. Richard M. Schulze, et al.* , as Defendants and Best Buy Co., Inc. as Nominal Defendant, was filed against both present and former members of our Board of Directors serving during the relevant periods in fiscal 2011 and us as a nominal defendant in the U.S. District Court for the State of Minnesota. The lawsuit alleges that the director defendants breached their fiduciary duty, among other claims, including violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, in failing to correct public misrepresentations and material misstatements and/or omissions regarding our fiscal 2011 earnings projections and, for certain directors, selling stock while in possession of material adverse non-public information. Additionally, in July 2011, a similar purported class action was filed by a single shareholder, Daniel Himmel, against us and certain of our executive officers in the same court. In November 2011, the respective lawsuits of Salvatore M. Talluto and Daniel Himmel were consolidated into a new action captioned, In *Re: Best Buy Co., Inc. Shareholder Derivative Litigation* , and a stay ordered pending the close of discovery in the consolidated *IBEW Local 98 Pension Fund v. Best Buy Co., Inc., et al.* case. Additionally, in June 2015, a similar purported class action was filed by a single shareholder, Khuong Tran, derivatively on behalf of Best Buy Co., Inc. against us and certain of our executive officers and directors in the same court. The Khuong Tran lawsuit has also been stayed pending the close of discovery in IBEW.

The plaintiffs in the above securities actions seek damages, including interest, equitable relief and reimbursement of the costs and expenses they incurred in the lawsuits. As stated above, we believe the allegations in the above securities actions are without merit, and we intend to defend these actions vigorously. Based on our assessment of the facts underlying the claims in the above securities actions, their respective procedural litigation history and the degree to which we intend to defend our company in these matters, the amount or range of reasonably possible losses, if any, cannot be estimated.

Other Legal Proceedings

We are involved in various other legal proceedings arising in the normal course of conducting business. For such legal proceedings, we have accrued an amount that reflects the aggregate liability deemed probable and estimable, but this amount is not material to our consolidated financial position, results of operations or cash flows. Because of the preliminary nature of many of these proceedings, the difficulty in ascertaining the applicable facts relating to many of these proceedings, the variable treatment of claims made in many of these proceedings and the difficulty of predicting the settlement value of many of these proceedings, we are not able to estimate an amount or range of any reasonably possible additional losses. However, based upon our historical experience, the resolution of these proceedings is not expected to have a material effect on our consolidated financial position, results of operations or cash flows.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Unless the context otherwise requires, the use of the terms “Best Buy,” “we,” “us” and “our” in the following refers to Best Buy Co., Inc. and its consolidated subsidiaries. Any references to our website addresses do not constitute incorporation by reference of the information contained on the websites.

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results. Unless otherwise noted, transactions and other factors significantly impacting our financial condition, results of operations and liquidity are discussed in order of magnitude. Our MD&A is presented in eight sections:

- Overview
- Business Strategy Update
- Best Buy 2020: Building the New Blue
- Results of Operations
- Liquidity and Capital Resources
- Off-Balance-Sheet Arrangements and Contractual Obligations
- Significant Accounting Policies and Estimates
- New Accounting Pronouncements
- Safe Harbor Statement Under the Private Securities Litigation Reform Act

Our MD&A should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 (including the information presented therein under *Risk Factors*), as well as our reports on Forms 10-Q and 8-K and other publicly available information. All amounts herein are unaudited.

Overview

We are a leading provider of technology products, services and solutions. We offer these products and services to customers who visit our stores, engage with Geek Squad agents or use our websites or mobile applications. We have operations in the U.S., Canada and Mexico. We operate two reportable segments: Domestic and International. The Domestic segment is comprised of all operations within the U.S. and its districts and territories. The International segment is comprised of all operations in Canada and Mexico.

Our fiscal year ends on the Saturday nearest the end of January. Fiscal 2018 will include 53 weeks with the additional week included in the fourth quarter and fiscal 2017 included 52 weeks. Our business, like that of many retailers, is seasonal. A higher proportion of our revenue and earnings is generated in the fiscal fourth quarter, which includes the majority of the holiday shopping season in the U.S., Canada and Mexico ("Holiday").

Comparable Sales

Throughout this MD&A, we refer to comparable sales. Our comparable sales calculation compares revenue from stores, websites and call centers operating for at least 14 full months, as well as revenue related to certain other comparable sales channels for a particular period to the corresponding period in the prior year. Relocated stores, as well as remodeled, expanded and downsized stores closed more than 14 days, are excluded from the comparable sales calculation until at least 14 full months after reopening. Acquisitions are included in the comparable sales calculation beginning with the first full quarter following the first anniversary of the date of the acquisition. The calculation of comparable sales excludes the impact of revenue from discontinued operations and the effect of fluctuations in foreign currency exchange rates (applicable to our International segment only). The method of calculating comparable sales varies across the retail industry. As a result, our method of calculating comparable sales may not be the same as other retailers' methods.

The Canadian brand consolidation, which included the permanent closure of 66 Future Shop stores, the conversion of 65 Future Shop stores to Best Buy stores and the elimination of the Future Shop website, had a material impact on a year-over-year basis on the remaining Canadian retail stores and the website. As such, from the first quarter of fiscal 2016 through the third quarter of fiscal 2017, all Canadian store and website revenue was removed from the comparable sales base and the International segment no longer had a comparable sales metric. Therefore, Consolidated comparable sales for the first quarter of fiscal 2016 through the third quarter of fiscal 2017 equaled the Domestic segment comparable sales. Beginning in the fourth quarter of fiscal 2017, we resumed reporting International comparable sales as revenue in the International segment was once again deemed to be comparable and, as such, Consolidated comparable sales are once again equal to the aggregation of Domestic and International comparable sales.

Non-GAAP Financial Measures

This MD&A includes financial information prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), as well as certain adjusted or non-GAAP financial measures such as constant currency, non-GAAP operating income, non-GAAP effective tax rate, non-GAAP net earnings from continuing operations, non-GAAP diluted earnings per share ("EPS") from continuing operations and non-GAAP debt to earnings before interest, income taxes, depreciation, amortization and rent ("EBITDAR") ratio. We believe that non-GAAP financial measures, when reviewed in conjunction with GAAP financial measures, can provide more information to assist investors in evaluating current period performance and in assessing future performance. For these reasons, our internal management reporting also includes non-GAAP measures. Generally, our non-GAAP measures include adjustments for items such as restructuring charges, goodwill impairments and gains or losses on investments. In addition, certain other items may be excluded from non-GAAP financial measures when we believe this provides greater clarity to management and our investors. These non-GAAP financial measures should be considered in addition to, and not superior to or as a substitute for, GAAP financial measures. We strongly encourage investors and shareholders to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure. Non-GAAP measures as presented herein may not be comparable to similarly titled measures used by other companies.

In our discussions of the operating results of our consolidated business and our International segment, we sometimes refer to the impact of changes in foreign currency exchange rates or the impact of foreign currency exchange rate fluctuations, which are references to the differences between the foreign currency exchange rates we use to convert the International segment's operating results from local currencies into U.S. dollars for reporting purposes. We also use the term "constant currency", which represents results adjusted to exclude foreign currency impacts. We calculate those impacts as the difference between the current period results translated using the current period currency exchange rates and using the comparable prior period currency exchange rates. We believe the disclosure of revenue changes in constant currency provides useful supplementary information to investors in light of significant fluctuations in currency rates and our inability to report comparable store sales for the International segment from the first quarter of fiscal 2016 through the third quarter of fiscal 2017 as a result of the Canadian brand consolidation.

Beginning in the first quarter of fiscal 2018, we no longer exclude non-restructuring property and equipment impairment charges from our non-GAAP financial metrics. When we began to execute our Renew Blue transformation in the fourth quarter of fiscal 2013, we adopted a change to non-GAAP reporting to exclude non-restructuring property and equipment impairment charges from our non-GAAP results. From that point, through the fourth quarter of fiscal 2017, we believed that reporting non-GAAP results that excluded these charges provided a supplemental view of our ongoing performance that was useful and relevant to our investors. Now that Renew Blue has ended and Best Buy 2020: Building The New Blue has officially launched, we believe it is no longer necessary to adjust for non-restructuring property and equipment impairments in our non-GAAP reporting. We believe that future such impairments will predominantly be immaterial and incurred in the ordinary scope of ongoing operations. Accordingly, commencing in the first quarter of fiscal 2018, we no longer plan to adjust for non-restructuring property and equipment impairments. Impacted prior period non-GAAP financial measures will be recast to conform with this presentation.

Refer to the *Non-GAAP Financial Measures* section below for the detailed reconciliation of items that impacted the non-GAAP operating income, non-GAAP effective tax rate, non-GAAP net earnings from continuing operations and non-GAAP diluted EPS from continuing operations in the presented periods.

Refer to the *Other Financial Measures* section below for the detailed reconciliation of items that impacted the non-GAAP debt to EBITDAR ratio. Management believes this ratio is an important indicator of our creditworthiness. Furthermore, we believe that our non-GAAP debt to EBITDAR ratio is important for understanding our financial position and provides meaningful additional information about our ability to service our long-term debt and other fixed obligations and to fund our future growth. We also believe our non-GAAP debt to EBITDAR ratio is relevant because it enables investors to compare our indebtedness to that of retailers who own, rather than lease, their stores. Our decision to own or lease real estate is based on an assessment of our financial liquidity, our capital structure, our desire to own or to lease the location, the owner's desire to own or to lease the location and the alternative that results in the highest return to our shareholders.

Business Strategy Update

In the second quarter of fiscal 2018, we delivered consolidated comparable sales of 5.4% and diluted earnings per share of $0.67, an increase of 20% compared to the prior year. Non-GAAP diluted earnings per share was $0.69, an increase of 21% compared to the prior year.

Our second quarter comparable sales performance was higher than expected. The strong growth was not isolated to a specific category or launch--we saw higher-than-expected comparable sales growth across the majority of our categories. We believe this higher-than-expected growth was driven by stronger consumer demand for technology products and by the strong execution of our strategy. Against a backdrop of continued healthy consumer confidence, we believe broad-based product innovation is resonating with consumers and driving higher spend. In addition, we believe our effective merchandising and marketing activities, combined with our expert advice and service available online, in-store and in-home, supported this growth. While we do not believe that mid-single digit comparable sales are a new normal, we are excited about our opportunities going forward and the strategy we are pursuing.

Our second quarter operating income rate improved 20 basis points driven by sales leverage. As expected, expenses were higher than last year as we are investing in people and systems to drive growth, execution and efficiencies. We also had an increase in incentive compensation related to the stronger-than-expected performance.

Best Buy 2020: Building the New Blue

In our most recent Annual Report, we introduced Best Buy 2020: Building the New Blue. As part of this new strategy, we outlined four priorities that we are pursuing during fiscal 2018. Our progress against these priorities is outlined below.

1. *Explore and pursue growth opportunities around maximizing the multi-channel retail business and providing services and solutions that solve real customer needs and help us build deeper customer relationships.*

   In support of maximizing the multi-channel retail business, we continued to drive digital innovation to improve the customer experience. In the second quarter of fiscal 2018, our Domestic online comparable sales grew 31.2%. Online sales in the second quarter of fiscal 2018 were more than $1.0 billion for the second consecutive time in a non-Holiday quarter and were 13.2% of Domestic revenue, up from 10.6%. We are on pace to generate over $5.0 billion in Domestic online sales in fiscal 2018.

   Another exciting opportunity to maximize the multi-channel retail business is our in-home advisor program. Our in-home advisors ("IHA") are professional sales consultants with broad product knowledge. They provide free consultations and serve as the single point of contact covering all technology needs across all vendors. In other words, they can help customers design and put in place a comprehensive entertainment system, select appliances for a kitchen remodel or stream music and content across the entire home. After testing the program in several cities over the last year and a half, we are currently expanding the IHA program nationally. By the end of September 2017, we will be offering these free in-home consultations across all major U.S. cities.

   We are very focused on the smart home as a key part of our Best Buy 2020 strategy, and we will continue to enhance this category across our stores and websites this year. For example, to demonstrate what is possible with voice technology, we are bringing new Alexa and Google Assistant experiences to 700 stores nationwide in collaboration with Amazon and Google. These enhanced experiences are unique to Best Buy and show how you can use voice technology. Specially-trained Blue Shirts are on hand to provide advice and of course, our Geek Squad Agents can help install, set up and support the products. The new experiences began arriving in stores in July 2017 and the roll-out will be completed by the end of the third quarter of fiscal 2018

2. *Improve our execution in key areas that support our growth strategy.*

   We have been intently focused on enhancing the customer experience around our appliance business. We believe our hard work is reflected in the J.D. Power 2017 Appliance Retailer Satisfaction Study where we ranked highest in customer satisfaction amongst appliance retailers.

