BEST BUY CO INC (BBY)

10-Q

Quarterly report pursuant to sections 13 or 15(d)
Filed on 09/06/2012
Filed Period 08/04/2012

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 August 4, 2012

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®

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. **Yes** ☐ **No** ☐

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common Stock, $.10 Par Value — 336,667,475 shares outstanding as o f August 31, 2012 .

BEST BUY CO., INC.

FORM 10-Q FOR THE QUARTER ENDED AUGUST 4, 2012

INDEX

Part I — Financial Information			**3**
Item 1.	**Condensed Consolidated Financial Statements (Unaudited)**		**3**
	a)	Condensed Consolidated Balance Sheets as of August 4, 2012; March 3, 2012; and July 30, 2011 (recast)	**3**
	b)	Condensed Consolidated Statements of Earnings and Comprehensive Income for the three and six months ended August 4, 2012, and July 30, 2011 (recast)	**5**
	c)	Consolidated Statements of Changes in Shareholders' Equity for the three months ended August 4, 2012, and July 30, 2011 (recast)	**6**
	d)	Consolidated Statements of Cash Flows for the six months ended August 4, 2012, and July 30, 2011 (recast)	**7**
	e)	**Notes to Condensed Consolidated Financial Statements**	**8**
Item 2.	**Management's Discussion and Analysis of Financial Condition and Results of Operations**		**28**
Item 3.	**Quantitative and Qualitative Disclosures About Market Risk**		**44**
Item 4.	**Controls and Procedures**		**45**
Part II — Other Information			**45**
Item 1.	**Legal Proceedings**		**45**
Item 2.	**Unregistered Sales of Equity Securities and Use of Proceeds**		**46**
Item 6.	**Exhibits**		**47**
Signatures			**48**

PART I — FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BEST BUY CO., INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

($ in millions)

(Unaudited)

	August 4, 2012	March 3, 2012	July 30, 2011 (recast)
CURRENT ASSETS			
Cash and cash equivalents	$ 680	$ 1,199	$ 2,079
Short-term investments	—	—	80
Receivables	2,135	2,288	1,868
Merchandise inventories	6,299	5,731	6,784
Other current assets	1,070	1,079	1,080
Total current assets	10,184	10,297	11,891
PROPERTY AND EQUIPMENT, NET	3,407	3,471	3,781
GOODWILL	1,342	1,335	2,507
TRADENAMES, NET	130	130	136
CUSTOMER RELATIONSHIPS, NET	221	229	179
EQUITY AND OTHER INVESTMENTS	91	140	316
OTHER ASSETS	474	403	486
TOTAL ASSETS	$ 15,849	$ 16,005	$ 19,296

NOTE: The Consolidated Balance Sheet as of March 3, 2012, has been condensed from the audited consolidated financial statements.

See Notes to Condensed Consolidated Financial Statements.

BEST BUY CO., INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

LIABILITIES AND EQUITY

($ in millions)

(Unaudited)

	August 4, 2012	March 3, 2012	July 30, 2011
			(recast)
CURRENT LIABILITIES			
Accounts payable	$ 6,055	$ 5,364	$ 6,178
Unredeemed gift card liabilities	385	456	426
Accrued compensation and related expenses	464	539	507
Accrued liabilities	1,476	1,685	1,556
Accrued income taxes	7	288	37
Short-term debt	519	480	392
Current portion of long-term debt	542	43	444
Total current liabilities	9,448	8,855	9,540
LONG-TERM LIABILITIES	1,125	1,099	1,168
LONG-TERM DEBT	1,165	1,685	1,701
EQUITY			
Best Buy Co., Inc. shareholders' 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 — 336,530,000, 341,400,000 and 370,102,000 shares, respectively	34	34	37
Additional paid-in capital	—	—	—
Retained earnings	3,395	3,621	5,846
Accumulated other comprehensive income	86	90	281
Total Best Buy Co., Inc. shareholders' equity	3,515	3,745	6,164
Noncontrolling interests	596	621	723
Total equity	4,111	4,366	6,887
TOTAL LIABILITIES AND EQUITY	$ 15,849	$ 16,005	$ 19,296

NOTE: The Consolidated Balance Sheet as of March 3, 2012, has been condensed from the audited consolidated financial statements.

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

BEST BUY CO., INC.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

($ in millions, except per share amounts)

(Unaudited)

	Three Months Ended		Six Months Ended	
	August 4, 2012	July 30, 2011	August 4, 2012	July 30, 2011
		(recast)		(recast)
Revenue	$ 10,547	$ 10,856	$ 22,157	$ 22,225
Cost of goods sold	7,983	8,094	16,686	16,542
Gross profit	2,564	2,762	5,471	5,683
Selling, general and administrative expenses	2,440	2,502	4,958	4,959
Restructuring charges	91	—	218	4
Operating income	33	260	295	720
Other income (expense)				
Investment income and other	6	8	12	25
Interest expense	(30)	(33)	(63)	(61)
Earnings from continuing operations before income tax expense and equity in loss of affiliates	9	235	244	684
Income tax expense	14	87	86	242
Equity in loss of affiliates	(2)	—	(4)	(1)
Net (loss) earnings from continuing operations	(7)	148	154	441
Loss from discontinued operations (Note 3), net of tax (expense) benefit of ($3), $12, $3 and $32	—	(37)	(9)	(91)
Net (loss) earnings including noncontrolling interests	(7)	111	145	350
Net loss (earnings) from continuing operations attributable to noncontrolling interests	19	2	19	(36)
Net loss from discontinued operations attributable to noncontrolling interests	—	15	6	26
Net earnings attributable to Best Buy Co., Inc.	$ 12	$ 128	$ 170	$ 340
Basic earnings (loss) per share attributable to Best Buy Co., Inc.				
Continuing operations	$ 0.04	$ 0.40	$ 0.51	$ 1.06
Discontinued operations	—	(0.06)	(0.01)	(0.17)
Basic earnings per share	$ 0.04	$ 0.34	$ 0.50	$ 0.89
Diluted earnings (loss) per share attributable to Best Buy Co., Inc.				
Continuing operations	$ 0.04	$ 0.39	$ 0.51	$ 1.04
Discontinued operations	—	(0.05)	(0.01)	(0.17)
Diluted earnings per share	$ 0.04	$ 0.34	$ 0.50	$ 0.87
Dividends declared per common share	$ 0.16	$ 0.15	$ 0.32	$ 0.30
Weighted-average common shares outstanding (in millions)				
Basic	338.2	376.0	340.3	383.6
Diluted	338.6	385.6	341.0	393.3
Comprehensive (loss) income including noncontrolling interests	$ (39)	$ 123	$ 157	$ 505
Comprehensive loss (income) attributable to noncontrolling interests	39	12	25	(37)
Comprehensive income attributable to Best Buy Co., Inc.	$ —	$ 135	$ 182	$ 468

See Notes to Condensed Consolidated Financial Statements.

BEST BUY CO., INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED AUGUST 4, 2012, AND JULY 30, 2011

($ and shares in millions)

(Unaudited)

	Best Buy Co., Inc.							
	Common Shares	**Common Stock**	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Total Best Buy Co., Inc.**	**Non-controlling Interests**	**Total**
Balances at March 3, 2012	341	$ 34	$ —	$3,621	$ 90	$3,745	$ 621	$4,366
Adjustment for fiscal year-end change (Note 2)	5	—	—	(108)	(16)	(124)	—	(124)
Balances at January 28, 2012	346	34	—	3,513	74	3,621	621	4,242
Net earnings, six months ended August 4, 2012	—	—	—	170		170	(25)	145
Foreign currency translation adjustments	—	—	—	—	9	9	—	9
Unrealized gains on available-for-sale investments	—	—	—	—	3	3	—	3
Stock-based compensation	—	—	64	—	—	64	—	64
Stock options exercised	1	—	1	—	—	1	—	1
Issuance of common stock under employee stock purchase plan	1	—	14	—	—	14	—	14
Tax deficit from stock options exercised, restricted stock vesting and employee stock purchase plan	—	—	(15)	(8)	—	(23)	—	(23)
Common stock dividends, $0.32 per share	—	—	—	(107)	—	(107)	—	(107)
Repurchase and retirement of common stock	(11)	—	(64)	(173)	—	(237)	—	(237)
Balances at August 4, 2012	337	$ 34	$ —	$3,395	$ 86	$3,515	$ 596	$4,111
Balances at February 26, 2011	393	$ 39	$ 18	$6,372	$ 173	$6,602	$ 690	$7,292
Adjustment for fiscal year-end change (Note 2)	—	—	(18)	(115)	(20)	(153)	—	(153)
Balances at January 29, 2011	393	39	—	6,257	153	6,449	690	7,139
Net earnings, six months ended July 30, 2011	—	—	—	340	—	340	10	350
Foreign currency translation adjustments	—	—	—	—	127	127	25	152
Unrealized gains on available-for-sale investments	—	—	—	—	1	1	—	1
Cash flow hedging instruments – unrealized losses	—	—	—	—	—	—	2	2
Dividend distribution	—	—	—	—	—	—	(4)	(4)
Stock-based compensation	—	—	67	—	—	67	—	67
Stock options exercised	1	—	28	—	—	28	—	28
Issuance of common stock under employee stock purchase plan	1	—	23	—	—	23	—	23
Tax benefit from stock options exercised, restricted stock vesting and employee stock purchase plan	—	—	(8)	—	—	(8)	—	(8)
Common stock dividends, $0.30 per share	—	—	—	(113)	—	(113)	—	(113)
Repurchase and retirement of common stock	(25)	(2)	(110)	(638)	—	(750)	—	(750)
Balances at July 30, 2011 (recast)	370	$ 37	$ —	$5,846	$ 281	$6,164	$ 723	$6,887

See Notes to Condensed Consolidated Financial Statements.

BEST BUY CO., INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

($ in millions)

(Unaudited)

	Six Months Ended	
	August 4, 2012	July 30, 2011
		(recast)
OPERATING ACTIVITIES		
Net earnings including noncontrolling interests	$ 145	$ 350
Adjustments to reconcile net earnings including noncontrolling interests to total cash (used in) provided by operating activities		
Depreciation	445	448
Amortization of definite-lived intangible assets	20	30
Restructuring charges	223	33
Stock-based compensation	64	67
Deferred income taxes	(88)	(54)
Other, net	21	4
Changes in operating assets and liabilities		
Receivables	300	476
Merchandise inventories	512	659
Other assets	(139)	(46)
Accounts payable	(834)	(501)
Other liabilities	(575)	(119)
Income taxes	(316)	(178)
Total cash (used in) provided by operating activities	(222)	1,169
INVESTING ACTIVITIES		
Additions to property and equipment	(316)	(377)
Purchases of investments	(11)	(107)
Sales of investments	64	73
Change in restricted assets	73	(31)
Other, net	(5)	—
Total cash used in investing activities	(195)	(442)
FINANCING ACTIVITIES		
Repurchase of common stock	(255)	(737)
Borrowings of debt	592	2,027
Repayments of debt	(569)	(1,218)
Dividends paid	(109)	(115)
Issuance of common stock under employee stock purchase plan and for the exercise of stock options	15	51
Other, net	(8)	(12)
Total cash used in financing activities	(334)	(4)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	30	18
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS BEFORE ADJUSTMENT	(721)	741
ADJUSTMENT FOR FISCAL YEAR-END CHANGE (NOTE 2)	202	235
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AFTER ADJUSTMENT	(519)	976
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,199	1,103
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 680	$ 2,079

See Notes to Condensed Consolidated Financial Statements.

BEST BUY CO., INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

($ in millions, except per share amounts)

(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 realized more of our revenue and earnings in the fiscal fourth quarter, which includes the majority of the holiday shopping season in the U.S., Europe and Canada than in any other fiscal quarter. 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 March 3, 2012 .

Beginning in the first quarter of fiscal 2013, we changed our fiscal year-end. As a result of the change in our fiscal year-end, the comparable prior year financial statements have been recast to conform to the new fiscal calendar. The second quarter of fiscal 2013 included 13 weeks and the recast second quarter of 2012 included 13 weeks. The first six months of fiscal 2013 included 27 weeks and the recast six months of 2012 included 26 weeks. See Note 2, *Fiscal Year-end Change* , for further information.

In order to align our fiscal reporting periods and comply with statutory filing requirements in certain foreign jurisdictions, we consolidate the financial results of our Europe, China, and Mexico operations ("lag entities") on a one -month lag. Our policy is to accelerate recording the effect of events occurring in the lag period that significantly affect our consolidated financial statements. There were no significant intervening events which would have materially affected our financial condition, results of operations or liquidity had they been recorded during the three months ended August 4, 2012 .

In preparing the accompanying condensed consolidated financial statements, we evaluated the period from August 5, 2012 through the date the financial statements were issued, for material subsequent events requiring recognition or disclosure. Other than the appointment of a new President and Chief Executive Officer, as described in Note 15, *Subsequent Event*, no such events were identified for this period.

New Accounting Standards

Goodwill Impairment — In September 2011, the Financial Accounting Standards Board (“FASB”) issued new guidance on the testing of goodwill for impairment. Under the new guidance, entities may make a qualitative assessment of the likelihood of goodwill impairment in order to determine whether a detailed quantitative analysis is required. This new guidance is effective for fiscal years and interim periods beginning after December 15, 2011. Accordingly, we adopted the new guidance on March 4, 2012, and determined that it did not have an impact on our consolidated financial position, results of operations, or cash flows.

Comprehensive Income — In June 2011, the FASB issued new guidance on the presentation of comprehensive income. Specifically, the new guidance requires an entity to present components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate but consecutive statements. The new guidance eliminated the previous option to report other comprehensive income and its components in the statement of changes in equity. While the new guidance changed the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. This new guidance is effective for fiscal years and interim periods beginning after December 15, 2011. Accordingly, we adopted the new guidance on March 4, 2012, and have presented total comprehensive income in our Condensed Consolidated Statements of Earnings and Comprehensive Income.

Fair Value Measurement — In April 2011, the FASB issued new guidance to converge fair value measurement and disclosure guidance with International Financial Reporting Standards. This new guidance amended current fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. This new guidance is effective for fiscal years and interim periods beginning after December 15, 2011. Accordingly, we adopted the new guidance on March 4, 2012, and determined that it did not have an impact on our consolidated financial position, results of operations, or cash flows.

2. Fiscal Year-end Change

Beginning in the first quarter of fiscal 2013, we changed our fiscal year-end from the Saturday nearest the end of February to the Saturday nearest the end of January. As a result of this change, our fiscal year 2013 is an 11-month transition period ending on February 2, 2013. As a result of this change, in the first quarter of fiscal 2013, we also began consolidating the results of our Europe, China, and Mexico operations on a one-month lag, compared to a two-month lag in fiscal year 2012, to continue to align our fiscal reporting periods with statutory filing requirements.

In order to allow an immediate transition to our new fiscal calendar and to maintain transparency and comparability of financial information included in our quarterly Form 10-Q filings, we are presenting such quarterly information on a three- and six-month basis for both the current and prior fiscal years, in both instances based on the new fiscal calendar. Following the change to our fiscal calendar, the second quarter of fiscal 2013 is the three months ended August 4, 2012. Therefore, the Condensed Consolidated Statements of Earnings and Comprehensive Income, Consolidated Statements of Changes in Shareholders' Equity, and Consolidated Statements of Cash Flows reflect results for the three and six month periods ended August 4, 2012. The results for the six months ended August 4, 2012 include our fiscal month ended March 3, 2012 (“February 2012”) for operations that are not reported on a lag (primarily our Domestic segment and Canadian operations), which were also included in our results for the fiscal year ended March 3, 2012, included in our fiscal 2012 Form 10-K. The change in fiscal calendar does not impact our quarterly financial statements for our lag entities because the reduction in the lag period from two months to one month occurred concurrent with the change in our fiscal calendar.

The following table shows the fiscal months included in the second quarters of fiscal 2013 and 2012 under our new fiscal calendar, as well as the fiscal months included in the second quarter of fiscal 2012 under our previous fiscal calendar:

New Fiscal Calendar(1)		Previous Fiscal Calendar(1)
2013	**2012**	**2012**
May 2012 - July 2012	May 2011 - July 2011	June 2011 - August 2011

(1) For entities reported on a lag, the fiscal months included in the second quarters of fiscal 2013 and 2012 were April through June under both the new and previous fiscal calendars.

The Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Earnings and Comprehensive Income, Consolidated Statements of Changes in Shareholders' Equity, Consolidated Statements of Cash Flows, and corresponding Notes are presented based on the new fiscal calendar (August 4, 2012 for fiscal 2013 and July 30, 2011 for fiscal 2012) and the most recent audited fiscal year (March 3, 2012).

Results for February 2012 and February 2011

As a result of the overlap of February 2012 between the fourth quarter of fiscal 2012 (previous fiscal calendar) and the first quarter of fiscal 2013 (new fiscal calendar), $3,908 of revenue from February 2012 is included in our Condensed Consolidated Statements of Earnings and Comprehensive Income for the six months ended August 4, 2012, which was also included in our results for the fiscal year ended March 3, 2012, included in our fiscal 2012 Form 10-K.

The following table provides a summary of the adjustment to Retained earnings within the Consolidated Statements of Changes in Shareholders' Equity as a result of the overlap of February 2012 between the fourth quarter of fiscal 2012 (previous fiscal calendar) and the first quarter of fiscal 2013 (new fiscal calendar), as well as the equivalent overlap in the prior-year period. The primary components of the net reconciling item to Retained earnings include the net earnings from the Domestic segment and Canadian operations, offset by the impact of share repurchases which reduced Retained earnings upon their retirement.

	February 2012	February 2011
Net earnings	$ 206	$ 115
Impact of share repurchases(1)	(98)	—
Net reconciling item to Retained earnings	$ 108	$ 115

(1) Share repurchases reduced Retained earnings after the Additional paid-in capital balance was reduced to zero during February 2012.

In addition, the Consolidated Statements of Cash Flows includes a net reconciling item (adjustment) for the cash flows as a result of the overlap described above. The total adjustment for the overlap of February 2012 was $202, primarily due to $135 of cash used in financing activities and $46 of cash used in investing activities. The total adjustment for February 2011 was $235, due almost entirely to $228 of cash used in operating activities. The adjustments for both periods included the effect of exchange rate changes on our cash balances.

3. Discontinued Operations

Discontinued operations comprise: (i) Napster operations within our Domestic segment; (ii) large-format Best Buy branded store operations in China, Turkey, and the United Kingdom ("U.K.") within our International segment; and (iii) The Phone House stores in Belgium within our International Segment. The presentation of discontinued operations has been retrospectively applied to all prior periods presented.

The financial results of discontinued operations for the three and six months ended August 4, 2012 and July 30, 2011, were as follows:

	Three Months Ended		Six Months Ended	
	August 4, 2012	July 30, 2011 (recast)	August 4, 2012	July 30, 2011 (recast)
Revenue	$ —	$ 89	$ 8	$ 217
Restructuring charges[1]	(1)	1	5	29
Earnings (loss) from discontinued operations before income tax benefit	3	(53)	(12)	(127)
Income tax (expense) benefit	(3)	12	3	32
Gain on sale of discontinued operations	—	4	—	4
Net loss from discontinued operations, including noncontrolling interests	—	(37)	(9)	(91)
Net loss from discontinued operations attributable to noncontrolling interests	—	15	6	26
Net loss from discontinued operations attributable to Best Buy Co., Inc.	$ —	$ (22)	$ (3)	$ (65)

(1) See Note 7, *Restructuring Charges*, for further discussion of the restructuring charges associated with discontinued operations.

4. Investments

Investments were comprised of the following:

	August 4, 2012	March 3, 2012	July 30, 2011 (recast)
Short-term investments			
U.S. Treasury bills	$ —	$ —	$ 80
Equity and other investments			
Debt securities (auction rate securities)	22	82	91
Marketable equity securities	3	3	150
Other investments	66	55	75
Total equity and other investments	$ 91	$ 140	$ 316

Debt Securities

Our debt securities are comprised of auction rate securities (“ARS”). ARS were intended to behave like short-term debt instruments because their interest rates reset periodically through an auction process, most commonly at intervals of 7, 28, and 35 days. The auction process had historically provided a means by which we could roll over the investment or sell these securities at par in order to provide us with liquidity, as needed. As a result, we classify our investments in ARS as available-for-sale and carry them at fair value.

In February 2008, auctions began to fail due to insufficient buyers, as the amount of securities submitted for sale in auctions exceeded the aggregate amount of the bids. For each failed auction, the interest rate on the security moves to a maximum rate specified for each security, and generally resets at a level higher than specified short-term interest rate benchmarks. To date, we have collected all interest due on our ARS and expect to continue to do so in the future. Due to persistent failed auctions and the uncertainty of when these investments could be liquidated at par, we have classified all of our investments in ARS as non-current assets within Equity and Other Investments in our Condensed Consolidated Balance Sheet as of August 4, 2012.

We sold $47 of ARS at par during the second quarter of fiscal 2013. However, at August 4, 2012, our entire remaining ARS portfolio, consisting of seven investments in ARS with an aggregate value at par of $24, was subject to failed auctions.

Our ARS portfolio consisted of the following, at fair value:

Description	Nature of collateral or guarantee	August 4, 2012	March 3, 2012	July 30, 2011
				(recast)
Student loan bonds	Student loans guaranteed 95% to 100% by the U.S. government	$ 20	$ 80	$ 89
Municipal revenue bonds	100% insured by AA/Aa-rated bond insurers at August 4, 2012	2	2	2
Total fair value plus accrued interest (1)		$ 22	$ 82	$ 91

(1) The par value and weighted-average interest rates (taxable equivalent) of our ARS were $24, $88 and $93, and 0.69%, 0.50% and 0.32%, respectively, at August 4, 2012, March 3, 2012 and July 30, 2011, respectively.

At August 4, 2012 , our ARS portfolio was 39% AAA/Aaa-rated, 29% AA/Aa-rated, and 32% A/A-rated.

The investment principal associated with failed auctions will not be accessible until successful auctions occur, a buyer is found outside of the auction process, the issuers establish a different form of financing to replace these securities, or final payments are due according to the contractual maturities of the debt issuances, which range from 4 to 29 years. We do not intend to sell our remaining ARS until we can recover the full principal amount through one of the means described above. In addition, we do not believe it is more likely than not that we would be required to sell our remaining ARS until we can recover the full principal amount based on our other sources of liquidity.