   We also continued to drive improvements in our sales effectiveness and overall customer interactions during the quarter. Improved associate availability and knowledge as well as the service experience continue to result in higher Net Promoter Scores.

3. *Continue to reduce costs and drive efficiencies throughout the business.*

   In the first quarter of fiscal 2018, we reported that we had reached our previous goal of $400 million in annual cost reductions and gross profit optimization. We then announced a new target of $600 million in additional annualized cost reductions and gross profit optimization to be completed by the end of fiscal 2021. During the second quarter of fiscal 2018, we achieved our first $50 million towards our new goal. Consistent with our prior practice, we expect to use these cost reductions to help fund investments and offset ongoing pressures in our business.

4. *Build the capabilities necessary to deliver on the first three priorities, which involves making investments in people and systems to drive growth, execution and efficiencies.*

   In the second quarter of fiscal 2018, we invested in the expansion of our IHA program, including training the advisors and implementing a new customer relationship management system to help them be successful.

In summary, we believe our second quarter of fiscal 2018 performance reflects positive tailwinds, the strength of our customer value proposition and continued momentum in the execution of our strategy.

Results of Operations

In order to align our fiscal reporting periods and comply with statutory filing requirements, we consolidate the financial results of our Mexico operations on a one - month lag. Consistent with such consolidation, the financial and non-financial information presented in our MD&A relative to these operations is also presented on a lag. Our policy is to accelerate the recording of events occurring in the lag period that significantly affect our consolidated financial statements. No such events were identified for the periods presented.

The results of Jiangsu Five Star Appliance Co., Limited ("Five Star"), in our International segment, are presented as discontinued operations in our Condensed Consolidated Statements of Earnings. Unless otherwise stated, financial results discussed herein refer to continuing operations.

Consolidated Performance Summary

The following table presents selected consolidated financial data ($ in millions, except per share amounts):

	Three Months Ended		Six Months Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Revenue	$ 8,940	$ 8,533	$ 17,468	$ 16,976
Revenue % growth (decline)	4.8%	0.1%	2.9%	(0.6)%
Comparable sales % gain (1)	5.4%	0.8%	3.5%	0.4 %
Gross profit	$ 2,153	$ 2,062	$ 4,175	$ 4,207
Gross profit as a % of revenue (2)	24.1%	24.2%	23.9%	24.8 %
SG&A	$ 1,830	$ 1,773	$ 3,552	$ 3,517
SG&A as a % of revenue (2)	20.5%	20.8%	20.3%	20.7 %
Restructuring charges	$ 2	$ —	$ 2	$ 29
Operating income	$ 321	$ 289	$ 621	$ 661
Operating income as a % of revenue	3.6%	3.4%	3.6%	3.9 %
Net earnings from continuing operations	$ 209	$ 182	$ 397	$ 408
Earnings from discontinued operations, net of tax	$ —	$ 16	$ —	$ 19
Net earnings	$ 209	$ 198	$ 397	$ 427
Diluted earnings per share from continuing operations	$ 0.67	$ 0.56	$ 1.27	$ 1.26
Diluted earnings per share	$ 0.67	$ 0.61	$ 1.27	$ 1.31

(1) Due to the Canadian brand consolidation impact on our International segment comparable sales metric, Consolidated comparable sales for the three and six months ended July 30, 2016, equal the Domestic segment comparable sales. Refer to the *Overview* section within this Item 2. MD&A for more information.

(2) Because retailers vary in how they record costs of operating their supply chain between cost of goods sold and SG&A, our gross profit rate and SG&A rate may not be comparable to other retailers' corresponding rates. For additional information regarding costs classified in cost of goods sold and SG&A,

refer to Note 1, *Summary of Significant Accounting Policies* , in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 .

The components of the 4.8% and 2.9% revenue increase for the three and six months ended July 29, 2017 were as follows:

	Three Months Ended July 29, 2017	Six Months Ended July 29, 2017
Comparable sales impact	5.2 %	3.3 %
Non-comparable sales impact [(1)]	(0.2)%	(0.3)%
Foreign currency exchange rate fluctuation impact	(0.2)%	(0.1)%
Total revenue increase	4.8 %	2.9 %

(1) Non-comparable sales reflects the impact of net store opening and closing activity, as well as the impact of revenue streams not included within our comparable sales calculation, such as profit sharing benefits, certain credit card revenue, gift card breakage, commercial sales and sales of merchandise to wholesalers and dealers, as applicable.

The gross profit rate decreased slightly in the second quarter of fiscal 2018 compared to the second quarter of fiscal 2017 , driven by our International segment. The gross profit rate decrease in the first six months of fiscal 2018 was driven by our Domestic segment. For further discussion of each segment's gross profit rate changes, see *Segment Performance Summary* below.

The SG&A rate decreased in the second quarter of fiscal 2018 compared to the second quarter of fiscal 2017 . Our Domestic segment rate decreased by 0.2% of revenue, while our International segment decreased 0.1%. The SG&A rate decreased in the first six months of fiscal 2018 compared to the first six months of fiscal 2017 . Our Domestic segment rate decreased by 0.3% of revenue, while our International segment declined 0.1%. For further discussion of each segment's SG&A rate changes, see *Segment Performance Summary* below.

Our operating income rate increased to 3.6% of revenue in the second quarter of fiscal 2018 , compared to 3.4% of revenue the second quarter of fiscal 2017 driven by lower SG&A rates in both segments. Our operating income rate decreased to 3.6% of revenue in the first six months of fiscal 2018 , compared to 3.9% of revenue in the first six months of fiscal 2017 . The decrease in operating income was primarily due to the decrease in our Domestic segment gross profit rate partially offset by a decrease in SG&A rate in both segments and a decrease in our Domestic segment restructuring charges. For further discussion of each segment's operating income, see *Segment Performance Summary* below.

Income Tax Expense

Income tax expense increased to $101 million in the second quarter of fiscal 2018 compared to $97 million in the prior-year period, primarily as a result of an increase in pre-tax earnings, partially offset by the recognition of excess tax benefits related to stock-based compensation and partial release of a valuation allowance. Our effective income tax rate in the second quarter of fiscal 2018 was 32.6% compared to a rate of 34.8% in the second quarter of fiscal 2017 . The decrease in the effective income tax rate was primarily due to the recognition of excess tax benefits related to stock-based compensation, partial release of a valuation allowance and a higher mix of forecast taxable income from foreign operations in the current year period.

Income tax expense decreased to $205 million in the first six months of fiscal 2018 compared to $231 million in the prior-year period, primarily as a result of a decrease in pre-tax earnings, as well as the recognition of excess tax benefits related to stock-based compensation. Our effective income tax rate for the first six months of fiscal 2018 was 34.1% , compared to a rate of 36.2% in the first six months of fiscal 2017 . The decrease in the effective income tax rate was primarily due to the recognition of excess tax benefits related to stock-based compensation, a higher mix of forecast taxable income from foreign operations and partial release of a valuation allowance in the current year period.

Our tax provision for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. We update our estimate of the annual effective tax rate each quarter, and we make a cumulative adjustment if our estimated tax rate changes. Our quarterly tax provision and our quarterly estimate of our annual effective tax rate are subject to variation due to several factors, including our ability to accurately forecast our pre-tax and taxable income and loss by jurisdiction, tax audit developments, recognition of excess tax benefits or deficiencies related to stock-based compensation, changes in laws or regulations and expenses or losses for which tax benefits are not recognized. Our effective tax rate can be more or less volatile based on the amount of pre-tax income. For example, the impact of discrete items and non-deductible losses on our effective tax rate is greater when our pre-tax income is lower.

In addition, our consolidated effective tax rate is impacted by the statutory income tax rates applicable to each of the jurisdictions in which we operate. As our foreign earnings are generally taxed at lower statutory rates than the 35% U.S. statutory rate, changes in the proportion of our consolidated taxable earnings originating in foreign jurisdictions impact our consolidated effective rate. Our foreign earnings have been indefinitely reinvested outside the U.S. and are not subject to current U.S. income tax.

Segment Performance Summary

Domestic

The following table presents selected financial data for the Domestic segment ($ in millions):

	Three Months Ended		Six Months Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Revenue	$ 8,272	$ 7,889	$ 16,184	$ 15,718
Revenue % growth (decline)	4.9%	0.1%	3.0%	(0.3)%
Comparable sales % gain (decline) (1)	5.4%	0.8%	3.4%	0.4 %
Gross profit	$ 1,985	$ 1,895	$ 3,856	$ 3,881
Gross profit as a % of revenue	24.0%	24.0%	23.8%	24.7 %
SG&A	$ 1,669	$ 1,608	$ 3,242	$ 3,195
SG&A as a % of revenue	20.2%	20.4%	20.0%	20.3 %
Restructuring charges	$ —	$ (2)	$ —	$ 25
Operating income	$ 316	$ 289	$ 614	$ 661
Operating income as a % of revenue	3.8%	3.7%	3.8%	4.2 %
Selected Online Revenue Data				
Total online revenue	$ 1,096	$ 835	$ 2,114	$ 1,667
Online revenue as a % of total segment revenue	13.2%	10.6%	13.1%	10.6 %
Comparable online sales % gain (1)	31.2%	23.7%	26.8%	23.8 %

(1) Comparable online sales is included in the comparable sales calculation.

The components of the 4.9% and 3.0% revenue increase for the three and six months ended July 29, 2017 were as follows:

	Three Months Ended	Six Months Ended
	July 29, 2017	July 29, 2017
Comparable sales impact	5.2 %	3.3 %
Non-comparable sales impact (1)	(0.3)%	(0.3)%
Total revenue increase	4.9 %	3.0 %

(1) Non-comparable sales reflects the impact of net store opening and closing activity, as well as the impact of revenue streams not included within our comparable sales calculation, such as profit sharing benefits, certain credit card revenue, gift card breakage, commercial sales and sales of merchandise to wholesalers and dealers, as applicable.

The increase in the second quarter of fiscal 2018 Domestic segment revenue was driven by comparable sales growth of 5.4% , partially offset by the loss of revenue from Best Buy and Best Buy Mobile store closures. Domestic segment online revenue of $1.1 billion increased 31.2% on a comparable basis, primarily due to higher conversion rates and increased traffic.

The increase in the first six months of fiscal 2018 Domestic segment revenue was driven by comparable sales growth of 3.4% , partially offset by the loss of revenue from Best Buy and Best Buy Mobile store closures. Domestic segment online revenue of $2.1 billion increased 26.8% on a comparable basis, primarily due to higher conversion rates and increased traffic.

The following table reconciles the number of Domestic stores open at the beginning and end of the second quarter s of fiscal 2018 and 2017 :

	2018				2017			
	Total Stores at Beginning of Second Quarter	Stores Opened	Stores Closed	Total Stores at End of Second Quarter	Total Stores at Beginning of Second Quarter	Stores Opened	Stores Closed	Total Stores at End of Second Quarter
Best Buy	1,024	—	—	1,024	1,036	—	(1)	1,035
Best Buy Mobile	298	—	(6)	292	338	—	(4)	334
Pacific Sales	28	—	—	28	28	—	—	28
Total Domestic segment stores	1,350	—	(6)	1,344	1,402	—	(5)	1,397

We continuously monitor store performance. As we approach the expiration date of our store leases, we evaluate various options for each location, including whether a store should remain open.

The following table presents the Domestic segment revenue mix percentages and comparable sales percentage changes by revenue category in the second quarter s of fiscal 2018 and 2017 :

	Revenue Mix		Comparable Sales	
	Three Months Ended		Three Months Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Consumer Electronics	32%	33%	2.5%	4.0 %
Computing and Mobile Phones	47%	46%	6.7%	0.3 %
Entertainment	6%	5%	15.4%	(18.0)%
Appliances	11%	11%	5.8%	8.2 %
Services	4%	5%	1.5%	(7.2)%
Other	—%	—%	n/a	n/a
Total	100%	100%	5.4%	0.8 %

The following is a description of the notable comparable sales changes in our Domestic segment by revenue category:

- **Consumer Electronics:** Comparable sales gain was driven primarily by smart home and digital imaging products.
- **Computing and Mobile Phones:** Comparable sales gain was driven by gains in computing, wearables and mobile phones, partially offset by declines in tablets.
- **Entertainment:** Comparable sales gain was driven primarily by gaming hardware.
- **Appliances:** Comparable sales gain was driven primarily by large appliances.
- **Services:** Comparable sales gain was primarily driven by higher installation and delivery services within our home theater and appliance categories and continued growth in our warranty business in the computing category.