We evaluated our entire ARS portfolio of $24 (par value) for impairment at August 4, 2012, based primarily on the methodology described in Note 5, *Fair Value Measurements*. As a result of this review, we determined that the fair value of our ARS portfolio at August 4, 2012 was $22. Accordingly, a $2 pre-tax unrealized loss is recognized in accumulated other comprehensive income. This unrealized loss reflects a temporary impairment on all of our investments in ARS. The estimated fair value of our ARS portfolio could change significantly based on future market conditions. We will continue to assess the fair value of our ARS portfolio for substantive changes in relevant market conditions, changes in our financial condition, or other changes that may alter our estimates described above.

We may be required to record an additional unrealized holding loss or an impairment charge to earnings if we determine that our ARS portfolio has incurred a further decline in fair value that is temporary or other-than-temporary, respectively. Factors that we consider when assessing our ARS portfolio for other-than-temporary impairment include the duration and severity of the impairment, the reason for the decline in value, the potential recovery period, the nature of the collateral or guarantees in place, and our intent and ability to hold an investment.

We had $(1), $(3) and $(1) of unrealized loss, net of tax, recorded in accumulated other comprehensive income at August 4, 2012, March 3, 2012 and July 30, 2011, respectively, related to our investments in debt securities.

Marketable Equity Securities

We invest in marketable equity securities and classify them as available-for-sale. Investments in marketable equity securities are classified as non-current assets within Equity and Other Investments in our Condensed Consolidated Balance Sheets and are reported at fair value based on quoted market prices.

Our investments in marketable equity securities were as follows:

	August 4, 2012	March 3, 2012	July 30, 2011
			(recast)
Common stock of TalkTalk Telecom Group PLC	$ —	$ —	$ 88
Common stock of Carphone Warehouse Group plc	—	—	61
Other	3	3	1
Total	$ 3	$ 3	$ 150

We review all investments for other-than-temporary impairment at least quarterly or as indicators of impairment exist. Indicators of impairment include the duration and severity of the decline in fair value, as well as the intent and ability to hold the investment to allow for a recovery in the market value of the investment. In addition, we consider qualitative factors that include, but are not limited to: (i) the financial condition and business plans of the investee, including its future earnings potential, (ii) the investee's credit rating, and (iii) the current and expected market and industry conditions in which the investee operates. If a decline in the fair value of an investment is deemed by management to be other-than-temporary, the cost basis of the investment is written down to fair value, and the amount of the write-down is included in net earnings.

All unrealized holding gains or losses related to our investments in marketable equity securities are reflected net of tax in accumulated other comprehensive income in shareholders' equity. The total unrealized gain, net of tax, included in accumulated other comprehensive income was $1 , $0 and $77 at August 4, 2012 , March 3, 2012 and July 30, 2011 , respectively.

Other Investments

The aggregate carrying values of investments accounted for using either the cost method or the equity method at August 4, 2012 , March 3, 2012 and July 30, 2011 , were $66 , $55 and $75 , respectively.

5. 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 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 tables set 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 August 4, 2012, March 3, 2012 and July 30, 2011, according to the valuation techniques we used to determine their fair values.

	Fair Value at August 4, 2012	Fair Value Measurements Using Inputs Considered as: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Other current assets				
Money market funds (restricted cash)	$ 62	$ 62	$ —	$ —
U.S. Treasury bills (restricted cash)	30	30	—	—
Equity and other investments				
Auction rate securities	22	—	—	22
Marketable equity securities	3	3	—	—
LIABILITIES				
Accrued liabilities				
Foreign currency derivative instruments	2	—	2	—

	Fair Value at March 3, 2012	Fair Value Measurements Using Inputs Considered as: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Cash and cash equivalents				
Money market funds	$ 272	$ 272	$ —	$ —
Other current assets				
Money market funds (restricted cash)	119	119	—	—
U.S. Treasury bills (restricted cash)	30	30	—	—
Foreign currency derivative instruments	1	—	1	—
Equity and other investments				
Auction rate securities	82	—	—	82
Marketable equity securities	3	3	—	—
LIABILITIES				
Accrued liabilities				
Foreign currency derivative instruments	2	—	2	—

	Fair Value at July 30, 2011	Fair Value Measurements Using Inputs Considered as Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(recast)	(recast)	(recast)	(recast)
ASSETS				
Cash and cash equivalents				
Money market funds	$ 605	$ 605	$ —	$ —
Commercial paper	165	—	165	—
Short-term investments				
U.S. Treasury bills	80	80	—	—
Other current assets				
Money market funds (restricted assets)	133	133	—	—
U.S. Treasury bills (restricted assets)	45	45	—	—
Foreign currency derivative instruments	5	—	5	—
Equity and other investments				
Auction rate securities	91	—	—	91
Marketable equity securities	150	150	—	—
Other assets				
Foreign currency derivative instruments	1	—	1	—
LIABILITIES				
Accrued liabilities				
Foreign currency derivative instruments	1	—	1	—

The following tables provide a reconciliation between the beginning and ending balances of items measured at fair value on a recurring basis in the tables above that used significant unobservable inputs (Level 3) for the three and five months ended August 4, 2012 and July 30, 2011 .

	Debt securities- Auction rate securities only: Student loan bonds	Municipal revenue bonds	Total
Balances at May 5, 2012	$ 64	$ 2	$ 66
Changes in unrealized losses included in other comprehensive income	3	—	3
Sales	(47)	—	(47)
Balances at August 4, 2012	$ 20	$ 2	$ 22

	Debt securities- Auction rate securities only: Student loan bonds	Municipal revenue bonds	Total
Balances at March 3, 2012	$ 80	$ 2	$ 82
Changes in unrealized losses included in other comprehensive income	4	—	4
Sales	(64)	—	(64)
Balances at August 4, 2012	$ 20	$ 2	$ 22

	Debt securities- Auction rate securities only		
	Student loan bonds	Municipal revenue bonds	Total
Balances at April 30, 2011	$ 95	$ 2	$ 97
Changes in unrealized losses included in other comprehensive income	2	—	2
Sales	(8)	—	(8)
Balances at July 30, 2011 (recast)	$ 89	$ 2	$ 91

	Debt securities- Auction rate securities only		
	Student loan bonds	Municipal revenue bonds	Total
Balances at February 26, 2011	$ 108	$ 2	$ 110
Changes in unrealized losses included in other comprehensive income	3	—	3
Sales	(22)	—	(22)
Balances at July 30, 2011 (recast)	$ 89	$ 2	$ 91

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 that are traded in an active market were measured at fair value using quoted market prices and, therefore, were classified as Level 1.

U.S. Treasury Bills. Our U.S. Treasury bills were classified as Level 1 as they trade with sufficient frequency and volume to enable us to obtain pricing information on an ongoing basis.

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.

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 active markets.

Auction Rate Securities. Our investments in ARS were classified as Level 3 as quoted prices were unavailable due to events described in Note 4, *Investments*. Due to limited market information, we utilized a discounted cash flow ("DCF") model to derive an estimate of fair value. The unobservable inputs and 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. Changes in these unobservable inputs are not likely to have a significant impact on the fair value measurement of our ARS.

Marketable Equity Securities. Our marketable equity securities were measured at fair value using quoted market prices. They were classified as Level 1 as they trade in active markets for which closing stock prices are readily available.

Assets and Liabilities 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 Operating Income in our Condensed Consolidated Statements of Earnings and Comprehensive Income.

With the exception of fixed asset impairments associated with our restructuring activities described in Note 7, *Restructuring Charges*, we had no significant remeasurements of such assets or liabilities to fair value during the six months ended August 4, 2012 and July 30, 2011. The following table summarizes the fair value remeasurements recorded during the six months ended August 4, 2012 and July 30, 2011:

	Six Months Ended August 4, 2012		Six Months Ended July 30, 2011	
	Impairments	Remaining Net Carrying Value	Impairments (recast)	Remaining Net Carrying Value (recast)
Continuing operations				
Property and equipment	$ 29	$ —	$ 1	$ —

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 these specific assets, for which their 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 short- and long-term debt. The fair values of cash, receivables, accounts payable, other payables, and short-term debt 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 8, *Debt*, for information about the fair value of our long-term debt.

6. Goodwill and Intangible Assets

The changes in the carrying values of goodwill and indefinite-lived tradenames by segment were as follows in the five months ended August 4, 2012 and July 30, 2011:

	Goodwill			Indefinite-lived Tradenames		
	Domestic	International	Total	Domestic	International	Total
Balances at March 3, 2012	$ 516	$ 819	$ 1,335	$ 19	$ 111	$ 130
Changes in foreign currency exchange rates	—	(7)	(7)	—	—	—
Acquisitions	14	—	14	—	—	—
Balances at August 4, 2012	$ 530	$ 812	$ 1,342	$ 19	$ 111	$ 130

	Goodwill			Indefinite-lived Tradenames		
	Domestic	International	Total	Domestic	International	Total
Balances at February 26, 2011	$ 422	$ 2,032	$ 2,454	$ 21	$ 84	$ 105
Changes in foreign currency exchange rates	—	53	53	—	3	3
Other [(1)]	—	—	—	—	28	28
Balances at July 30, 2011 (recast)	$ 422	$ 2,085	$ 2,507	$ 21	$ 115	$ 136

(1) Represents the transfer of certain definite-lived tradenames (at their net book value) to indefinite-lived tradenames following our decision not to phase out certain tradenames. We believe these tradenames will continue to contribute to our future cash flows indefinitely.

The following table provides the gross carrying amount of goodwill and cumulative goodwill impairment losses:

	August 4, 2012		March 3, 2012		July 30, 2011	
	Gross Carrying Amount	Cumulative Impairment	Gross Carrying Amount	Cumulative Impairment	Gross Carrying Amount	Cumulative Impairment
					(recast)	(recast)
Goodwill	$ 2,603	$ (1,261)	$ 2,596	$ (1,261)	$ 2,571	$ (64)

The following table provides the gross carrying values and related accumulated amortization of definite-lived intangible assets:

	August 4, 2012		March 3, 2012		July 30, 2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
					(recast)	(recast)
Customer relationships	$ 465	$ (244)	$ 453	$ (224)	$ 393	$ (214)

Total amortization expense for the three months ended August 4, 2012 and July 30, 2011, was $10 and $15, respectively, and was $20 and $30 for the six months then ended, respectively. The estimated future amortization expense for identifiable intangible assets is as follows:

Fiscal Year	
Remainder of fiscal 2013	$ 21
2014	41
2015	41
2016	41
2017	24
Thereafter	53

7. Restructuring Charges

Summary

Restructuring charges incurred in the six months ended August 4, 2012 and July 30, 2011, for our fiscal 2013, fiscal 2012 and fiscal 2011 restructuring activities were as follows:

	Six Months Ended	
	August 4, 2012	July 30, 2011
		(recast)
Continuing operations		
Fiscal 2013 restructuring	$ 224	$ —
Fiscal 2012 restructuring	6	—
Fiscal 2011 restructuring	(12)	4
Total	218	4
Discontinued operations		
Fiscal 2013 restructuring	—	—
Fiscal 2012 restructuring	3	—
Fiscal 2011 restructuring	2	29
Total (Note 3)	5	29
Total	$ 223	$ 33

Fiscal 2013 Restructuring

In the first quarter of fiscal 2013, we initiated a series of actions to restructure operations in our Domestic segment intended to improve operating performance. The actions include closure of approximately 50 large-format Best Buy branded stores in the U.S. and changes to the store and corporate operating models. The costs of implementing the changes primarily consist of facility closure costs, employee termination benefits and property and equipment (primarily store fixtures) impairments.

We incurred $91 of charges related to the fiscal 2013 restructuring in the second quarter of fiscal 2013, consisting primarily of facility closure and other costs related to our closure of 41 stores, partially offset by an adjustment to reduce our expected termination benefits due to a greater number of employees finding new positions within Best Buy than originally planned. In the first six months of fiscal 2013, we incurred $224 of restructuring charges related to the fiscal 2013 restructuring consisting primarily of facility closure and other costs, termination benefits and property and equipment impairments.

We expect to incur additional pre-tax restructuring charges (primarily facility closure costs) of between $25 and $75 related to our fiscal 2013 restructuring activities. The estimated facility closure costs associated with lease commitments on vacated stores will be recognized when stores are closed. We expect to substantially complete these restructuring activities in fiscal 2013, with the exception of lease payments for vacated stores which will continue until the lease expires or we otherwise terminate the lease.

All restructuring charges related to our fiscal 2013 restructuring activities are from continuing operations and are presented in Restructuring charges in our Condensed Consolidated Statements of Earnings and Comprehensive Income. The composition of the restructuring charges we incurred in the six months ended August 4, 2012 for our fiscal 2013 restructuring activities in the Domestic segment was as follows:

	Six Months Ended August 4, 2012
Continuing operations	
Property and equipment impairments	$ 27
Termination benefits	81
Facility closure and other costs, net	116
Total	$ 224

The following table summarizes our restructuring accrual activity during the five months ended August 4, 2012 related to termination benefits and facility closure and other costs associated with our 2013 restructuring activities:

	Termination Benefits	Facility Closure and Other Costs	Total
Balance at March 3, 2012	$ —	$ —	$ —
Charges	107	116	223
Cash payments	(35)	(2)	(37)
Adjustments	(27)	(6)	(33)
Balance at August 4, 2012	$ 45	$ 108	$ 153

Fiscal 2012 Restructuring

In the third quarter of fiscal 2012, we implemented a series of actions to restructure operations in our Domestic and International segments. The actions within our Domestic segment included a decision to modify our strategy for certain mobile broadband offerings, and in our International segment we closed our large-format Best Buy branded stores in the U.K. to refocus our Best Buy Europe strategy on our small-format stores. In addition, we impaired certain information technology ("IT") assets supporting the restructured activities in our International segment. We view these restructuring activities as necessary to meet our long-term financial performance objectives by refocusing our investments on areas that provide profitable growth opportunities and meet our overall return expectations. All restructuring charges directly related to the large-format Best Buy branded stores in the U.K. are reported within Loss from discontinued operations in our Condensed Consolidated Statements of Earnings and Comprehensive Income. Refer to Note 3, *Discontinued Operations* .

We incurred $9 of charges related to the fiscal 2012 restructuring in the first six months of fiscal 2013. Of the total charges, $6 related to our Domestic segment and consisted primarily of other costs resulting from the modified strategy for certain mobile broadband offerings. The remaining $3 of charges related to our International segment and were directly associated with the closure of our Best Buy branded stores in the U.K.

We do not expect to incur further material restructuring charges related to our fiscal 2012 restructuring activities in either our Domestic or International segments, as we have substantially completed these restructuring activities.

All restructuring charges from continuing operations related to our fiscal 2012 restructuring activities are presented in Restructuring charges in our Condensed Consolidated Statements of Earnings and Comprehensive Income, whereas all restructuring charges from discontinued operations related to our fiscal 2012 restructuring activities are presented in Loss from discontinued operations in our Condensed Consolidated Statements of Earnings and Comprehensive Income. The composition of the restructuring charges we incurred in the six months ended August 4, 2012 , as well as the cumulative amount incurred through August 4, 2012 , for our fiscal 2012 restructuring activities for both the Domestic and International segments was as follows:

	Domestic		International		Total	
	Six Months Ended August 4, 2012	Cumulative Amount through August 4, 2012	Six Months Ended August 4, 2012	Cumulative Amount through August 4, 2012	Six Months Ended August 4, 2012	Cumulative Amount through August 4, 2012
Continuing operations						
Property and equipment impairments	$ 1	$ 17	$ —	$ 15	$ 1	$ 32
Termination benefits	—	1	—	—	—	1
Facility closure and other costs, net	5	5	—	—	5	5
Total	6	23	—	15	6	38
Discontinued operations						
Inventory write-downs	—	—	—	11	—	11
Property and equipment impairments	—	—	—	96	—	96
Termination benefits	—	—	1	17	1	17
Facility closure and other costs, net	—	—	2	84	2	84
Total	—	—	3	208	3	208
Total	$ 6	$ 23	$ 3	$ 223	$ 9	$ 246

The following table summarizes our restructuring accrual activity during the five months ended August 4, 2012 related to termination benefits and facility closure and other costs associated with our 2012 restructuring activities:

	Termination Benefits	Facility Closure and Other Costs [(1)]	Total
Balance at March 3, 2012	$ 17	$ 85	$ 102
Charges	1	2	3
Cash payments	(17)	(77)	(94)
Adjustments	—	34	34
Changes in foreign currency exchange rates	—	2	2
Balance at August 4, 2012	$ 1	$ 46	$ 47

(1) Included within the adjustments to facility closure and other costs is $34 from the first quarter of fiscal 2013, representing an adjustment to exclude non-cash charges or benefits, which had no impact on our Condensed Consolidated Statements of Earnings and Comprehensive Income in the first quarter of fiscal 2013.

Fiscal 2011 Restructuring

In the fourth quarter of fiscal 2011, we implemented a series of actions to restructure operations in our Domestic and International segments in order to improve performance and enhance customer service. The restructuring actions included plans to improve supply chain and operational efficiencies in our Domestic segment's operations, primarily focused on modifications to our distribution channels and exit from certain digital delivery services within our entertainment product category. The actions also included plans to exit the Turkey market and restructure the Best Buy branded stores in China. As part of the international restructuring, we also impaired certain IT assets supporting the restructured activities in our International segment. We view these restructuring activities as necessary to meet our long-term growth goals by investing in businesses that have the potential to meet our internal rate of return expectations. All restructuring charges directly related to Turkey and China, as well as the Domestic charges directly related to our exit from certain digital delivery services within our entertainment product category, are reported within discontinued operations in our Condensed Consolidated Statements of Earnings and Comprehensive Income. Refer to Note 3, *Discontinued Operations* .

We incurred $33 of charges related to the fiscal 2011 restructuring in the first six months of fiscal 2012. Of the total charges, $5 related to our Domestic segment and consisted primarily of property and equipment impairments and facility closure costs associated with supply chain and operational improvements. Within our International segment, we incurred $28 of charges consisting primarily of termination benefits and facility closure costs related to actions taken to exit the Turkey market and restructure our Best Buy branded stores in China.

During the first six months of fiscal 2013, we recorded a net reduction to restructuring charges of $(10), which related primarily to our Domestic segment. The net reduction was largely the result of a gain recorded on the sale of a previously impaired distribution facility and equipment during the first quarter of fiscal 2013 (previously impaired through restructuring charges), partially offset by charges associated with the exit from certain digital delivery services within our entertainment product category.

We do not expect to incur further material restructuring charges related to our fiscal 2011 restructuring activities in either our Domestic or International segment.

For continuing operations, the cumulative inventory write-downs related to our fiscal 2011 restructuring activities were presented in Restructuring charges — cost of goods sold in our Condensed Consolidated Statements of Earnings and Comprehensive Income. The remainder of the restructuring charges are presented in Restructuring charges in our Condensed Consolidated Statements of Earnings and Comprehensive Income. However, all restructuring charges from discontinued operations related to our fiscal 2011 restructuring activities are presented in Loss from discontinued operations in our Condensed Consolidated Statements of Earnings and Comprehensive Income. The composition of the restructuring charges we incurred in the six months ended August 4, 2012 and July 30, 2011 , as well as the cumulative amount incurred through August 4, 2012 , for our fiscal 2011 restructuring activities for both the Domestic and International segments was as follows:

	Domestic			International			Total		
	Six Months Ended		Cumulative Amount through August 4, 2012	Six Months Ended		Cumulative Amount through August 4, 2012	Six Months Ended		Cumulative Amount through August 4, 2012
	August 4, 2012	July 30, 2011 (recast)		August 4, 2012	July 30, 2011 (recast)		August 4, 2012	July 30, 2011 (recast)	
Continuing operations									
Inventory write-downs	$ —	$ —	$ 28	$ —	$ —	$ —	$ —	$ —	$ 28
Property and equipment impairments	(12)	—	3	—	(1)	107	(12)	(1)	110
Termination benefits	—	—	13	—	—	—	—	—	13
Facility closure and other costs, net	—	5	4	—	—	—	—	5	4
Total	(12)	5	48	—	(1)	107	(12)	4	155
Discontinued operations									
Inventory write-downs	—	—	—	—	—	15	—	—	15
Property and equipment impairments	—	—	15	—	—	25	—	—	40
Termination benefits	—	—	4	—	18	19	—	18	23
Intangible asset impairments	—	—	13	—	—	—	—	—	13
Facility closure and other costs, net	3	—	3	(1)	11	4	2	11	7
Total	3	—	35	(1)	29	63	2	29	98
Total	$ (9)	$ 5	$ 83	$ (1)	$ 28	$ 170	$ (10)	$ 33	$ 253

The following tables summarize our restructuring accrual activity during the five months ended August 4, 2012 and July 30, 2011 , related to termination benefits and facility closure and other costs associated with our 2011 restructuring activities:

	Termination Benefits	Facility Closure and Other Costs[(1)]	Total
Balance at February 26, 2011	$ 28	$ 13	$ 41
Charges	6	—	6
Cash payments	(24)	(8)	(32)
Adjustments	(3)	8	5
Changes in foreign currency exchange rates	—	1	1
Balance at July 30, 2011 (recast)	$ 7	$ 14	$ 21

(1) Included within the adjustments to facility closure and other costs is $10 from the first quarter of fiscal 2011, representing an adjustment to exclude non-cash charges or benefits, which had no impact on our Condensed Consolidated Statements of Earnings and Comprehensive Income in the first quarter of fiscal 2012.

	Termination Benefits	Facility Closure and Other Costs	Total
Balance at March 3, 2012	$ 3	$ 9	$ 12
Charges	—	—	—
Cash payments	(2)	(3)	(5)
Adjustments	(1)	(1)	(2)
Balance at August 4, 2012	$ —	$ 5	$ 5

8. Debt

Short-Term Debt

Short-term debt consisted of the following:

	August 4, 2012	March 3, 2012	July 30, 2011 (recast)
U.S. revolving credit facility – 364-Day	$ —	$ —	$ —
U.S. revolving credit facility – Five-Year	—	—	—
Europe revolving credit facility	519	480	—
Europe receivables financing facility	—	—	386
Old Europe revolving credit facility	—	—	—
Canada revolving demand facility	—	—	—
China revolving demand facilities	—	—	6
Total short-term debt	$ 519	$ 480	$ 392

U.S. Revolving Credit Facility

On August 31, 2012, subsequent to the end of the second quarter of fiscal 2012, Best Buy Co., Inc. entered into a $1,000 364-day senior unsecured revolving credit facility agreement (the "364-Day Facility Agreement") with JPMorgan Chase Bank, N.A. ("JPMorgan"), as adminstrative agent, and a syndicate of banks. The 364-Day Facility Agreement terminates in August 2013 (subject to a one-year term-out option). The 364-Day Facility Agreement replaced the previously existing $1,000 364-day senior unsecured revolving credit facility with a syndicate of banks, including JPMorgan acting as administrative agent, which was originally scheduled to expire in October 2012.