The second quarter of fiscal 2018 gross profit rate of our Domestic segment was flat. Improved margin rates, particularly in appliances, tablets and home theater, were offset by margin pressure in mobile, increased sales in lower-margin wearables and the $11 million periodic profit share revenue related to our service plan portfolio earned in the first quarter of fiscal 2017.

The gross profit rate of our Domestic segment decreased in the first six months of fiscal 2018 due to the $183 million in non-recurring cathode ray tube ("CRT") settlement proceeds recorded in the first quarter of fiscal 2017, which was partially offset by improved margin rates across multiple categories.

The second quarter of fiscal 2018 SG&A rate of our Domestic segment decreased primarily due to sales leverage, noting that expenses increased due to increases in growth investments, higher incentive compensation and higher variable costs.

The SG&A rate of our Domestic segment decreased in the first six months of fiscal 2018 primarily due to leverage on our increased revenue and the $22 million in non-recurring CRT settlement legal fees incurred in the first quarter of fiscal 2017.

Our Domestic segment restructuring charges in the first six months of fiscal 2017 related to our Renew Blue Phase 2, which had no activity in the same period of fiscal 2018. Refer to Note 5, *Restructuring Charges,* in the Notes to the Condensed Consolidated Financial Statements for additional information.

Our second quarter of fiscal 2018 Domestic segment operating income rate slightly increased due to a lower SG&A rate.

Our Domestic segment operating income rate decreased in the first six months of fiscal 2018 due to the net $161 million non-recurring CRT settlement recorded in the first quarter of fiscal 2017, partially offset by lower restructuring charges, improved gross margin rates across multiple categories and lower SG&A rates.

International

The following table presents selected financial data for the International segment ($ in millions):

	Three Months Ended		Six Months Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Revenue	$ 668	$ 644	$ 1,284	$ 1,258
Revenue % growth (decline)	3.7%	(1.0)%	2.1%	(4.6)%
Comparable sales % gain (1)	4.7%	n/a	4.4%	n/a
Gross profit	$ 168	$ 167	$ 319	$ 326
Gross profit as a % of revenue	25.1%	25.9 %	24.8%	25.9 %
SG&A	$ 161	$ 165	$ 310	$ 322
SG&A as a % of revenue	24.1%	25.6 %	24.1%	25.6 %
Restructuring charges	$ 2	$ 2	$ 2	$ 4
Operating income	$ 5	$ —	$ 7	$ —
Operating income as a % of revenue	0.7%	— %	0.5%	— %

(1) Due to the Canadian brand consolidation impact on our International segment comparable sales metric, we did not report an International segment comparable sales metric for the three or six months ended July 30, 2016 . Refer to the *Overview* section within this Item 2. MD&A for more information.

The components of the 3.7% and 2.1% revenue increase for the three and six months ended July 29, 2017 were as follows:

	Three Months Ended	Six Months Ended
	July 29, 2017	July 29, 2017
Comparable sales impact	4.7 %	4.2 %
Non-comparable sales impact (1)	1.2 %	(0.3)%
Foreign currency exchange rate fluctuation impact	(2.2)%	(1.8)%
Total revenue increase	3.7 %	2.1 %

(1) Non-comparable sales reflects the impact of net store opening and closing activity, including the Canadian brand consolidation activity, as well as the impact of revenue streams not included within our comparable sales calculation, such as profit sharing benefits, certain credit card revenue, gift card breakage, commercial sales and sales of merchandise to wholesalers and dealers.

The increase in the second quarter of fiscal 2018 International segment revenue was driven by comparable sales growth of 4.7% due to growth in both Canada and Mexico, which was partially offset by the negative impact of foreign currency exchange rate fluctuations.

The increase in the first six months of fiscal 2018 International segment revenue was driven by comparable sales growth of 4.4% due to growth in both Canada and Mexico, which was partially offset by a $13 million decrease in our periodic profit share in Canada and the negative impact of foreign currency exchange rate fluctuations. The profit-share revenue included in our non-comparable sales relates to our extended warranty protection plans that are managed by a third party underwriter. We may be eligible to receive profit-sharing payments, depending on the performance of the portfolio. When performance of the portfolio is strong and the claims cost to the third party underwriter declines, we are entitled to share in the excess premiums.

The following table reconciles the number of International stores open at the beginning and end of the second quarter s of fiscal 2018 and 2017 :

	2018				2017			
	Total Stores at Beginning of Second Quarter	Stores Opened	Stores Closed	Total Stores at End of Second Quarter	Total Stores at Beginning of Second Quarter	Stores Opened	Stores Closed	Total Stores at End of Second Quarter
Canada								
Best Buy	134	—	—	134	135	—	—	135
Best Buy Mobile	53	—	—	53	56	—	(2)	54
Mexico								
Best Buy	20	2	—	22	18	—	—	18
Best Buy Express	5	—	—	5	6	—	—	6
Total International segment stores	212	2	—	214	215	—	(2)	213

The following table presents the International segment's revenue mix percentages and comparable sales percentage changes by revenue category in the second quarter s of fiscal 2018 and 2017 :

	Revenue Mix		Comparable Sales	
	Three Months Ended		Three Months Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016 (1)
Consumer Electronics	31%	29%	7.3 %	n/a
Computing and Mobile Phones	47%	48%	0.3 %	n/a
Entertainment	5%	6%	0.5 %	n/a
Appliances	9%	7%	30.8 %	n/a
Services	6%	8%	(1.3)%	n/a
Other	2%	2%	n/a	n/a
Total	100%	100%	4.7 %	n/a

(1) Due to the Canadian brand consolidation impact on our International segment comparable sales metric, we did not report an International segment comparable sales metric for the three months ended July 30, 2016 . Refer to the Overview section within this Item 2. MD&A for more information.

The following is a description of the notable comparable sales changes in our International segment by revenue category:

- **Consumer Electronics:** Comparable sales gain was driven primarily by smart home products, portable audio and large screen televisions.
- **Computing and Mobile Phones:** Comparable sales gain was driven primarily by an increase in mobile and computing, partially offset by declines in tablets.
- **Entertainment:** Comparable sales gain was driven primarily by drones and gaming hardware.
- **Appliances:** Comparable sales gain was driven primarily by small and large appliances.
- **Services:** Comparable sales decline was driven primarily by technical support, partially offset by gains in installation.

The second quarter of fiscal 2018 gross profit rate of our International segment decreased primarily due to lower rates in computing and home theater in Canada.

The gross profit rate of our International segment decreased in the first six months of fiscal 2018 primarily due to a $13 million decrease in our periodic profit share revenue in Canada as described above.

The second quarter of fiscal 2018 SG&A rate of our International segment decreased primarily due to lower payroll and benefits costs.

Our International segment SG&A rate decrease in the first six months of fiscal 2018 was driven primarily by lower administrative and payroll and benefits costs.

Our second quarter of fiscal 2018 International segment operating income rate increased slightly due to a lower SG&A rate, partially offset by a lower gross profit rate.

Our International segment operating income rate increased slightly in the first six months of fiscal 2018 due to lower SG&A.

Consolidated Non-GAAP Financial Measures

The following table reconciles consolidated operating income, effective tax rate, net earnings and diluted earnings per share ("EPS") from continuing operations for the periods presented (GAAP financial measures) to non-GAAP operating income, non-GAAP effective tax rate, non-GAAP net earnings and non-GAAP diluted earnings per share from continuing operations for the periods presented ($ in millions, except per share amounts):

	Three Months Ended		Six Months Ended	
	July 29, 2017	July 30, 2016 (1)	July 29, 2017	July 30, 2016 (1)
Operating income	$ 321	$ 289	$ 621	$ 661
Net CRT/LCD settlements (2)	—	—	—	(161)
Other Canadian brand consolidation charges - SG&A (3)	—	1		1
Restructuring charges (4)	2	—	2	29
Non-GAAP operating income	$ 323	$ 290	$ 623	$ 530
Income tax expense	$ 101	$ 97	$ 205	$ 231
Effective tax rate	*32.6%*	*34.8%*	*34.1%*	*36.2%*
Income tax impact of non-GAAP adjustments (5)	2	—	2	(49)
Non-GAAP income tax expense	$ 103	$ 97	$ 207	$ 182
Non-GAAP effective tax rate	*32.6%*	*34.8%*	*34.1%*	*36.1%*
Net earnings from continuing operations	$ 209	$ 182	$ 397	$ 408
Net CRT/LCD settlements (2)	—	—	—	(161)
Other Canadian brand consolidation charges - SG&A (3)	—	1		1
Restructuring charges (4)	2	—	2	29
(Gain) loss on investments, net (6)	5	—	5	(2)
Income tax impact of non-GAAP adjustments (5)	(2)	—	(2)	49
Non-GAAP net earnings from continuing operations	$ 214	$ 183	$ 402	$ 324
Diluted EPS from continuing operations	$ 0.67	$ 0.56	$ 1.27	$ 1.26
Per share impact of net CRT/LCD settlements (2)	—	—	—	(0.50)
Per share impact of other Canadian brand consolidation charges - SG&A (3)	—	—	—	—
Per share impact of restructuring charges (4)	0.01	—	0.01	0.09
Per share impact of (gain) loss on investments, net (6)	0.02	—	0.01	(0.01)
Per share income tax impact of non-GAAP adjustments (5)	(0.01)	0.01	(0.01)	0.16
Non-GAAP diluted EPS from continuing operations	$ 0.69	$ 0.57	$ 1.28	$ 1.00

(1) Beginning in the first quarter of fiscal 2018, we no longer exclude non-restructuring property and equipment impairment charges from our non-GAAP financial measures. To ensure our financial results are comparable, we have recast the prior period balance to conform to this presentation. Refer to the *Overview* section within this MD&A for more information.

(2) Represents CRT and LCD litigation settlements reached, net of related legal fees and costs. Settlements related to products purchased and sold in prior fiscal years. For the six months ended July 30, 2016 , the entire balance related to the United States. Refer to Note 12, *Contingencies and Commitments* , within the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 , for further information.

(3) Represents charges related to the Canadian brand consolidation initiated in the first quarter of fiscal 2016, primarily due to retention bonuses and other store-related costs that were a direct result of the consolidation but did not qualify as restructuring charges.

(4) Refer to Note 5, *Restructuring Charges* , in the Notes to Condensed Consolidated Financial Statements for additional information regarding the nature of these charges. For the three months ended July 29, 2017 , the entire balance related to Canada. For the three months ended July 30, 2016 , a benefit of $2 million related to the United States and a charge of $2 million related to Canada. For the six months ended July 29, 2017 , the entire balance related to Canada. For the six months ended July 30, 2016 , $25 million related to the United States and $4 million related to Canada.

(5) Income tax impact of non-GAAP adjustments is the summation of the calculated income tax charge related to each non-GAAP non-income tax adjustment. The non-GAAP adjustments relate primarily to adjustments in the United States and Canada. As such, the income tax charge is calculated using the statutory tax rates of 38.0% for the United States and 26.6% for Canada, applied to the non-GAAP adjustments of each country.

(6) Represents (Gain) loss on sale of investments and investment impairments included in Investment income and other within the Condensed Consolidated Statement of Earnings.

Non-GAAP operating income was 3.6% and 3.4% of revenue for the three months ended July 29, 2017 , and July 30, 2016 , respectively. This increase was driven by a lower non-GAAP SG&A rate driven by sales leverage partially offset by a slightly lower gross profit rate.

Non-GAAP operating income was 3.6% and 3.1% of revenue for the six months ended July 29, 2017 , and July 30, 2016 , respectively. This increase was driven by an increase in our non-GAAP gross profit rate driven by improved merchandise margin rates and a lower non-GAAP SG&A rate driven by good expense management.