Long-Term Debt

Long-term debt consisted of the following:

	August 4, 2012	March 3, 2012	July 30, 2011
			(recast)
2013 Notes	$ 500	$ 500	$ 500
2016 Notes	349	349	349
2021 Notes	648	648	648
Convertible debentures	—	—	402
Financing lease obligations	136	149	162
Capital lease obligations	73	81	82
Other debt	1	1	2
Total long-term debt	1,707	1,728	2,145
Less: current portion(1)	(542)	(43)	(444)
Total long-term debt, less current portion	$ 1,165	$ 1,685	$ 1,701

(1) Since holders of our convertible debentures could have required us to purchase all or a portion of the debentures on January 15, 2012, we classified the $402 for such debentures in the current portion of long-term debt at July 30, 2011 . Our 2013 Notes due July 15, 2013, are classified in the current portion of long-term debt as of August 4, 2012 .

The fair value of long-term debt approximated $1,669, $1,756 and $2,219 at August 4, 2012, March 3, 2012 and July 30, 2011, respectively, based primarily on the market prices quoted from external sources, compared with carrying values of $1,707, $1,728 and $2,145, respectively. If long-term debt was measured at fair value in the financial statements, it would be classified primarily as Level 1 in the fair value hierarchy.

See Note 8, *Debt* , in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended March 3, 2012 , for additional information regarding the terms of our debt facilities, debt instruments and other obligations.

9. Derivative Instruments

We manage our economic and transaction exposure to certain market-based risks through the use of foreign currency derivative instruments. Our objective in holding derivatives is to reduce the volatility of net earnings and cash flows associated with changes in foreign currency exchange rates. We do not hold or issue derivative financial instruments for trading or speculative purposes.

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

Cash Flow Hedges

We enter into foreign exchange forward contracts to hedge against the effect of exchange rate fluctuations on certain revenue streams denominated in non-functional currencies. The contracts generally have terms of up to two years. We report the effective portion of the gain or loss on a cash flow hedge as a component of other comprehensive income, and it is subsequently reclassified into net earnings in the period in which the hedged transaction affects net earnings or the forecast transaction is no longer probable of occurring. We report the ineffective portion, if any, of the gain or loss in net earnings. We did not have any cash flow hedges outstanding in the first six months of fiscal 2013.

Derivatives Not Designated as Hedging Instruments

Derivatives not designated as hedging instruments include foreign exchange forward contracts used 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 six months. These derivative instruments are not designated in hedging relationships and, therefore, we record gains and losses on these contracts directly in net earnings.

Summary of Derivative Balances

The following table presents the gross fair values for derivative instruments and the corresponding classification at August 4, 2012, March 3, 2012 and July 30, 2011:

Contract Type	August 4, 2012 Assets	August 4, 2012 Liabilities	March 3, 2012 Assets	March 3, 2012 Liabilities	July 30, 2011 Assets (recast)	July 30, 2011 Liabilities (recast)
Cash flow hedges (foreign exchange forward contracts)	$ —	$ —	$ —	$ —	$ 6	$ —
No hedge designation (foreign exchange forward contracts)	—	(2)	1	(2)	—	(1)
Total	$ —	$ (2)	$ 1	$ (2)	$ 6	$ (1)

The following tables present the effects of derivative instruments on other comprehensive income ("OCI") and on our Condensed Consolidated Statements of Earnings and Comprehensive Income for the three and six months ended August 4, 2012 and July 30, 2011:

Contract Type	Three Months Ended August 4, 2012 Pre-tax Gain Recognized in OCI(1)	Three Months Ended August 4, 2012 (Loss) Reclassified from Accumulated OCI to Earnings (Effective Portion)(2)	Six Months Ended August 4, 2012 Pre-tax Gain Recognized in OCI(1)	Six Months Ended August 4, 2012 (Loss) Reclassified from Accumulated OCI to Earnings (Effective Portion)(2)
Cash flow hedges (foreign exchange forward contracts)	$ —	$ —	$ —	$ (1)

Contract Type	Three Months Ended July 30, 2011 Pre-tax Gain Recognized in OCI(1) (recast)	Three Months Ended July 30, 2011 Gain Reclassified from Accumulated OCI to Earnings (Effective Portion)(2) (recast)	Six Months Ended July 30, 2011 Pre-tax Gain Recognized in OCI(1) (recast)	Six Months Ended July 30, 2011 Gain Reclassified from Accumulated OCI to Earnings (Effective Portion)(2) (recast)
Cash flow hedges (foreign exchange forward contracts)	$ 5	$ 5	$ 13	$ 7

(1) Reflects the amount recognized in OCI prior to the reclassification of 50% to noncontrolling interests for the cash flow and net investment hedges, respectively.

(2) Gain reclassified from accumulated OCI is included within selling, general and administrative expenses ("SG&A") in our Condensed Consolidated Statements of Earnings and Comprehensive Income.

The following table presents the effects of derivatives not designated as hedging instruments on our Condensed Consolidated Statements of Earnings and Comprehensive Income for the three and six months ended August 4, 2012 and July 30, 2011:

	Gain (Loss) Recognized within SG&A			
Contract Type	Three Months Ended August 4, 2012	Six Months Ended August 4, 2012	Three Months Ended July 30, 2011 (recast)	Six Months Ended July 30, 2011 (recast)
No hedge designation (foreign exchange forward contracts)	$ 6	$ 3	$ (4)	$ (12)

The following table presents the notional amounts of our foreign currency exchange contracts at August 4, 2012, March 3, 2012 and July 30, 2011:

	Notional Amount		
Contract Type	August 4, 2012	March 3, 2012	July 30, 2011
			(recast)
Derivatives designated as cash flow hedging instruments	$ —	$ —	$ 268
Derivatives not designated as hedging instruments	153	238	257
Total	$ 153	$ 238	$ 525

10. 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, as well as common shares that would have resulted from the assumed conversion of our convertible debentures. Since the potentially dilutive shares related to the convertible debentures are included in the computation, the related interest expense, net of tax, is added back to net earnings, as the interest would not have been paid if the convertible debentures had been converted to common stock. In February 2012, we repurchased and redeemed all of the remaining outstanding convertible debentures. 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 attributable to Best Buy Co., Inc. (shares in millions):

	Three Months Ended		Six Months Ended	
	August 4, 2012	July 30, 2011	August 4, 2012	July 30, 2011
		(recast)		(recast)
Numerator				
Net (loss) earnings from continuing operations	$ (7)	$ 148	$ 154	$ 441
Net loss (earnings) from continuing operations attributable to noncontrolling interests	19	2	19	(36)
Net earnings from continuing operations attributable to Best Buy Co., Inc., basic	12	150	173	405
Adjustment for assumed dilution:				
Interest on convertible debentures, net of tax	—	2	—	3
Net earnings from continuing operations attributable to Best Buy Co., Inc., diluted	$ 12	$ 152	$ 173	$ 408
Denominator				
Weighted-average common shares outstanding	338.2	376.0	340.3	383.6
Effect of potentially dilutive securities:				
Shares from assumed conversion of convertible debentures	—	8.8	—	8.8
Stock options and other	0.4	0.8	0.7	0.9
Weighted-average common shares outstanding, assuming dilution	338.6	385.6	341.0	393.3
Net earnings per share from continuing operations attributable to Best Buy Co., Inc.				
Basic	$ 0.04	$ 0.40	$ 0.51	$ 1.06
Diluted	$ 0.04	$ 0.39	$ 0.51	$ 1.04

The computation of weighted-average common shares outstanding, assuming dilution, excluded options to purchase 29.7 million and 29.7 million shares of our common stock for the three months ended August 4, 2012 and July 30, 2011, respectively, and options to purchase 29.3 million and 29.6 million shares of our common stock for the six months ended

August 4, 2012 and July 30, 2011, 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).

11. Comprehensive Income

The components of accumulated other comprehensive income, net of tax, attributable to Best Buy Co., Inc. were as follows:

	August 4, 2012	March 3, 2012	July 30, 2011 (recast)
Foreign currency translation	$ 87	$ 93	$ 203
Unrealized (losses) gains on available-for-sale investments	(1)	(3)	76
Unrealized gains on derivative instruments (cash flow hedges)	—	—	2
Total	$ 86	$ 90	$ 281

12. Repurchase of Common Stock

In June 2011, our Board of Directors authorized a new $5,000 share repurchase program. The June 2011 program terminated and replaced our prior $5,500 share repurchase program authorized in June 2007. There is no expiration date governing the period over which we can repurchase shares under the June 2011 share repurchase program.

The following table shows the amount and cost of shares we repurchased and retired for the three and six months ended August 4, 2012 and July 30, 2011, under the June 2011 program and the June 2007 program.

	Three Months Ended		Six Months Ended	
	August 4, 2012	July 30, 2011 (recast)	August 4, 2012	July 30, 2011 (recast)
June 2011 Program				
Number of shares repurchased	6.3	4.6	10.9	4.6
Cost of shares repurchased	$ 122	$ 139	$ 237	$ 139
June 2007 Program				
Number of shares repurchased	—	9.2	—	20.1
Cost of shares repurchased	$ —	$ 286	$ —	$ 611

At August 4, 2012, $3,989 remained available for additional purchases under the June 2011 share repurchase program. Repurchased shares have been retired and constitute authorized but unissued shares.

13. 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 United States and its territories) and International (which is comprised of all operations outside the United States and its territories). 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. Segment managers for the Domestic segment and the International segment have full responsibility for setting strategy, making operating decisions, allocating resources and assessing performance within their respective segments. Our CODM does not make operating or other decisions below the segment levels. Our CODM relies on internal management reporting that analyzes enterprise and segment results to the operating income level.

We do not aggregate our operating segments, so our 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 March 3, 2012.

Revenue by reportable segment was as follows:

	Three Months Ended		Six Months Ended	
	August 4, 2012	July 30, 2011	August 4, 2012	July 30, 2011
		(recast)		(recast)
Domestic	$ 7,803	$ 7,977	$ 16,625	$ 16,369
International	2,744	2,879	5,532	5,856
Total	$ 10,547	$ 10,856	$ 22,157	$ 22,225

Operating income (loss) by reportable segment and the reconciliation to earnings from continuing operations before income tax expense and equity in loss of affiliates were as follows:

	Three Months Ended		Six Months Ended	
	August 4, 2012	July 30, 2011	August 4, 2012	July 30, 2011
		(recast)		(recast)
Domestic	$ 83	$ 239	$ 378	$ 605
International	(50)	21	(83)	115
Total operating income	33	260	295	720
Other income (expense)				
Investment income and other	6	8	12	25
Interest expense	(30)	(33)	(63)	(61)
Earnings from continuing operations before income tax expense and equity in loss of affiliates	$ 9	$ 235	$ 244	$ 684

Assets by reportable segment were as follows:

	August 4, 2012	March 3, 2012	July 30, 2011
			(recast)
Domestic	$ 9,884	$ 9,592	$ 10,887
International	5,965	6,413	8,409
Total	$ 15,849	$ 16,005	$ 19,296

14. Contingencies

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. An opposition to the plaintiffs' motion was filed, with argument heard on June 8, 2012, and we await the court's decision. As a result, the court's decision on the motion to dismiss is not final, and the time period for an appeal thereof is delayed until 30 days after a court order disposing of the plaintiffs' new motion.