The second quarter of fiscal 2018 non-GAAP effective tax rate decreased primarily due to the recognition of excess tax benefits related to stock-based compensation, partial release of a valuation allowance and a higher mix of forecast taxable income from foreign operations in the current year period.

The non-GAAP effective tax rate for the first six months of fiscal 2018 decreased primarily due to the recognition of excess tax benefits related to stock-based compensation, a higher mix of forecast taxable income from foreign operations and partial release of a valuation allowance in the current year period.

For the three and six months ended July 29, 2017 , the increase in non-GAAP operating income and the decrease in the non-GAAP effective tax rate drove the increase in both non-GAAP net earnings from continuing operations and non-GAAP diluted EPS from continuing operations. Non-GAAP diluted EPS from continuing operations also increased due to lower diluted weighted-average common shares outstanding driven by our share repurchases. Refer to the *Share Repurchases and Dividends* section below for additional details.

Liquidity and Capital Resources

Summary

We closely manage our liquidity and capital resources. Our liquidity requirements depend on key variables, including the level of investment needed to support our business strategies, the performance of our business, capital expenditures, credit facilities and short-term borrowing arrangements and working capital management. Capital expenditures and share repurchases
are components of our cash flow and capital management strategy which, to a large extent, we can adjust in response to economic and other changes in our business environment. We have a disciplined approach to capital allocation, which focuses on investing in key priorities that support our Best Buy 2020: Building the New Blue strategies.

The following table summarizes our cash and cash equivalents and short-term investments balances at July 29, 2017 , January 28, 2017 , and July 30, 2016 ($ in millions):

	July 29, 2017	January 28, 2017	July 30, 2016
Cash and cash equivalents	$ 1,365	$ 2,240	$ 1,861
Short-term investments	2,125	1,681	1,590
Total cash, cash equivalents and short-term investments	$ 3,490	$ 3,921	$ 3,451

Existing cash, cash equivalents and short-term investments as well as cash generated from operations were sufficient to fund share repurchases, capital expenditures and dividends during the first six months of fiscal 2018 without the need to utilize our credit facilities or other debt arrangements.

Cash Flows

The following table summarizes our cash flows from total operations for the first six months of fiscal 2018 and 2017 ($ in millions):

	Six Months Ended	
	July 29, 2017	July 30, 2016 (1)
Total cash provided by (used in):		
Operating activities	$ 692	$ 1,297
Investing activities	(708)	(491)
Financing activities	(874)	(942)
Effect of exchange rate changes on cash	18	25
Decrease in cash, cash equivalents and restricted cash	$ (872)	$ (111)

(1) Represents cash flows as of July 30, 2016 , recast to present our retrospective adoption of accounting guidance related to the presentation of the cash flow statement. Refer to Note 1, *Basis of Presentation* , of the Notes to Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q .

Operating activities
The decrease in cash provided by operating activities was primarily due to changes in working capital associated with the timing of inventory receipts and payments as well as the timing of advertising payments. During fiscal 2017, we generally purchased inventory later in the Holiday season than in the prior year causing more payments to occur during the first quarter of fiscal 2018. This was partially offset by changes in receivables driven by higher revenues at the end of fiscal 2017 than the prior year and the subsequent timing of collections during fiscal 2018 compared with fiscal 2017. Timing of income tax payments also contributed to an increase to inflows in fiscal 2018.

Investing activities
The increase in cash used in investing activities was primarily due to purchases of short-term investments and cash received in fiscal 2017 for the Five Star asset held for sale. Refer to Note 2, *Discontinued Operations* , in the Notes to Condensed Consolidated Financial Statements for addition information regarding the nature of these charges

Financing activities
The decrease in cash used in financing activities was due to repayment of our 2016 Notes, payment of a special dividend in fiscal 2017 and proceeds from option exercises in fiscal 2018 given the increased share price. This was largely offset by increased share repurchases, due to an increase in our share price and the number of shares repurchased, and an increase in our regular quarterly dividend rate. On March 1, 2017, we announced our intent to increase our share repurchases to $3.0 billion over the next two years compared to the $1.0 billion over two years that had been announced in February 2016. We also increased our regular quarterly dividend from $0.28 per share to $0.34 per share.

Sources of Liquidity

Funds generated by operating activities, available cash and cash equivalents, short-term investments, our credit facilities and other debt arrangements are our most significant sources of liquidity. We believe our sources of liquidity will be sufficient to fund operations and anticipated capital expenditures, strategic initiatives, share repurchases and dividends. However, in the event our liquidity is insufficient, we may be required to limit our spending. There can be no assurance that we will continue to generate cash flows at or above current levels or that we will be able to maintain our ability to borrow under our existing credit facilities or obtain additional financing, if necessary, on favorable terms.

We have a $1.25 billion five-year senior unsecured revolving credit facility (the "Five-Year Facility Agreement") with a syndicate of banks that expires in June 2021 . At July 29, 2017 , we had no borrowings outstanding under the Five-Year Facility Agreement. Refer to Note 6, *Debt* , in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 , for further information on our Five-Year Facility Agreement.

Our ability to access our revolving credit facility under the Five-Year Facility Agreement is subject to our compliance with the terms and conditions of the facility, including financial covenants. The financial covenants require us to maintain certain financial ratios. At July 29, 2017 , we were in compliance with all such financial covenants. If an event of default were to occur with respect to any of our other debt, it would likely constitute an event of default under our facilities as well.

Our credit ratings and outlooks at August 30, 2017 , are summarized below. In fiscal 2018 , Standard & Poor's Rating Services affirmed its long-term credit rating of BBB- and changed its outlook from Stable to Positive , and Moody's Investors Service, Inc. affirmed its long-term credit rating of Baa1 with a Stable outlook. In fiscal 2017 , Fitch Ratings Limited affirmed its long-term credit rating of BBB- with a Stable outlook.

Rating Agency	Rating	Outlook
Standard & Poor's	BBB-	Positive
Moody's	Baa1	Stable
Fitch	BBB-	Stable

Credit rating agencies review their ratings periodically, and, therefore, the credit rating assigned to us by each agency may be subject to revision at any time. Accordingly, we are not able to predict whether our current credit ratings will remain as disclosed above. Factors that can affect our credit ratings include changes in our operating performance, the economic environment, conditions in the retail and consumer electronics industries, our financial position and changes in our business strategy. If further changes in our credit ratings were to occur, they could impact, among other things, interest costs for certain of our credit facilities, our future borrowing costs, access to capital markets, vendor financing terms and future store leasing costs.

Restricted Cash

Our liquidity is also affected by restricted cash balances that are pledged as collateral or restricted to use for general liability insurance and workers' compensation insurance. Restricted cash and cash equivalents related to our continuing operations, which are included in Other current assets, remained consistent at $196 million , $193 million , and $189 million at July 29, 2017 , January 28, 2017 , and July 30, 2016 , respectively.

Debt and Capital

As of July 29, 2017 , we have $500 million principal amount of notes due August 1, 2018 (the "2018 Notes") and $650 million principal amount of notes due March 15, 2021 (the "2021 Notes"). Refer to Note 6, *Debt* , in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 , for further information about our 2018 Notes and 2021 Notes.

Share Repurchases

We repurchase our common stock and pay dividends pursuant to programs approved by our Board of Directors ("Board"). Our long-term capital allocation strategy is to first fund operations and investments in growth and then return excess cash over time to shareholders through dividends and share repurchases while maintaining investment grade credit metrics.

On March 1, 2017 , we announced our intent to repurchase $3.0 billion of shares over the next two years. In order to execute this plan, our Board approved a new $5.0 billion share repurchase program in February 2017. This share repurchase program supersedes the previous $5.0 billion authorization dated June 2011. There is no expiration date governing the period over which we can repurchase shares under the February 2017 share repurchase program. Approximately 4.3 billion remained available for additional purchases under the February 2017 share repurchase program as of July 29, 2017 . Repurchased shares are retired and constitute authorized but unissued shares.

The following table presents our share repurchase history for the three and six months ended July 29, 2017 , and July 30, 2016 (in millions except per share amounts):

	Three Months Ended		Six Months Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	June 30, 2016 [(1)]
Total cost of shares repurchased	$ 397	$ 221	$ 781	$ 322
Average price per share	$ 55.07	$ 30.65	$ 50.38	$ 30.62
Number of shares repurchased and retired	7.2	7.2	15.5	10.5

(1) Includes the settlement of an accelerated share repurchase contract. Refer to Note 7, *Shareholders' Equity* , in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 , for further information on this contract.

The cost of shares repurchased in the three and six months ended July 29, 2017, increased over the same periods a year ago largely due to an increase in our share price. The increase for the six months ended July 29, 2017, also reflects our announced intent to increase our share repurchases to $3.0 billion over the next two years compared with the $1.0 billion over two years that had been announced in February 2016.

Dividends

In fiscal 2004, our Board initiated the payment of a regular quarterly cash dividend on common stock. A quarterly cash dividend has been paid in each subsequent quarter. The payment of cash dividends is subject to customary legal restrictions. The following table presents our dividend activity for the three and six months ended July 29, 2017 , and July 30, 2016 (in millions, except per share amounts):

	Three Months Ended		Six Months Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Regular quarterly cash dividends per share	$ 0.34	$ 0.28	$ 0.68	$ 0.56
Special cash dividends per share [1]	—	—	—	0.45
Total cash dividends per share	$ 0.34	$ 0.28	$ 0.68	$ 1.01
Cash dividends declared and paid	$ 103	$ 90	$ 208	$ 328

(1) Special cash dividends are authorized by our Board and issued upon their discretion. Dividends paid in fiscal 2017 related to the net after-tax proceeds from certain legal settlements and asset disposals.

The increase in cash dividends declared and paid for the three months ended July 29, 2017, compared with the same period last year was the result of a 21% increase in the regular quarterly dividend rate in fiscal 2018 compared with fiscal 2017. This was somewhat offset by fewer shares due to the return of capital to shareholders through share repurchases.

The decline for the six months ended July 29, 2017, compared with the same period last year was the result of the lack of a special dividend and fewer shares due to share repurchases. This was somewhat offset by the increase in the regular quarterly dividend rate.

Other Financial Measures

Our current ratio, calculated as current assets divided by current liabilities, was 1.4 at the end of the second quarter of fiscal 2018 , compared to 1.5 at the end of fiscal 2017 and 1.4 at the end of the second quarter of fiscal 2017 . The second quarter of fiscal 2018 was consistent compared with the end of fiscal 2017 and the second quarter of fiscal 2017 .

Our debt to net earnings ratio was 1.1 at the end of the second quarter of fiscal 2018 , compared to 1.1 at the end of fiscal 2017 and 1.4 at the end of the second quarter of fiscal 2017 . The decrease at the end of the second quarter of fiscal 2018 compared to the end of the second quarter of fiscal 2017 was primarily due to an increase in earnings.

Our non-GAAP debt to EBITDAR ratio, which includes capitalized operating lease obligations in its calculation, was 1.6 at the end of the second quarter of fiscal 2018 , compared to 1.6 at the end of the fiscal 2017 and 1.7 at the end of the second quarter of fiscal 2017 . The decrease at the end of fiscal 2018 compared to the end of the second quarter of fiscal 2017 was primarily due to an increase in net earnings.

Our non-GAAP debt to EBITDAR ratio is calculated as follows:

$$\text{Non-GAAP debt to EBITDAR} = \frac{\text{Non-GAAP debt}}{\text{Non-GAAP EBITDAR}}$$

The most directly comparable GAAP financial measure to our non-GAAP debt to EBITDAR ratio is our debt to net earnings ratio, which excludes capitalized operating lease obligations from debt in the numerator of the calculation and does not adjust net earnings in the denominator of the calculation.

The following table presents a reconciliation of our debt to net earnings ratio and our non-GAAP debt to EBITDAR ratio for continuing operations ($ in millions):

	July 29, 2017 [(1)]	January 28, 2017 [(1)]	July 30, 2016 [(1)]
Debt (including current portion)	$ 1,354	$ 1,365	$ 1,384
Capitalized operating lease obligations (5 times rental expense) [(2)]	3,880	3,872	3,847
Non-GAAP debt	$ 5,234	$ 5,237	$ 5,231
Net earnings from continuing operations	$ 1,196	$ 1,207	$ 1,014
Other income (expense) (including interest expense, net)	35	38	60
Income tax expense	583	609	588
Depreciation and amortization expense	656	654	658
Rental expense	776	774	769
Restructuring charges and other [(3)(4)]	12	39	47
Non-GAAP EBITDAR	$ 3,258	$ 3,321	$ 3,136
Debt to net earnings ratio	1.1	1.1	1.4
Non-GAAP debt to EBITDAR ratio	1.6	1.6	1.7

(1) Debt is reflected as of the balance sheet dates for each of the respective fiscal periods, while rental expense and the other components of non-GAAP EBITDAR represent activity for the 12-months ended as of each of the respective dates.