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 until after a final resolution of the motion to dismiss in the consolidated *IBEW Local 98 Pension Fund v. Best Buy Co., Inc., et al.* case.

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. 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.

15. Subsequent Event

On August 19, 2012, Best Buy Co., Inc. appointed Hubert Joly, 53, as Best Buy's President and Chief Executive Officer, effective September 4, 2012. In connection with Mr. Joly's appointment, Best Buy entered into an employment agreement with Mr. Joly dated August 19, 2012.

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.

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, trends and other factors significantly impacting our financial condition, results of operations and liquidity are discussed in order of magnitude. In addition, unless expressly stated otherwise, the comparisons presented in this MD&A refer to the same period in the prior year. Our MD&A is presented in six sections:

- Overview
- Results of Operations
- Liquidity and Capital Resources
- Off-Balance-Sheet Arrangements and Contractual Obligations
- Significant Accounting Policies and Estimates
- New Accounting Standards

Our MD&A should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended March 3, 2012, 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 multi-national retailer of consumer electronics, computing and mobile phone products, entertainment products, appliances, and related services. We operate two reportable segments: Domestic and International. The Domestic segment is comprised of all operations within the U.S. and its territories. The International segment is comprised of all operations outside the U.S. and its territories.

Our business, like that of many retailers, is seasonal. Historically, we have realized more of our revenue and earnings in the fiscal fourth quarter, which includes the majority of the holiday shopping season in the U.S., Europe, and Canada, than in any other fiscal quarter.

While some of the products and services we offer are viewed by consumers as essential, others are viewed as discretionary purchases. Consequently, our results of operations are susceptible to changes in consumer confidence levels and macroeconomic factors such as unemployment, consumer credit availability, and the condition of the housing market. Consumers have maintained a cautious approach to discretionary spending due to continued economic pressures. Consequently, customer traffic and spending patterns continue to be difficult to predict. Other factors that directly impact our performance are product life-cycles (including the introduction and adoption of new technology) and the competitive retail environment for our products and services. As a result of these factors, predicting our future revenue and net earnings is difficult. By providing access to a wide selection of products and accessories; a vast array of service offerings, such as extended warranties, installation and repair; an integrated multi-channel approach; and a knowledgeable sales staff to help our customers select their devices and access related services and content, we believe we offer our customers a differentiated value proposition. Disciplined capital allocation, working capital management, and expense control remain key priorities for us as we navigate through the current environment.

Throughout this MD&A, we refer to comparable store sales. Comparable store sales is a commonly used metric in the retail industry, which compares revenue for a particular period with the corresponding period in the prior year, excluding the impact of sales from new stores opened. Our comparable store sales is comprised of revenue from stores operating for at least 14 full months, as well as revenue related to call centers, web sites, and our other comparable sales channels. Revenue we earn from sales of merchandise to wholesalers or dealers is not included within our comparable store sales calculation. Relocated stores, as well as remodeled, expanded, and downsized stores closed more than 14 days, are excluded from the comparable store sales calculation until at least 14 full months after reopening. Acquired stores are included in the comparable store sales calculation beginning with the first full quarter following the first anniversary of the date of the acquisition. The calculation of comparable store sales excludes the impact of the extra week of revenue in the first quarter of fiscal 2013, as well as revenue from discontinued operations. The portion of our calculation of the comparable store sales percentage change attributable to our International segment excludes the effect of fluctuations in foreign currency exchange rates. The method of calculating comparable store sales varies across the retail industry. As a result, our method of calculating comparable store sales may not be the same as other retailers' methods.

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. The impact of foreign currency exchange rate fluctuations is typically calculated as the difference between current period activity translated using the current period’s currency exchange rates and the comparable prior-year period’s currency exchange rates. We use this method to calculate the impact of changes in foreign currency exchange rates for all countries where the functional currency is not the U.S. dollar.

In our discussions of the operating results below, we sometimes refer to the impact of net store changes on our results of operations. The key factors that dictate the impact that the net store changes have on our operating results include: (i) the size and format of new stores, as we operate stores ranging from approximately 1,000 square feet to approximately 50,000 square feet; (ii) the length of time the stores were open during the period; and (iii) the overall success of new store launches.

This MD&A includes financial information prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), as well as certain non-GAAP financial measures such as adjusted operating income, adjusted net earnings from continuing operations, adjusted diluted earnings per share ("EPS") from continuing operations and adjusted debt to earnings before goodwill impairment, interest, income taxes, depreciation, amortization and rent ("EBITDAR") ratio. Generally, a non-GAAP financial measure is a numerical measure of financial performance, financial position, or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP financial measures should be viewed as a supplement to, and not a substitute for, financial measures presented in accordance with GAAP. Non-GAAP measures as presented herein may not be comparable to similarly titled measures used by other companies.

We believe that the non-GAAP measures described above provide meaningful information to assist shareholders in understanding our financial results and assessing our prospects for future performance. Management believes adjusted operating income, adjusted net earnings from continuing operations, and adjusted diluted EPS from continuing operations are important indicators of our operations because they exclude items that may not be indicative of or are unrelated to our core operating results and provide a baseline for analyzing trends in our underlying businesses. To measure adjusted operating income, we remove the impact of restructuring charges from our calculation of operating income. Adjusted net earnings from continuing operations is calculated by removing the after-tax impact of restructuring charges from our calculation of net earnings. To measure adjusted diluted EPS from continuing operations, we exclude the per share impact of restructuring charges from our calculation of diluted EPS. Management believes our adjusted debt to EBITDAR ratio is an important indicator of our creditworthiness. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. These non-GAAP financial measures are an additional way of viewing aspects of our operations that, when viewed with our GAAP results and the reconciliations to corresponding GAAP financial measures within our discussion of Consolidated Performance, below, provide a more complete understanding of our business. 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.

Results of Operations

Beginning in the first quarter of fiscal 2013, we changed our fiscal year-end from the Saturday nearest the end of February to the Saturday nearest the end of January. As a result of this change, our fiscal year 2013 is an 11-month transition period ending on February 2, 2013. In the first quarter of fiscal 2013, we also began consolidating the results of our Europe, China, and Mexico operations on a one-month lag as a result of this change, compared to a two-month lag in fiscal year 2012, to continue to align our fiscal reporting periods with statutory filing requirements in certain foreign jurisdictions. Consistent with such consolidation, the financial and non-financial information presented in our MD&A relative to these operations is also presented on a one-month lag. There were no significant intervening events which would have materially affected our financial condition, results of operations, liquidity, or other factors had they been recorded during the three months ended August 4, 2012.

In order to allow an immediate transition to our new fiscal calendar and to maintain transparency and comparability of financial information included in our quarterly Form 10-Q filings, we are presenting such quarterly information on a three- and six-month basis for both the current and prior fiscal years, in both instances based on the new fiscal calendar. Following the change to our fiscal calendar, the second quarter of fiscal 2013 is the three and six months ended August 4, 2012 , and these periods, together with the comparable periods in the prior fiscal year, the three and six months ended July 30, 2011 , form the basis for the results discussed in our MD&A. See Note 2, *Fiscal Year-end Change* , of Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for further information regarding the fiscal year change.

Discontinued Operations Presentation

The results of our large-format Best Buy branded stores in China, Turkey, and the United Kingdom ("U.K."), The Phone House retail stores in Belgium, and Napster are presented as discontinued operations in our Condensed Consolidated Statements of Earnings and Comprehensive Income. Unless otherwise stated, financial results discussed herein refer to continuing operations.

Consolidated Performance Summary

We currently face a challenging global consumer electronics industry, as macroeconomic issues, product convergence and life-cycle declines in traditionally large product categories, and increased competition have pressured revenue and gross profit. In particular, macroeconomic pressures in Europe and a general economic slowdown in China resulted in comparable store sales declines in the second quarter of fiscal 2013. In addition, operations in our Domestic segment and Canada continued to face product life-cycle declines in gaming, notebooks and televisions. However, we have seen growth in tablets and mobile phones in the Domestic segment and Canada, which partially offset the comparable store sales decline.

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

	Three Months Ended		Six Months Ended	
	August 4, 2012	July 30, 2011 (recast)	August 4, 2012	July 30, 2011 (recast)
Revenue	$ 10,547	$ 10,856	$ 22,157	$ 22,225
Revenue % decline	(2.8)%	(0.4)%	(0.3)%	— %
Comparable store sales % decline	(3.2)%	(3.8)%	(4.3)%	(3.4)%
Gross profit	$ 2,564	$ 2,762	$ 5,471	$ 5,683
Gross profit as a % of revenue [(1)]	24.3 %	25.4 %	24.7 %	25.6 %
SG&A	$ 2,440	$ 2,502	$ 4,958	$ 4,959
SG&A as a % of revenue [(1)]	23.1 %	23.0 %	22.4 %	22.3 %
Restructuring charges	$ 91	$ —	$ 218	$ 4
Operating income	$ 33	$ 260	$ 295	$ 720
Operating income as % of revenue	0.3 %	2.4 %	1.3 %	3.2 %
Net earnings from continuing operations [(2)]	$ 12	$ 150	$ 173	$ 405
Loss from discontinued operations[(3)]	$ —	$ (22)	$ (3)	$ (65)
Net earnings attributable to Best Buy Co., Inc.	$ 12	$ 128	$ 170	$ 340
Diluted earnings per share from continuing operations	$ 0.04	$ 0.39	$ 0.51	$ 1.04
Diluted earnings per share	$ 0.04	$ 0.34	$ 0.50	$ 0.87

(1) Because retailers vary in how they record certain costs between cost of goods sold and selling, general and administrative expenses ("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 March 3, 2012.

(2) Includes both net (loss) earnings from continuing operations and net loss (earnings) from continuing operations attributable to noncontrolling interests.

(3) Includes both net loss from discontinued operations and net loss from discontinued operations attributable to noncontrolling interests.

The components of the (2.8)% and (0.3)% revenue decreases for the second quarter and first six months of fiscal 2013, respectively, were as follows:

	Three Months Ended August 4, 2012	Six Months Ended August 4, 2012
Comparable store sales impact	(3.0)%	(4.0)%
Impact of foreign currency exchange rate fluctuations	(0.4)%	(0.3)%
Net store changes	(0.2)%	0.5 %
Non-comparable store sales channels[(1)]	0.8 %	0.2 %
Extra week of revenue[(2)]	— %	3.3 %
Total revenue decrease	(2.8)%	(0.3)%

(1) Non-comparable store sales channels primarily reflects the impact from revenue we earn from sales of merchandise to wholesalers and dealers, as well as other non-comparable sales channels not included within our comparable store sales calculation.

(2) Represents the estimated incremental revenue associated with stores in our Domestic segment and Canada in fiscal 2013, which had 27 weeks of activity,

compared to 26 weeks in the first six months of fiscal 2012.

The gross profit rate decreased by 1.1% of revenue for the second quarter of fiscal 2013. Gross profit rate declines in our Domestic and International segments accounted for a decrease of 0.8% of revenue and 0.3% of revenue, respectively. For the first six months of fiscal 2013, the gross profit rate decreased by 0.9% of revenue. Gross profit rate declines in our Domestic and International segments accounted for decreases of 0.5% of revenue and 0.4% of revenue, respectively. For further discussion of each segment's gross profit rate changes, see *Segment Performance Summary* , below.