(2) The multiple of five times annual rent expense in the calculation of our capitalized operating lease obligations is the multiple used for the retail sector by one of the nationally recognized credit rating agencies that rate our creditworthiness, and we consider it to be an appropriate multiple for our lease portfolio.

(3) Includes the impact of restructuring charges. Refer to Note 5, *Restructuring Charges* , in the Notes to Condensed Consolidated Financial Statements for addition information regarding the nature of these charges.

(4) Beginning in the first quarter of fiscal 2018, we no longer exclude non-restructuring property and equipment impairment charges from our non-GAAP financial measures. To ensure our financial results are comparable, we have recast the prior period balances to conform to this presentation. Refer to the *Overview* section within this Item 2. MD&A for more information.

Off-Balance-Sheet Arrangements and Contractual Obligations

Our liquidity is not dependent on the use of off-balance-sheet financing arrangements other than in connection with our operating leases and our $1.25 billion in undrawn capacity on our credit facilities at July 29, 2017 , which, if drawn upon, would be included as Short-term debt in our Condensed Consolidated Balance Sheets.

There has been no material change in our contractual obligations other than in the ordinary course of business since the end of fiscal 2017 . See our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 , for additional information regarding our off-balance-sheet arrangements and contractual obligations.

Significant Accounting Policies and Estimates

We describe our significant accounting policies in Note 1, *Summary of Significant Accounting Policies* , of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 . We discuss our critical accounting estimates in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* , in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 . In the first quarter of fiscal 2018, we adopted accounting policy changes related to stock-based compensation and inventory valuation, as described in Note 1, *Basis of Presentation* , of the Notes to Condensed Consolidated Financial Statements in our Quarterly Report on Form 10-Q for the quarter ended April 29, 2017. There have been no other significant change in our significant accounting policies or critical accounting estimates since the end of fiscal 2017.

New Accounting Pronouncements

For a description of new applicable accounting pronouncements, see Note 1, *Basis of Presentation* , of the Notes to Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

Safe Harbor Statement Under the Private Securities Litigation Reform Act

Section 27A of the Securities Act of 1933, as amended (“Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act”), provide a “safe harbor” for forward-looking statements to encourage companies to provide prospective information about their companies. With the exception of historical information, the matters discussed in this Quarterly Report on Form 10-Q are forward-looking statements and may be identified by the use of words such as "anticipate," "assume," "believe," "estimate," "expect," "guidance," "intend," "outlook," "plan," "project" and other words and terms of similar meaning. Such statements reflect our current views and estimates with respect to future market conditions, company performance and financial results, business prospects, new strategies, the competitive environment and other events. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from the potential results discussed in such forward-looking statements. Readers should review Item 1A, Risk Factors, of our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 , for a description of important factors that could cause our actual results to differ materially from those contemplated by the forward-looking statements made in this Quarterly Report on Form 10-Q. Among the factors that could cause actual results and outcomes to differ materially from those contained in such forward-looking statements are the following: macro-economic conditions (including fluctuations in housing prices and jobless rates), financial and commodity market conditions (including but not limited to the credit, equity, currency and energy markets), conditions in the industries and categories in which we operate, changes in consumer preferences or confidence, changes in consumer spending and debt levels, the mix of products and services offered for sale in our physical stores and online, product availability, trade restrictions or changes in the costs of imports, competitive initiatives of competitors (including pricing actions and promotional activities), strategic and business decisions of our vendors (including actions that could impact promotional support, product margin and/or supply), the success of new product launches, the impact of pricing investments and promotional activity, weather, natural or man-made disasters, attacks on our data systems, our ability to prevent or react to a disaster recovery situation, changes in law or regulations, changes in tax rates, changes in taxable income in each jurisdiction, tax audit developments and resolution of other discrete tax matters, changes in our stock price and the impact on excess tax benefits or deficiencies related to stock-based compensation, our ability to manage our property portfolio, the impact of labor markets, our ability to retain qualified employees and management, failure to achieve anticipated expense and cost reductions, disruptions in our supply chain, the costs of procuring goods we sell, failure to achieve anticipated revenue and profitability increases from operational and restructuring changes (including investments in our multi-channel capabilities), inability to secure or maintain favorable vendor terms, failure to accurately predict the duration over which we will incur costs, development of new businesses, failure to complete or achieve anticipated benefits of announced transactions and our ability to protect information relating to our employees and customers. We caution that the foregoing list of important factors is not complete. Any forward-looking statements speak only as of the date they are made, and we assume no obligation to update any forward-looking statement that we may make.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As disclosed in our Form 10-K for fiscal 2017 , in addition to the risks inherent in our operations, we are exposed to certain market risks.

Interest Rate Risk

We are exposed to changes in short-term market interest rates and these changes in rates will impact our net interest expense. Our cash and short-term investments generate interest income that will vary based on changes in short-term interest rates. In addition, we have swapped a portion of our fixed-rate debt to a floating-rate such that the interest rate expense on this debt will vary with short-term interest rates. Refer to Note 5, *Debt,* and Note 6, *Derivative Instruments,* in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 , for further information regarding our interest rate swaps.

As of July 29, 2017 , we had $3.5 billion of cash and short-term investments and $1.0 billion of debt that has been swapped to floating rate. Therefore, we had net cash and short-term investments of $2.5 billion generating income, which is exposed to interest rate changes. As of July 29, 2017 , a 50 basis point increase in short-term interest rates would lead to an estimated $12 million reduction in net interest expense, and conversely a 50 basis point decrease in short-term interest rates would lead to an estimated $12 million increase in net interest expense.

Foreign Currency Exchange Rate Risk

We have market risk arising from changes in foreign currency exchange rates related to our International segment operations. On a limited basis, we utilize foreign exchange forward contracts to manage foreign currency exposure to certain forecast inventory purchases, recognized receivable and payable balances and our investment in our Canadian operations. Our primary objective in holding derivatives is to reduce the volatility of net earnings and cash flows, as well as net asset value associated with changes in foreign currency exchange rates. Our foreign currency risk management strategy includes both hedging instruments and derivatives that are not designated as hedging instruments, which generally have terms of up to 12 months. The aggregate notional amount related to our foreign exchange forward contracts outstanding at July 29, 2017 , was $253 million . The net fair value recorded on our Condensed Consolidated Balance Sheets at July 29, 2017 , related to our foreign exchange forward contracts was a liability of $15 million . The amount recorded in our Condensed Consolidated Statements of Earnings from continuing operations related to all contracts settled and outstanding was a loss of $4 million for the three months ended July 29, 2017 , and a loss of $3 million for the six months ended July 29, 2017 .

The strength of the U.S. dollar compared to the Canadian dollar and Mexican peso compared to the prior-year period had a negative overall impact on our revenue as these foreign currencies translated into fewer U.S. dollars. We estimate that foreign currency exchange rate fluctuations had a net unfavorable impact on our revenue of approximately $14 million but no material impact on our net earnings in the first three months ended July 29, 2017 , and a net unfavorable impact on our revenue of approximately $23 million but no material impact on our net earnings in the first six months ended July 29, 2017 .

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), to allow timely decisions regarding required disclosure. We have established a Disclosure Committee, consisting of certain members of management, to assist in this evaluation. The Disclosure Committee meets on a regular quarterly basis, and otherwise as needed.

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act), at July 29, 2017 . Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, at July 29, 2017 , our disclosure controls and procedures were effective.

There was no change in internal control over financial reporting during the fiscal quarter ended July 29, 2017 , that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

For a description of our legal proceedings, see Note 12, *Contingencies* , of the Notes to Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Stock Repurchases

The following table presents the total number of shares of our common stock that we purchased during the second quarter of fiscal 2018 , the average price paid per share, the number of shares that we purchased as part of our publicly announced repurchase programs and the approximate dollar value of shares that still could have been repurchased at the end of each fiscal period, pursuant to our February 2017 $5.0 billion share repurchase program:

Fiscal Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (1)
April 30, 2017 through May 27, 2017	2,300,507	$ 52.18	2,300,507	$ 4,534,000,000
May 28, 2017 through July 1, 2017	2,478,800	$ 57.45	2,478,800	$ 4,391,000,000
July 2, 2017 through July 29, 2017	2,424,906	$ 55.39	2,424,906	$ 4,257,000,000
Total Fiscal 2018 Second Quarter	7,204,213	$ 55.07	7,204,213	

(1) Pursuant to a $5.0 billion share repurchase program that was authorized by our Board in February 2017. There is no expiration date governing the period over which we can repurchase shares under the February 2017 share repurchase program. For additional information see Note 10, *Repurchase of Common Stock* , Notes to Condensed Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q.

Item 6. Exhibits

3.1	Restated Articles of Incorporation (incorporated herein by reference to the Definitive Proxy Statement filed by Best Buy Co., Inc. on May 12, 2009)
3.2	Amended and Restated By-Laws (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed by Best Buy Co., Inc. on September 26, 2013)
10.1	Best Buy Co., Inc. Amended & Restated 2014 Omnibus Incentive Plan (incorporated herein by reference to the Definitive Proxy Statement filed by Best Buy Co., Inc. on May 1, 2017)
10.2	Form of Best Buy Co., Inc. Long-Term Incentive Program Award Agreement for U.S. Directors (2017)
10.3	Form of Best Buy Co., Inc. Long-Term Incentive Program Award Agreement for Non-U.S. Directors (2017)
31.1	Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 [(1)]
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 [(1)]
101	The following financial information from our Quarterly Report on Form 10-Q for the second quarter of fiscal 2018, filed with the SEC on September 5, 2017, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets at July 29, 2017, January 28, 2017, and July 30, 2016, (ii) the Condensed Consolidated Statements of Earnings for the three and six months ended July 29, 2017, and July 30, 2016, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended July 29, 2017, and July 30, 2016, (iv) the Condensed Consolidated Statements of Cash Flows for the six months ended July 29, 2017, and July 30, 2016, (v) the Condensed Consolidated Statements of Changes in Shareholders' Equity for the six months ended July 29, 2017, and July 30, 2016, and (vi) the Notes to Condensed Consolidated Financial Statements.

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(1) The certifications in Exhibit 32.1 and Exhibit 32.2 to this Quarterly Report on Form 10-Q shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

Pursuant to Item 601(b)(4)(iii) of Regulation S-K under the Securities Act of 1933, as amended, the registrant has not filed as exhibits to this Quarterly Report on Form 10-Q certain instruments with respect to long-term debt under which the amount of securities authorized does not exceed 10% of the total assets of the registrant. The registrant hereby agrees to furnish copies of all such instruments to the SEC upon request.

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SIGNATURES

Pursuant to the requirements 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.

	BEST BUY CO., INC. (Registrant)	
Date: September 5, 2017	By:	/s/ HUBERT JOLY Hubert Joly *Chairman and Chief Executive Officer*
Date: September 5, 2017	By:	/s/ CORIE BARRY Corie Barry *Chief Financial Officer*
Date: September 5, 2017	By:	/s/ MATHEW R. WATSON Mathew R. Watson *Vice President, Finance – Controller and Chief Accounting Officer*

Exhibit 10.2

BEST BUY CO., INC.
LONG-TERM INCENTIVE PROGRAM AWARD AGREEMENT
Award Date: ___________

This Long-Term Incentive Program Agreement (the " **Agreement** "), dated the date set forth above (the " **Award Date** "), is between Best Buy Co., Inc., a Minnesota corporation, (" **Best Buy** " or the " **Company** "), and the individual (" **you** " or the " **Participant** ") whose name is set forth in the Award Notification you received from the Company (the " **Award Notification** "). The Award Notification is included in and made a part of this Agreement.

1. **Grant of Award** . In consideration of your service on the Board of Directors of the Company (" **Board** "), the Company hereby grants to you the award set forth in the Award Notification (the " **Award** ") subject to the terms and conditions of this Agreement and the Best Buy Co., Inc. 2014 Omnibus Incentive Plan (the " **Plan** "). In the event of any conflict between this Agreement and the Plan, the Plan will govern. By your acceptance of this Award, you acknowledge receipt of a copy of the Prospectus for the Plan and your agreement to the terms and conditions of the Plan and this Agreement.

2. **Restricted Stock Units** . A " **Restricted Stock Unit** " is a right to receive a share of the Company's common stock (" **Share** ") upon the lapse of the restrictions set forth in this Agreement.

   (a) **Restrictions** . During the time you serve on the Board (the " **Holding Period** "), the Restricted Stock Units are subject to the restrictions described in this Agreement and the Plan (the " **Restrictions** "). During the Holding Period, the Restricted Stock Units may not be assigned, transferred (other than by will or the laws of descent and distribution), pledged or hypothecated (whether by operation of law or otherwise) or otherwise conveyed or encumbered, and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition contrary to the provisions this Agreement or the Plan, or the levy of any execution, attachment or similar process upon the Restricted Stock Units, shall be void and unenforceable against the Company. The Restricted Stock Units are subject to forfeiture to Best Buy as provided in this Agreement and the Plan.

   (b) **Vesting** . Except as otherwise set forth herein, so long as your service on the Board continues, the Restricted Stock Units shall vest in accordance with the vesting schedule stated in the Award Notification. If your service on the Board is terminated for any reason other than Cause, a pro rata portion (based on your length of service during the applicable vesting period) of any unvested Restricted Stock Units will vest as of such termination date. If your service on the Board is terminated for Cause, all Restricted Stock Units, whether vested or not as of the date of termination pursuant to the vesting schedule, will be forfeited as of the date of termination.

   (c) **Issuance of Shares; Holding Period** . Within 30 days from the end of the Holding Period, the Shares underlying the Restricted Stock Units that have vested as of the end of the Holding Period will be delivered to you.

3. **Restrictive Covenants and Remedies** . By accepting the Award, you specifically agree to the restrictive covenants contained in this Section 3 (the " **Restrictive Covenants** ") and you agree that the Restrictive Covenants and the remedies described herein are reasonable and necessary to protect the legitimate interests of the Company Group.

   (a) **Confidentiality.** In consideration of the Award, you acknowledge that the Company Group operates in a competitive environment and has a substantial interest in protecting its Confidential Information, and you agree, during your service to the Company and thereafter, to maintain the confidentiality of the Company Group's Confidential Information and to use such Confidential Information for the exclusive benefit of the Company Group.

   (b) **Non-Solicitation** . During the Holding Period and for one year following the termination of your service on the Board, you shall not:

(i) induce or attempt to induce any employee of the Company Group to leave the employ of Company Group, or in any way interfere adversely with the relationship between any such employee and Company Group;

(ii) induce or attempt to induce any employee of Company Group to work for, render services to, provide advice to, or supply Confidential Information of Company Group to any third Person;

(iii) employ, or otherwise pay for services rendered by, any employee of Company Group in any business enterprise with which you may be associated, connected or affiliated;

(iv) induce or attempt to induce any customer, supplier, licensee, licensor or other business relation of Company Group to cease doing business with Company Group, or in any way interfere with the then existing business relationship between any such customer, supplier, licensee, licensor or other business relation and Company Group; or

(v) assist, solicit, or encourage any other Person, directly or indirectly, in carrying out any activity set forth above that would be prohibited by any of the provisions of this Agreement if such activity were carried out by you. In particular, you will not, directly or indirectly, induce any employee of Company Group to carry out any such activity .

(c) **Partial Invalidity** . If any portion of this Section 3 is determined by an arbitrator to be unenforceable in any respect, it shall be interpreted to be valid to the maximum extent for which it reasonably may be enforced, and enforced as so interpreted, all as determined by such arbitrator in such action. You acknowledge the uncertainty of the law in this respect and expressly stipulate that this Agreement is to be given the construction that renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law.

(d) **Remedy for Breach** . You agree that a breach of any of the Restrictive Covenants would cause material and irreparable harm to the Company Group that would be difficult or impossible to measure, and that monetary damages for any such harm would, therefore, be an inadequate remedy. Accordingly, you agree that if you breach any Restrictive Covenant, the Company Group shall be entitled, in addition to and without limitation upon all other remedies the Company Group may have under this Agreement, at law or otherwise, to obtain injunctive or other appropriate equitable relief, without bond or other security, to restrain any such breach through arbitration. You further agree that the duration of the Restrictive Covenant shall be extended by the same amount of time that you are in breach of any Restrictive Covenant.

(e) **Claw Back & Recovery** .

(i) In the event (i) you breach any of the Restrictive Covenants, (ii) you engage in conduct materially adverse to the interests of the Company, including any material violations of any Company policy, (iii) you engage in intentional misconduct that caused or contributed to the restatement of any financial statements of the Company, (iv) you materially violate the terms of any agreement to which you and a member of the Company Group is a party or (v) you engage in a criminal act, fraud, or violation of any securities laws, then notwithstanding any other provision of this Agreement to the contrary, the Company, in its sole discretion, may take one or more of the following actions with respect to your Award (and shall, in any event, take all action required by applicable law):

(A) cause the immediate forfeiture of any of your then unvested Restricted Stock Units;

(B) require you to immediately return to the Company any Shares issued under any Restricted Stock Units that are still under your control; and

(C) require you to promptly pay to the Company an amount equal to the fair market value of all Shares included in your Award that are no longer under your control (as measured on the date of issuance of any Shares issued under any Restricted Stock Units).

(ii) The Committee shall have sole discretion to determine what constitutes the conduct described in Section 3(e)(i) above.

(iii) In addition to the Company's rights set forth above, you agree your Award and the value of any portion of your Award no longer under your control, shall be subject to recovery or other penalties pursuant to (i) any Company clawback policy, as may be adopted or amended from time to time, or (ii) any applicable law, rule or regulation, or applicable stock exchange rule, including without limitation, the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act.

(f) **Right of Set Off** . By accepting the Award, you agree that any member of the Company Group may set off any amount owed to you (including wages or other compensation, fringe benefits or vacation pay) against any amounts you owe under this Section 3.

4. **General Terms and Conditions.**

(a) **Rights as a Shareholder** . You will have no rights as a shareholder with respect to any Shares issuable under the Restricted Stock Units until you have actually received such Shares in accordance with the terms of this Agreement and the Plan. This means that you will not have the right to vote as a shareholder nor the right to receive dividend payments. Upon issuance of Shares, you will have all of the rights of a shareholder with respect to the Shares unless Shares are forfeited or recovered under this Agreement or the Plan.

(b) **Participant's Acknowledgements** .

(i) **Committee's Sole Discretion** . The Committee has sole discretion to make decisions regarding your Award, and to interpret all terms of this Agreement, with the exception of the application of the Company's Arbitration Policy. You agree that all decisions regarding and interpretations of this Agreement by the Committee are binding, conclusive, final and non-appealable.

(ii) **Taxes** . You are liable for any for any federal, state and other taxes incurred upon the lapse of a substantial risk of forfeiture (*e.g* ., employment taxes) or upon delivery of Shares underlying the Restricted Stock Units (*e.g* ., income taxes), and any subsequent disposition of any Shares (*e.g* ., capital gain taxes). You authorize the Company, or its agents, to satisfy its obligations with regard to all withholding by withholding from such Shares a number of Shares having a Fair Market Value equal to the amount of all taxes required to be withheld by the Company. In lieu of the foregoing, prior to any such vesting date, you may elect such other method to satisfy such obligations acceptable to the Company.

(iii) **Consultation With Professional Tax Advisors** . You acknowledge that the grant, exercise, vesting or any payment with respect to the Award, and the sale or other taxable disposition of the Shares acquired as a result of the Award may have tax consequences under federal, state, local or international tax laws. You further acknowledge that you are relying solely on your own professional tax and investment advisors with respect to any and all such matters (and are not relying, in any manner, on the Company or any of its employees or representatives). You understand and agree that any and all tax consequences resulting from the Award and its grant, exercise, vesting or any payment with respect thereto, and the sale or other taxable disposition of the Shares acquired pursuant to the Plan, are solely your responsibility without any expectation or understanding that the Company or any of its employees or representatives will pay or reimburse you for such taxes.

(c) **Section 409A.** Anything herein to the contrary notwithstanding, this Agreement shall be interpreted so as to comply with or satisfy an exemption from Section 409A of the Code and the regulations and guidance promulgated thereunder (collectively, " **Section 409A** "). The Committee may in good faith make the minimum modifications to this Agreement as it may deem appropriate to comply with Section 409A while to the maximum extent reasonably possible maintaining the original intent and economic benefit to you and the Company Group of the applicable provision.

(i) To the extent required by Section 409A(a)(2)(B)(i), to the extent that you are a specified employee, Shares (or cash equivalent value of Shares) underlying Restricted Stock Units and Performance Share Awards that become payable to you upon your separation from service will be delayed and paid promptly after the earlier of the date that is six (6) months after the date of such separation from service or the date of your death after such separation from service. For purposes hereof, (x) any reference to your termination of service under this Agreement shall mean your separation from service, (y) the occurrence of your "separation from service" will be determined in accordance with the default provisions of Treasury Regulation Section 1.409A-1(h) and (z) whether you are a "specified employee" will be determined in accordance with the default provisions of Treasury Regulation Section 1.409A-1(i) with the "identification date" to be December 31 and the "effective date" to be the April 1 following the identification date (as such terms are used under such regulation). Notwithstanding anything in this Agreement to the contrary, your service shall not be deemed to have been terminated unless and until you have incurred a "separation from service" within the meaning of Section 409A.

(ii) For purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii), your right to receive any installment payments under this Agreement shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment under this Agreement shall at all times be considered a separate and distinct payment.

(d) **Severability** . In the event that any provision in the Plan or this Agreement is held to be invalid, illegal or unenforceable or would disqualify the Plan or this Agreement under any law, the invalid, illegal or unenforceable provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or this Agreement, such provision shall be stricken as to the applicable jurisdiction or Shares, and the remainder of the Plan or this Agreement shall remain in full force and effect.

(e) **Governing Law and Dispute Resolution.** Any disputes under this Agreement or the Plan must be resolved by arbitration subject to the Company's Arbitration Policy. The substantive laws of Minnesota, without regard to the conflict of law provisions, shall apply to all questions concerning this Agreement; however, the Arbitration Policy, its enforceability, and its implementation are governed by the Federal Arbitration Act.

5. **Definitions** . Capitalized terms used but not defined in this Agreement are defined in the Plan or, if not defined therein, will have the following meanings:

(a) " **Cause** " for termination of your service with the Company Group shall, solely for purposes of this Agreement, is deemed to exist if you:

(i) are charged with, convicted of or enter a plea of guilty or *nolo contendere* to: (a) a felony, (b) any crime involving moral turpitude, dishonesty, breach of trust or unethical business conduct, or (c) any crime involving the business of the Company Group;

(ii) in the performance of your duties for the Company Group or otherwise to the detriment of the Company Group, engage in: (a) dishonesty that is harmful to the Company Group, monetarily or otherwise, (b) willful or gross misconduct, (c) willful or gross neglect, (d) fraud, (e) misappropriation, (f) embezzlement, or (g) theft;

(iii) disobey the directions of the Board, or any individual or individuals the Board authorizes to act on its or their behalf, acting within the scope of its or their authority;

(iv) fail to comply with the policies or practices of the Company Group;

(v) are adjudicated in any civil suit, or acknowledge in writing in any agreement or stipulation, to have committed any theft, embezzlement, fraud, or other act of dishonesty involving any other Person;

(vi) are determined, in the sole judgment of the Board or any individual or individuals the Board authorizes to act on its or their behalf, to have engaged in a pattern of poor performance;

(vii) are determined, in the sole judgment of the Board or any individual or individuals the Board authorizes to act on its or their behalf, to have willfully engaged in conduct that is harmful to the Company Group, monetarily or otherwise;

(viii) breach any provision of this Agreement or any other agreement between you and any member of the Company Group; or

(ix) engage in any activity intended to benefit any entity at the expense of the Company Group or intended to benefit any competitor of the Company Group.

All determinations and other decisions relating to Cause (as defined above) for termination of your service shall be within the sole discretion of the Board or any individual or individuals the Board authorizes to act on its behalf; and shall be final, conclusive and binding upon you. In the event that there exists Cause (as defined above), the Company may terminate this Agreement immediately, upon written notification of such termination for Cause, given to you by the Board or any individual or individuals the Board authorizes to act on its behalf.