The SG&A rate increased by 0.1% of revenue for the second quarter of fiscal 2013. Our Domestic segment contributed a rate decrease of 0.3% of revenue, with an offsetting rate increase of 0.4% of revenue from our International segment. For the first six months of fiscal 2013, the SG&A rate increased by 0.1% of revenue. Our Domestic segment contributed a rate decrease of 0.4% of revenue, with an offsetting rate increase of 0.5% of revenue from our International segment. For further discussion of each segment's SG&A rate changes, see *Segment Performance Summary*, below.

We recorded restructuring charges of $91 million and $218 million in the second quarter and first six months of fiscal 2013, all of which were recorded in our Domestic segment. We recorded no restructuring charges in the second quarter of fiscal 2012. In the first six months of fiscal 2012, we recorded $4 million of restructuring charges related primarily to our Domestic segment. These restructuring charges resulted in a decrease in our operating income in the second quarter and first six months of fiscal 2013 of 0.9% of revenue and 1.0% of revenue, respectively. The restructuring charges recorded in the first six months of fiscal 2012 had no impact on our operating income rate. For further discussion of each segment's restructuring charges, see *Segment Performance Summary*, below.

Operating income decreased $227 million, or 87.3%, and our operating income rate decreased to 0.3% of revenue in the second quarter of fiscal 2013, compared to 2.4% of revenue in the second quarter of fiscal 2012. For the first six months of fiscal 2013, operating income decreased 59.0% to $295 million or, as a percentage of revenue, to 1.3%. The decrease in operating income and operating income rate was driven by operating losses from our International segment, compared to operating income in the prior-year periods and decreases in operating income from our Domestic segment compared to the prior-year periods. The operating income decreases in the Domestic segment were due to a decrease in the gross profit rate and an increase in restructuring charges.

Other Income (Expense)

Investment income and other in the second quarter and first six months of fiscal 2013 was $6 million and $12 million, respectively, compared to $8 million and $25 million, respectively, in the prior-year periods. The decrease in the second quarter is primarily due to lower cash and cash equivalents and a decrease in dividend income due to the sale of Carphone Warehouse Group plc ("CPW") and TalkTalk shares in the third quarter of fiscal 2012. The decrease in the first six months was also due to a realized gain on the sale of an investment in the prior-year period, which did not recur in fiscal 2013.

Interest expense in the second quarter and first six months of fiscal 2013 remained relatively flat at $30 million and $63 million, respectively, compared to $33 million and $61 million, respectively, in the prior-year periods. The reduction in interest expense from the repayment of our convertible debt in January 2012 was offset by interest expense on our $1 billion of long-term debt securities that remained outstanding for the first two quarters of fiscal 2013, compared to half of the first quarter of fiscal 2012.

Income Tax Expense

Income tax expense decreased to $14 million in the second quarter of fiscal 2013 compared to $87 million in the prior-year period, primarily as a result of a decrease in pre-tax earnings. Our effective income tax rate in the second quarter of fiscal 2013 was 156.1%, compared to a rate of 36.8% in the second quarter of fiscal 2012. The increase in the effective income tax rate was primarily due to the decrease in our pre-tax earnings, as the impact of discrete tax items on our effective income tax rate is greater when our pre-tax earnings are lower.

Income tax expense decreased to $86 million in the first six months of fiscal 2013 compared to $242 million in the prior-year period, primarily as a result of a decrease in pre-tax earnings. Our effective income tax rate for the first six months of fiscal 2013 was 35.4%, compared to a rate of 35.3% in the first six months of fiscal 2012. The rate remained relatively flat compared to the prior-year period as the resolution of a foreign tax matter was offset by a lower mix of forecast taxable income from foreign operations.

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.

Discontinued Operations

Discontinued operations include our large-format Best Buy branded stores in China, Turkey, and the U.K., and The Phone House retail stores in Belgium in our International segment, as well as Napster in our Domestic segment.

The decrease in loss from discontinued operations in the second quarter and first six months of fiscal 2013 compared to the second quarter and first six months of fiscal 2012 was the result of all of the above listed operations having been largely inactive during the current year period, whereas we were still operating our U.K. and Belgium stores, as well as Napster, during the prior-year period.

Net Earnings from Continuing Operations Attributable to Noncontrolling Interests

The decrease in net earnings from continuing operations attributable to noncontrolling interests in the second quarter and first six months of fiscal 2013 compared to the same periods in fiscal 2012 was due to our purchase of CPW's interest in the Best Buy Mobile profit share agreement (the "Mobile buy-out") in the fourth quarter of fiscal 2012. As a result of the Mobile buy-out, CPW is no longer entitled to a portion of the profit share payments to Best Buy Europe Distributions Limited ("Best Buy Europe"), our subsidiary in which CPW holds a 50% noncontrolling interest. In addition, net earnings from continuing operations attributable to noncontrolling interests also decreased due to a decline in net earnings of Best Buy Europe.

Non-GAAP Financial Measures

The following table reconciles operating income, net earnings, and diluted EPS for the periods presented for continuing operations (GAAP financial measures) to adjusted operating income, adjusted net earnings, and adjusted diluted EPS for continuing operations (non-GAAP financial measures) for the periods presented.

	Three Months Ended		Six Months Ended	
	August 4, 2012	July 30, 2011	August 4, 2012	July 30, 2011
		(recast)		(recast)
Operating income	$ 33	$ 260	$ 295	$ 720
Restructuring charges	91	—	218	4
Adjusted operating income	$ 124	$ 260	513	$ 724
Net earnings from continuing operations	$ 12	$ 150	$ 173	$ 405
After-tax impact of restructuring charges	56	—	141	3
Adjusted net earnings from continuing operations	$ 68	$ 150	$ 314	$ 408
Diluted EPS from continuing operations	$ 0.04	$ 0.39	$ 0.51	$ 1.04
Per share impact of restructuring charges	0.16	—	0.41	—
Adjusted diluted EPS from continuing operations	$ 0.20	$ 0.39	$ 0.92	$ 1.04

Adjusted operating income decreased $136 million, or 52.3%, and our adjusted net earnings decreased $82 million, or 54.7%, in the second quarter of fiscal 2013 compared to the second quarter of fiscal 2012. This resulted in a decrease to our adjusted diluted EPS of $0.19, or 48.7%. For the first six months of fiscal 2013, adjusted operating income decreased $211 million, or 29.1%, and our adjusted net earnings decreased $94 million, or 23.0%. The resulting impact on adjusted diluted EPS was a decrease of $0.12, or 11.5%. The decreases in adjusted operating income, adjusted net earnings, and adjusted diluted EPS were driven by operating losses from our International segment, compared to operating income in the prior-year periods, and decreases in operating income from our Domestic segment compared to the prior year. The operating income decreases in the Domestic segment were primarily due to a decrease in the gross profit rate.

Segment Performance Summary

Domestic

In the second quarter of fiscal 2013, we experienced sales growth in tablets and mobile phones, with continued consumer demand for products as new technology is introduced. In addition, we continued to experience sales growth in appliances in the second quarter of fiscal 2013, as a result of operating model improvements and effective promotional strategies for appliances surrounding the secondary holidays. However, these increases were more than offset by decreases in other product categories consistent with overall industry trends. For example, notebooks, gaming, and televisions have been negatively impacted by the lower consumer demand and the absence of new products and technology. Certain other products (in particular, compact cameras and camcorders) have faced declining demand due in part to the inclusion of their key features in new products, such as smartphones. In addition, the net impact from the closure of large-format stores in the second quarter of fiscal 2013 contributed to the overall revenue decline.

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

	Three Months Ended		Six Months Ended	
	August 4, 2012	July 30, 2011 (recast)	August 4, 2012	July 30, 2011 (recast)
Revenue	$ 7,803	$ 7,977	$ 16,625	$ 16,369
Revenue % (decline) growth	(2.2)%	(2.5)%	1.6 %	(2.0)%
Comparable store sales % decline	(1.6)%	(4.1)%	(2.7)%	(3.9)%
Gross profit	$ 1,896	$ 2,026	$ 4,129	$ 4,173
Gross profit as % of revenue	24.3 %	25.4 %	24.8 %	25.5 %
SG&A	$ 1,722	$ 1,787	$ 3,533	$ 3,563
SG&A as % of revenue	22.1 %	22.4 %	21.3 %	21.8 %
Restructuring charges	$ 91	$ —	$ 218	$ 5
Operating income	$ 83	$ 239	$ 378	$ 605
Operating income as % of revenue	1.1 %	3.0 %	2.3 %	3.7 %

The components of our Domestic segment's (2.2)% revenue decrease and 1.6% revenue increase for the second quarter and first six months of fiscal 2013, respectively, were as follows:

	Three Months Ended August 4, 2012	Six Months Ended August 4, 2012
Comparable store sales impact	(1.6)%	(2.6)%
Net store changes	(1.0)%	(0.2)%
Non-comparable store sales channels[1]	0.4 %	0.4 %
Extra week of revenue[2]	— %	4.0 %
Total revenue (decrease) increase	(2.2)%	1.6 %

(1) Non-comparable store sales channels reflects the impact from revenue we earn from sales channels not included within our comparable store sales calculation.

(2) Represents the estimated incremental revenue associated with stores in our Domestic segment in fiscal 2013, which had 27 weeks of activity, compared to 26 weeks in the first six months of fiscal 2012.

The following table reconciles the number of Domestic stores open at the beginning and end of the second quarters of fiscal 2013 and 2012:

	Fiscal 2013				Fiscal 2012 (recast)			
	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	1,103	—	(41)	1,062	1,101	4	—	1,105
Best Buy Mobile stand-alone	326	33	—	359	193	17	—	210
Pacific Sales	34	—	—	34	35	—	—	35
Magnolia Audio Video	5	—	—	5	6	—	(1)	5
Total Domestic segment stores	1,468	33	(41)	1,460	1,335	21	(1)	1,355

The impact of net store changes on our revenue is a result of store opening and closing activity during the past 12 months, as well as stores opened in the prior year that are not included in comparable stores sales due to the timing of their opening. The net decrease in large-format Best Buy branded stores contributed the majority of the total decrease in revenue associated with net store changes in the second quarter of fiscal 2013 compared to the prior-year period. The addition of small-format Best Buy Mobile stand-alone stores partially offset the decrease, as the proportion contributed to revenue is smaller due to their smaller square footage and limited category focus compared to our large-format stores.