(b) " **Company Group** " means, collectively, Best Buy Co., Inc. and its subsidiaries.

(c) “ **Committee** ” means the Compensation and Human Resources Committee of the Board of Directors of Best Buy Co., Inc.

(d) “ **Confidential Information** ” means all “Confidential Information” as that term is defined in Best Buy’s Confidentiality Policy, and includes, without limitation, any and all information in whatever form, whether written, electronically stored, orally transmitted or memorized relating to trade secrets, customer lists, records and other information regarding customers, price lists and pricing policies, financial information, records, ledgers and information, purchase orders, agreements and related data, business development and strategic plans, products and technologies, product tests, manufacturing costs, product or service pricing, sales and marketing plans, research and development plans, personnel and employment records, files, data and policies (regardless of whether the information pertains to you or employees of the Company Group), tax information, business and sales methods and operations, business correspondence, memoranda and other records, inventions, improvements and discoveries, processes and methods, business operations and related data formulae, computer records and related data, know-how, research and development, trademark, technology, technical information, copyrighted material, and any other confidential or proprietary data and information which you encounter during your service, all of which are held, possessed and/or owned by the Company Group and all of which are used in the operations and business of the Company Group. Confidential Information does not include information which is or becomes generally known within the Company Group’s industry through no act or omission by you.

Exhibit 10.3

BEST BUY CO., INC.
LONG-TERM INCENTIVE PROGRAM AWARD AGREEMENT
FOR NON-U.S. DIRECTORS
Award Date: ______________

This Long-Term Incentive Program Agreement, including any country-specific terms and conditions contained in the appendix hereto (collectively, the " **Agreement** "), dated the date set forth above (the " **Award Date** "), is between Best Buy Co., Inc., a Minnesota corporation, (" **Best Buy** " or the " **Company** "), and the individual (" **you** " or the " **Participant** ") whose name is set forth in the Award Notification you received from the Company (the " **Award Notification** "). The Award Notification is included in and made a part of this Agreement.

1. **Grant of Award** . In consideration of your service on the Board of Directors of the Company (" **Board** "), the Company hereby grants to you the award set forth in the Award Notification (the " **Award** ") subject to the terms and conditions of this Agreement and the Best Buy Co., Inc. 2014 Omnibus Incentive Plan (the " **Plan** "). In the event of any conflict between this Agreement and the Plan, the Plan will govern. By your acceptance of this Award, you acknowledge receipt of a copy of the Prospectus for the Plan and your agreement to the terms and conditions of the Plan and this Agreement.

2. **Restricted Stock Units** . A " **Restricted Stock Unit** " is a right to receive a share of the Company's common stock (" **Share** ") upon the lapse of the restrictions set forth in this Agreement.

   (a) **Restrictions** . During the time you serve on the Board (the " **Holding Period** "), the Restricted Stock Units are subject to the restrictions described in this Agreement and the Plan (the " **Restrictions** "). During the Holding Period, the Restricted Stock Units may not be assigned, transferred (other than by will or the laws of descent and distribution), pledged or hypothecated (whether by operation of law or otherwise) or otherwise conveyed or encumbered, and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition contrary to the provisions this Agreement or the Plan, or the levy of any execution, attachment or similar process upon the Restricted Stock Units, shall be void and unenforceable against the Company. The Restricted Stock Units are subject to forfeiture to Best Buy as provided in this Agreement and the Plan.

   (b) **Vesting** . Except as otherwise set forth herein, so long as your service on the Board continues, the Restricted Stock Units shall vest in accordance with the vesting schedule stated in the Award Notification. If your service on the Board is terminated for any reason other than Cause, a pro rata portion (based on your length of service during the applicable vesting period) of any unvested Restricted Stock Units will vest as of such termination date. If your service on the Board is terminated for Cause, all Restricted Stock Units, whether vested or not as of the date of termination pursuant to the vesting schedule, will be forfeited as of the date of termination.

   (c) **Issuance of Shares; Holding Period** . Within 30 days from the end of the Holding Period, the Shares underlying the Restricted Stock Units that have vested as of the end of the Holding Period will be delivered to you.

3. **Restrictive Covenants and Remedies** . By accepting the Award, you specifically agree to the restrictive covenants contained in this Section 3 (the " **Restrictive Covenants** ") and you agree that the Restrictive Covenants and the remedies described herein are reasonable and necessary to protect the legitimate interests of the Company Group.

   (a) **Confidentiality** . In consideration of the Award, you acknowledge that the Company Group operates in a competitive environment and has a substantial interest in protecting its Confidential Information, and you agree, during your service to the Company and thereafter, to maintain the confidentiality of the Company Group's Confidential Information and to use such Confidential Information for the exclusive benefit of the Company Group.

(b) **Non-Solicitation** . During the Holding Period and for one year following the termination of your service on the Board, you shall not:

(i) induce or attempt to induce any employee of the Company Group to leave the employ of Company Group, or in any way interfere adversely with the relationship between any such employee and Company Group;

(ii) induce or attempt to induce any employee of Company Group to work for, render services to, provide advice to, or supply Confidential Information of Company Group to any third Person;

(iii) employ, or otherwise pay for services rendered by, any employee of Company Group in any business enterprise with which you may be associated, connected or affiliated;

(iv) induce or attempt to induce any customer, supplier, licensee, licensor or other business relation of Company Group to cease doing business with Company Group, or in any way interfere with the then existing business relationship between any such customer, supplier, licensee, licensor or other business relation and Company Group; or

(v) assist, solicit, or encourage any other Person, directly or indirectly, in carrying out any activity set forth above that would be prohibited by any of the provisions of this Agreement if such activity were carried out by you. In particular, you will not, directly or indirectly, induce any employee of Company Group to carry out any such activity .

(c) **Partial Invalidity** . If any portion of this Section 3 is determined by any court of competent jurisdiction to be unenforceable in any respect, it shall be interpreted to be valid to the maximum extent for which it reasonably may be enforced, and enforced as so interpreted, all as determined by such court in such action. You acknowledge the uncertainty of the law in this respect and expressly stipulate that this Agreement is to be given the construction that renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law.

(d) **Remedy for Breach** . You agree that a breach of any of the Restrictive Covenants would cause material and irreparable harm to the Company Group that would be difficult or impossible to measure, and that monetary damages for any such harm would, therefore, be an inadequate remedy. Accordingly, you agree that if you breach any Restrictive Covenant, the Company Group shall be entitled, in addition to and without limitation upon all other remedies the Company Group may have under this Agreement, at law or otherwise, to obtain injunctive or other appropriate equitable relief, without bond or other security, to restrain any such breach. Such equitable relief in any court shall be available to the Company Group in lieu of, or prior to or pending, determination in any arbitration proceeding. You further agree that the duration of the Restrictive Covenant shall be extended by the same amount of time that you are in breach of any Restrictive Covenant.

(e) **Claw Back & Recovery** .

(i) In the event (i) you breach any of the Restrictive Covenants, (ii) you engage in conduct materially adverse to the interests of the Company, including any material violations of any Company policy, (iii) you engage in intentional misconduct that caused or contributed to the restatement of any financial statements of the Company, (iv) you materially violate the terms of any agreement to which you and a member of the Company Group is a party or (v) you engage in a criminal act, fraud, or violation of any securities laws, then notwithstanding any other provision of this Agreement to the contrary, the Company, in its sole discretion, may take one or more of the following actions with respect to your Award (and shall, in any event, take all action required by applicable law):

(A) cause the immediate forfeiture of any of your then unvested Restricted Stock Units;

(B) require you to immediately return to the Company any Shares issued under any Restricted Stock Units that are still under your control; and

(C) require you to promptly pay to the Company an amount equal to the fair market value of all Shares included in your Award that are no longer under your control (as measured on the date of issuance of any Shares issued under any Restricted Stock Units).

(ii) The Committee shall have sole discretion to determine what constitutes the conduct described in Section 3(e)(i) above.

(iii) In addition to the Company's rights set forth above, you agree your Award and the value of any portion of your Award no longer under your control shall be subject to recovery or other penalties pursuant to (i) any Company clawback policy, as may be adopted or amended from time to time, or (ii) any applicable law, rule or regulation, or applicable stock exchange rule, including without limitation, the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act.

(f) **Right of Set Off** . By accepting the Award, you agree that any member of the Company Group may set off any amount owed to you (including fees or other compensation, fringe benefits or vacation pay) against any amounts you owe under this Section 3. You also agree that if the Company does not recover by means of set-off the full amount you owe, calculated as set forth above, you agree to immediately pay the unpaid balance to the Company.

4. **General Terms and Conditions** .

(a) **Rights as a Shareholder** . You will have no rights as a shareholder with respect to any Shares issuable under the Restricted Stock Units until you have actually received such Shares in accordance with the terms of this Agreement and the Plan. This means that you will not have the right to vote as a shareholder nor the right to receive dividend payments. Upon issuance of Shares, you will have all of the rights of a shareholder with respect to the Shares unless Shares are forfeited or recovered under this Agreement or the Plan.

(b) **Nature of Grant** . In accepting the Award, you acknowledge, understand and agree that:

(i) the Plan is established voluntarily by Best Buy, it is discretionary in nature and it may be modified, amended, suspended or terminated by Best Buy at any time;

(ii) the grant of the Award is voluntary and occasional and does not create any contractual or other right to receive future grants of restricted stock units, or benefits in lieu of restricted stock units, even if restricted stock units have been granted in the past;

(iii) all decisions with respect to future grants of restricted stock units, if any, will be at the sole discretion of Best Buy;

(iv) you are voluntarily participating in the Plan;

(v) the Award and your participation in the Plan will not create a right to continued service on the Board or derogate from any right of Best Buy's shareholders to remove you from the Board at any time in accordance with Best Buy's bylaws and any applicable law;

(vi) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(vii) no claim or entitlement to compensation or damages shall arise from forfeiture of the Award resulting from your ceasing to provide service to Best Buy (for any reason whatsoever);

(viii) unless otherwise provided in the Plan or by Best Buy in its discretion, the Award and the benefits evidenced by this Agreement do not create any entitlement to have the Award or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

(ix) Best Buy shall not be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the Award or any amounts due to you pursuant to the settlement of the Award or the subsequent sale of any Shares acquired upon settlement.

(c) **Participant's Acknowledgements** .

(i) **Committee's Sole Discretion** . The Committee has sole discretion to make decisions regarding your Award, and to interpret all terms of this Agreement. You agree that all decisions regarding and interpretations of this Agreement by the Committee are binding, conclusive, final and non-appealable.

(ii) **Taxes** .

(A) Regardless of any action the Company takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to your participation in the Plan (" **Tax-Related Items** "), you acknowledge that the ultimate liability for all Tax-Related Items is and remains your responsibility and may exceed the amount, if any, actually withheld by the Company. You further acknowledge that the Company (a) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant or vesting of the Restricted Stock Units, the issuance of Shares upon settlement of the Restricted Stock Units, the subsequent sale of such Shares and the receipt of any dividends; and (b) does not commit to and is under no obligation to structure the terms of the Award or any aspect of the Restricted Stock Units to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you have become subject to Tax-Related Items in more than one jurisdiction, you acknowledge that the Company may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(B) To the extent the Company has a withholding obligation with respect to Tax-Related Items, you authorize the Company or its agent, at the Company's discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

(1) withholding from any cash compensation paid to you by the Company;

(2) withholding from proceeds of the sale of Shares acquired upon settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization); or

(3) withholding in Shares to be issued upon settlement of the Restricted Stock Units.

The Committee shall establish the method of withholding from alternatives (1) - (3) above and, if the Committee does not exercise its discretion prior to the applicable withholding event, then you shall be entitled to elect the method of withholding from the alternatives above.

In the event there is a relevant taxable event for which the Company does not withhold amounts needed to satisfy obligations with respect to Tax-Related Items, you agree to pay or make adequate arrangements satisfactory to the Company to satisfy such obligations.

(C) Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates in which case you may receive a refund of any over-withheld amount in cash and will have no entitlement to the common stock equivalent. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, you are deemed to have been issued the full number of Shares subject to the vested Restricted Stock Units, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of your participation in the Plan.

(D) You shall pay to the Company any amount of Tax-Related Items that the Company may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means described in this Section 4(c)(ii). The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if you fail to comply with your obligations in connection with the Tax-Related Items.

(E) The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying Shares. You acknowledge that the grant, vesting or any payment with respect to the Award, and the sale or other disposition of the Shares acquired as a result of the Award may have tax consequences under federal, state, local or international tax laws. You further acknowledge that you are relying solely on your own professional tax and investment advisors with respect to any and all such matters (and are not relying, in any manner, on the Company or any of its employees or representatives). You understand and agree that any and all Tax-Related Items are solely your responsibility without any expectation or understanding that the Company or any of its employees or representatives will pay or reimburse you for such Tax-Related Items.

(d) **Severability.** In the event that any provision in the Plan or this Agreement is held to be invalid, illegal or unenforceable or would disqualify the Plan or this Agreement under any law, the invalid, illegal or unenforceable provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or this Agreement, such provision shall be stricken as to the applicable jurisdiction or Shares, and the remainder of the Plan or this Agreement shall remain in full force and effect.

(e) **Governing Law, Jurisdiction and Venue** . The laws of Minnesota, without regard to the conflict of law provisions, shall apply to all questions concerning this Agreement. You and the Company agree that the state and federal courts located in the State of Minnesota shall have personal jurisdiction over the parties to this Agreement, and that the sole venues to adjudicate any dispute arising under this Agreement shall be the District Courts of Hennepin County, State of Minnesota and the United States District Court for the District of Minnesota; and each party waives any argument that any other forum would be more convenient or proper.

(f) **Costs of Enforcement** . In addition to any other remedy to which any member of the Company Group is entitled under this Agreement, you agree that the Company Group shall be entitled to recover from you any costs, expenses (including reasonable legal fees) or disbursements reasonably incurred by the Company Group to enforce any provision of this Agreement, or to otherwise defend itself from any claim brought by you or any of your beneficiaries against any member of the Company Group under any provision of this Agreement.

(g) **Appendix** . Notwithstanding any provisions in this Agreement, the grant of the Award shall be subject to any special terms and conditions set forth in the attached country-specific appendix to this Agreement (the " **Appendix** "). If you relocate to one of the countries included in the Appendix, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

(h) **Imposition of Other Requirements** . The Company reserves the right to impose other requirements on your participation in the Plan, on the Award and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

(i) **Compliance with Law** . Notwithstanding any other provision of the Plan or this Agreement, unless there is an available exemption from any registration, qualification or other legal requirement applicable to the Shares, the Company shall not be required to deliver any Shares issuable upon settlement of the Restricted Stock Units prior to the completion of any registration or qualification of the Shares under any local, state, federal or foreign securities or exchange control law or under rulings or regulations of the U.S. Securities and Exchange Commission (" **SEC** ") or of any other governmental regulatory body, or prior to obtaining any approval or other clearance from any local, state, federal or foreign governmental agency, which registration, qualification or approval the Company shall, in its absolute discretion, deem necessary or advisable. You understand that the Company is under no obligation to register or qualify the Shares with the SEC or any state or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the Shares. Further, you agree that Best Buy shall have unilateral authority to amend the Plan and this Agreement without your consent to the extent necessary to comply with securities or other laws applicable to issuance of the Shares.

(j) **Insider Trading Restrictions/Market Abuse Laws** . You acknowledge that you may be subject to insider trading restrictions and/or market abuse laws, which may affect your ability to acquire or sell Shares or rights to Shares under the Plan during such times as you are considered to have "inside information" regarding Best Buy (as defined by applicable laws in your country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Best Buy insider trading policy. You acknowledge that it is your responsibility to comply with any applicable restrictions, and you are advised to speak to your personal advisor on this matter.

(k) **Waiver** . You acknowledge that a waiver by Best Buy of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by you or any other award recipient.

(l) ***Data Privacy*** *. You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Agreement and any other award materials by Best Buy for the exclusive purpose of implementing, administering and managing your participation in the Plan.*

You understand that Best Buy may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Shares or directorships held in Best Buy, details of all awards or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in your favor (“ ***Data*** *”), for the exclusive purpose of implementing, administering and managing the Plan.*

You understand that Data will be transferred to Fidelity or such other stock plan service provider as may be selected by Best Buy in the future, which is assisting Best Buy with the implementation, administration and management of the Plan. You understand that the recipients of Data may be located in the United States or elsewhere, and that the recipients’ country (e.g. *, the United States) may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of Data by contacting the Best Buy Legal Department, at 7601 Penn Avenue South, Richfield, MN 55423 U.S. You authorize Best Buy, Fidelity (or such other broker designated by Best Buy) and any other possible recipients which may assist Best Buy (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Best Buy Legal Department. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your relationship and status with the Company will not be affected; the only consequence of refusing or withdrawing your consent is that the Company would not be able to grant you the Award or other equity awards to you or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact the Best Buy Legal Department.*

(m) **Electronic Delivery and Participation** . Best Buy may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by Best Buy or a third party designated by Best Buy. Further, the parties hereto shall be entitled to rely on delivery of a facsimile or other electronic copy of this Agreement, and delivery by either party of such facsimile or electronic copy shall be legally effective to create a valid and binding agreement between the parties in accordance with the terms hereof.

(n) **Language** . If you have received this Agreement, or any other document related to your Award and/or the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

(o) **Foreign Asset/Account Reporting Requirements; Exchange Controls** . Your country may have certain foreign asset and/or account reporting requirements and exchange controls which may affect your ability to acquire or hold Shares pursuant to the Plan or cash received from participating in the Plan (including from any dividends received or sale proceeds arising from the sale of the Shares) in a brokerage or bank account outside your country. You understand that you may be required to report such accounts, assets or transactions to the tax or other authorities in your country. You also may be required to repatriate sale proceeds or other funds received as a result of your participation in the Plan to your country through a designated bank or broker within a certain time after receipt. You acknowledge that it is your responsibility to be compliant with all such requirements, and that you should consult your personal legal and tax advisors on this matter.

5. **Definitions** . Capitalized terms used but not defined in this Agreement are defined in the Plan or, if not defined therein, will have the following meanings:

(a) " **Cause** " for termination of your service with the Company Group shall, solely for purposes of this Agreement, is deemed to exist if you:

(i) are charged with, convicted of or enter a plea of guilty or *nolo contendere* to: (a) a felony (or a crime of comparable magnitude under applicable law), (b) any crime involving moral turpitude, dishonesty, breach of trust or unethical business conduct, or (c) any crime involving the business of the Company Group;

(ii) in the performance of your duties for the Company Group or otherwise to the detriment of the Company Group, engage in: (a) dishonesty that is harmful to the Company Group, monetarily or otherwise, (b) willful or gross misconduct, (c) willful or gross neglect, (d) fraud, (e) misappropriation, (f) embezzlement, or (g) theft;

(iii) disobey the directions of the Board, or any individual or individuals the Board authorizes to act on its or their behalf, acting within the scope of its or their authority;

(iv) fail to comply with the policies or practices of the Company Group;

(v) are adjudicated in any civil suit, or acknowledge in writing in any agreement or stipulation, to have committed any theft, embezzlement, fraud, or other act of dishonesty involving any other Person;

(vi) are determined, in the sole judgment of the Board or any individual or individuals the Board authorizes to act on its or their behalf, to have engaged in a pattern of poor performance;

(vii) are determined, in the sole judgment of the Board or any individual or individuals the Board authorizes to act on its or their behalf, to have willfully engaged in conduct that is harmful to the Company Group, monetarily or otherwise;

(viii) breach any provision of this Agreement or any other agreement between you and any member of the Company Group; or

(ix) engage in any activity intended to benefit any entity at the expense of the Company Group or intended to benefit any competitor of the Company Group.

All determinations and other decisions relating to Cause (as defined above) for termination of your service shall be within the sole discretion of the Board or any individual or individuals the Board authorizes to act on its behalf; and shall be final, conclusive and binding upon you. In the event that there exists Cause (as defined above), the Company may terminate this Agreement immediately, upon written notification of such termination for Cause, given to you by the Board or any individual or individuals the Board authorizes to act on its behalf.

(b) " **Company Group** " means, collectively, Best Buy Co, Inc. and its subsidiaries.

(c) " **Committee** " means the Compensation and Human Resources Committee of the Board of Directors of Best Buy Co., Inc.

(d) " **Confidential Information** " means all "Confidential Information" as that term is defined in Best Buy's Confidentiality Policy, and includes, without limitation, any and all information in whatever form, whether written, electronically stored, orally transmitted or memorized relating to trade secrets, customer lists, records and other information regarding customers, price lists and pricing policies, financial information, records, ledgers and information, purchase orders, agreements and related data, business development and strategic plans, products and technologies, product tests, manufacturing costs, product or service pricing, sales and marketing plans, research and development plans, personnel and employment records, files, data and policies (regardless of whether the information pertains to you or employees of the Company Group), tax information, business and sales methods and operations, business correspondence, memoranda and other records, inventions, improvements and discoveries, processes and methods, business operations and related data formulae, computer records and related data, know-how, research and development, trademark, technology, technical information, copyrighted material, and any other confidential or proprietary data and information which you encounter during your service, all of which are held, possessed and/or owned by the Company Group and all of which are used in the operations and business of the Company Group. Confidential Information does not include information which is or becomes generally known within the Company Group's industry through no act or omission by you.

COUNTRY-SPECIFIC APPENDIX
TO
LONG-TERM INCENTIVE PROGRAM AWARD AGREEMENT
FOR NON-U.S. DIRECTORS

Capitalized terms not defined in this Appendix have the meanings set forth in the Plan and Section 5 of the Agreement.

TERMS AND CONDITIONS

This Appendix includes additional terms and conditions that govern the Restricted Stock Units granted to you under the Plan if you are in one of the countries listed below.

If you are a citizen or resident of a country other than the one in which you are currently residing and/or providing services, transfer locations after the Restricted Stock Units were granted to you, or are considered a resident of another country for local law purposes, the terms and conditions contained herein may not be applicable to you, and Best Buy shall, in its discretion, determine to what extent the terms and conditions contained herein shall apply to your Restricted Stock Units.

NOTIFICATIONS

This Appendix also includes information regarding exchange controls and certain other issues of which you should be aware with respect to participation in the Plan. The information is based on the securities, exchange control, and other laws in effect in the respective countries as of June 2017. Such laws are often complex and change frequently. As a result, it is strongly recommended that you not rely on the information in this Appendix as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the time you vest in the Restricted Stock Units. This Appendix does not address any general reporting requirements that may apply to you with respect to currency transfers into your country (unless there are reporting requirements that apply specifically to the Shares that may be acquired under the Plan).

In addition, the information contained herein is general in nature and may not apply to your particular situation, and Best Buy is not in a position to assure you of a particular result. Accordingly, you are advised to seek appropriate professional advice as to how the relevant laws in your country may apply to your situation.

Finally, if you are a citizen or resident of a country other than the one in which you are currently residing and/or providing services, transfer locations after the Restricted Stock Unites were granted to you or are considered a resident of another country for local law purposes, the information herein may not be applicable to you in the same manner.

UNITED KINGDOM

TERMS AND CONDITIONS

Issuance of Shares; Holding Period . This provision supplements Section 2(c) of the Agreement:

Notwithstanding any discretion in the Plan, Restricted Stock Units are payable in Shares only, and shall not be paid in cash.

Exhibit 31.1

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Hubert Joly, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Best Buy Co., Inc.;

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 evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

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 (or persons performing equivalent functions):

   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: September 5, 2017

/s/ HUBERT JOLY

Hubert Joly
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Corie Barry, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Best Buy Co., Inc.;

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 evaluation; and

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

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 (or persons performing equivalent functions):

    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: September 5, 2017

/s/ CORIE BARRY

Corie Barry
Chief Financial Officer

Exhibit 32.1

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

Pursuant to 18 U.S.C. §1350 (adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), I, the undersigned Chairman and Chief Executive Officer of Best Buy Co., Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended July 29, 2017 (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: September 5, 2017	/s/ HUBERT JOLY
	Hubert Joly
	Chairman and Chief Executive Officer

Exhibit 32.2

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

Pursuant to 18 U.S.C. §1350 (adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), I, the undersigned Chief Financial Officer of Best Buy Co., Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended July 29, 2017 (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: September 5, 2017

/s/ CORIE BARRY

Corie Barry
Chief Financial Officer