The following table presents the Domestic segment’s revenue mix percentages and comparable store sales percentage changes by revenue category in the second quarters of fiscal 2013 and 2012:

	Revenue Mix		Comparable Store Sales	
	Three Months Ended		Three Months Ended	
	August 4, 2012	July 30, 2011 (recast)	August 4, 2012	July 30, 2011 (recast)
Consumer Electronics	33%	36%	(9.6)%	(8.6)%
Computing and Mobile Phones	44%	40%	8.2 %	2.2 %
Entertainment	8%	10%	(22.1)%	(18.2)%
Appliances	7%	6%	9.0 %	5.4 %
Services	7%	7%	1.2 %	3.4 %
Other	1%	1%	n/a	n/a
Total	100%	100%	(1.6)%	(4.1)%

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

- **Consumer Electronics:** The 9.6% comparable store sales decline was driven primarily by a decrease in the sales of digital imaging products, particularly compact cameras and camcorders, as a result of overall industry weakness due to convergence with smartphones. In addition, we experienced a decrease in television revenue due primarily to a decrease in average selling price from an increased sales mix of small and mid-sized televisions, as units sold increased. The declines were partially offset by the increased sales of e-Readers, which continued to experience gains, although at a lower rate than in prior quarters.
- **Computing and Mobile Phones:** The 8.2% comparable store sales gain resulted primarily from increased sales of tablets due to new product launches and strong consumer demand, as well as mobile phones due to an increased mix of smartphones and new product launches. The growth in tablets and mobile phones was partially offset by a decline in sales of notebook computers, consistent with recent trends.
- **Entertainment:** The 22.1% comparable store sales decline was mainly the result of a decline in gaming, as the industry weakness noted in past quarters continued into the second quarter of fiscal 2013. We believe the weakness in the gaming industry is due to fewer new software releases and the absence of new gaming platforms. We also continued to experience declines in the sales of movies and music.
- **Appliances:** The 9.0% comparable store sales gain is consistent with the trends we have experienced over the last four fiscal quarters, as we have continued to improve our promotional effectiveness and implement operational improvements, including the addition of more Pacific Sales store-within-a-store concepts.
- **Services:** The 1.2% comparable store sales gain was primarily due to increases in the sales of warranties, primarily related to mobile phones and tablets.

Our Domestic segment experienced a decrease in gross profit of $130 million, or 6.4%, in the second quarter of fiscal 2013 compared to the second quarter of fiscal 2012, due primarily to a decline in the gross profit rate and the decrease in revenue as previously described. The 1.1% of revenue decline in the gross profit rate resulted primarily from the following factors:

- an increased mix of smartphones with higher average selling prices but a lower margin rate;
- increased promotional activity in computing to stimulate demand and manage inventory levels ahead of anticipated product launches in the second half of the fiscal year; and
- an increased mix of lower margin small and mid-sized televisions;
- partially offset by an improvement in sales mix due to increased sales of mobile phones and decreased sales of notebooks and gaming products.

For the first six months of fiscal 2013, our Domestic segment experienced a decrease in gross profit of $44 million, or 1.1%, compared to the prior-year period. The decrease in gross profit was mainly a result of a gross profit rate decline of 0.7% of revenue, partially offset by an extra week of operations in the first six months of fiscal 2013. The gross profit rate decline resulted from many of the same factors that impacted the second quarter, including increased promotional activity in computing and an increased mix of lower margin small and mid-sized televisions, which were partially offset by an improvement in sales mix due to increased sales of mobile phones and decreased sales of notebooks and gaming products. In addition, a decline in computer repair revenue and a shift from one-time computer repair services to ongoing support contracts contributed to the gross profit rate decline in the first six months of fiscal 2013.

Our Domestic segment's SG&A decreased $65 million, or 3.6%, in the second quarter of fiscal 2013 compared to the prior-year period. The decrease in SG&A was driven by decreases in volume-related expenses (including compensation costs) as well as operating model changes and store closures and the elimination of the Best Buy Mobile profit share-based management fee. This decrease was partially offset by the addition of 33 new Best Buy Mobile stand-alone stores. The SG&A rate declined by 0.3% of revenue as a result of the aforementioned factors.

Our Domestic segment's SG&A decreased $30 million, or 0.8%, in the first six months of fiscal 2013 compared to the prior-year period. The decrease in SG&A was driven by decreases in volume-related expenses (including compensation costs) due to operating model changes and store closures, the elimination of the Best Buy Mobile profit share-based management fee and reduced advertising costs. This decrease was partially offset by the extra week of operations in the first quarter of fiscal 2013 and the addition of 149 new Best Buy Mobile stand-alone stores over the last twelve months. The SG&A rate declined by 0.5% of revenue as a result of the aforementioned factors.

Our Domestic segment recorded $91 million and $218 million of restructuring charges in the second quarter and first six months of fiscal 2013, respectively. The restructuring charges consisted of facility closure costs, employee termination benefits and property and equipment impairments related to the closure of large-format Best Buy branded stores in the U.S., changes to the store and corporate operating models, and other measures intended to reduce costs associated with product life-cycle management and supply chain. These restructuring charges resulted in a decrease in our operating income in the second quarter of fiscal 2013 of 1.2% of revenue. Our Domestic segment recorded no restructuring charges in the second quarter and $5 million of restructuring charges in first six months of fiscal 2012.

Our Domestic segment's operating income in the second quarter and first six months of fiscal 2013 decreased by $156 million and $227 million, respectively, compared to the same period in the prior year. The decreases were due primarily to an increase in restructuring charges and a decrease in the gross profit rate. An increase in operating income due to the extra week of operations partially offset the decrease in the first six months of fiscal 2013.

International

The International segment experienced a comparable store sales decline and an overall sales decline in the second quarter of fiscal 2013 compared to the prior-year period. In China, we experienced sales declines due to lower consumer demand, slower economic growth and the end of certain government stimulus programs in December 2011. In Canada, we experienced product life-cycle declines in notebooks, gaming and televisions. In Europe, the difficult macroeconomic environment and increased competition led to comparable store sales declines, which were offset by increased wholesale sales. The combination of lower sales in China and Canada, as well as a decrease in the gross profit rate in Europe due to an increased mix of wholesale sales and promotional activity, resulted in lower gross profit and operating income in our International segment.

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

	Three Months Ended		Six Months Ended	
	August 4, 2012	July 30, 2011	August 4, 2012	July 30, 2011
		(recast)		(recast)
Revenue	$ 2,744	$ 2,879	$ 5,532	$ 5,856
Revenue % (decline) growth	(4.7)%	6.0 %	(5.5)%	5.9 %
Comparable store sales % decline	(8.2)%	(2.8)%	(9.4)%	(1.5)%
Gross profit	$ 668	$ 736	$ 1,342	$ 1,510
Gross profit as % of revenue	24.3 %	25.6 %	24.3 %	25.8 %
SG&A	$ 718	$ 715	$ 1,425	$ 1,396
SG&A as % of revenue	26.2 %	24.8 %	25.8 %	23.8 %
Restructuring charges	$ —	$ —	$ —	$ (1)
Operating (loss) income	$ (50)	$ 21	$ (83)	$ 115
Operating (loss) income as % of revenue	(1.8)%	0.7 %	(1.5)%	2.0 %

The components of our International segment's (4.7)% and (5.5)% revenue decreases for the second quarter and first six months of fiscal 2013, respectively, were as follows:

	Three Months Ended August 4, 2012	Six Months Ended August 4, 2012
Comparable store sales impact	(7.1)%	(7.9)%
Impact of foreign currency exchange rate fluctuations	(1.7)%	(1.2)%
Net store changes	2.4 %	2.5 %
Non-comparable sales channels[(1)]	1.7 %	(0.2)%
Extra week of revenue[(2)]	— %	1.3 %
Total revenue decrease	(4.7)%	(5.5)%

(1) Non-comparable store sales channels primarily reflects the impact from revenue we earn from sales of merchandise to wholesalers and dealers as well as other non-comparable sales channels not included within our comparable store sales calculation.

(2) Represents the estimated incremental revenue associated with stores in Canada in fiscal 2013, which had 27 weeks of activity, compared to 26 weeks in the first six months of fiscal 2012.

The following table reconciles the number of International stores open at the beginning and end of the second quarters of fiscal 2013 and 2012:

	Fiscal 2013				Fiscal 2012 (recast)			
	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 Europe[(1)]	2,393	11	(32)	2,372	2,346	38	(29)	2,355
Canada								
Future Shop	149	—	—	149	146	—	—	146
Best Buy	77	—	—	77	71	3	—	74
Best Buy Mobile stand-alone	36	5	—	41	12	7	—	19
China								
Five Star	204	6	(1)	209	171	7	—	178
Mexico								
Best Buy	8	—	—	8	6	—	—	6
Total International segment stores	2,867	22	(33)	2,856	2,752	55	(29)	2,778

(1) Represents small-format The Carphone Warehouse and The Phone House stores.

The net addition of 39 large-format stores throughout the International segment during the past 12 months (Five Star, Best Buy Canada, Future Shop, and Mexico) contributed the majority of the change in revenue associated with net new stores. The net addition of 39 small-format stores, including 17 net new small-format stores in Europe and 22 new small-format Best Buy Mobile stand-alone stores in Canada, had a significantly smaller impact on the overall revenue change given their smaller square footage compared to our large-format stores.

The following table presents revenue mix percentages and comparable store sales percentage changes for the International segment by revenue category in the second quarters of fiscal 2013 and 2012:

	Revenue Mix		Comparable Store Sales	
	Three Months Ended		Three Months Ended	
	August 4, 2012	July 30, 2011 (recast)	August 4, 2012	July 30, 2011 (recast)
Consumer Electronics	17%	19%	(14.3)%	(11.3)%
Computing and Mobile Phones	59%	54%	(0.8)%	(0.2)%
Entertainment	3%	4%	(13.3)%	(18.5)%
Appliances	13%	14%	(19.0)%	7.7 %
Services	8%	9%	(14.4)%	(3.7)%
Other	< 1%	< 1%	n/a	n/a
Total	100%	100%	(8.2)%	(2.8)%

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

- **Consumer Electronics:** The 14.3% comparable store sales decline was driven primarily by decreases in the sales of televisions and digital imaging products as a result of industry softness and device convergence similar to that experienced within our Domestic segment.
- **Computing and Mobile Phones** : The 0.8% comparable store sales decline resulted primarily from a decrease in the sale of computers (both notebook and desktop) in Canada and China. Partially offsetting this decrease was an increase in tablet and mobile phone sales in Canada.
- **Entertainment:** The 13.3% comparable store sales decline, principally in Canada, reflected decreases in the sales of gaming due to fewer new software releases and the absence of new gaming platforms, similar to trends seen in the Domestic segment.
- **Appliances:** The 19.0% comparable store sales decline was primarily due to a decrease in the sales of appliances in our Five Star operations due to a slowdown in the housing market and the end of certain government stimulus programs in China in December 2011.
- **Services** : The 14.4% comparable store sales decline was primarily due to the decrease in the sale of extended warranties.

Our International segment experienced a gross profit decline of $68 million, or 9.2%, in the second quarter of fiscal 2013, driven primarily by a gross profit rate decline in Europe and revenue declines in China and Canada. The 1.3% of revenue decrease in the gross profit rate was due to an increased mix of lower-margin wholesale sales and promotions as a result of increased price competition in Europe. For the first six months of fiscal 2013, our International segment experienced a gross profit decline of $168 million, or 11.1%. The decrease in gross profit was primarily due to a gross profit decline in Europe due to the factors described above.

Our International segment's SG&A was flat, but increased by 1.4% of revenue in the second quarter of fiscal 2013. The absence of the Best Buy Mobile profit share-based management fee, which accounted for a $35 million reduction to SG&A in the second quarter of fiscal 2012, and increased spending related to new Five Star stores, was almost fully offset by the favorable impact of foreign currency exchange rate fluctuations and lower spending in Europe. The increase in our International segment's SG&A rate was driven by the absence of the Best Buy Mobile profit share-based management fee and the deleveraging impact of negative comparable store sales in Five Star and Canada, partially offset by lower spending in Europe.

Our International segment's SG&A increased $29 million, or 2.0% of revenue, in the first six months of fiscal 2013, driven primarily by the absence of the Best Buy Mobile profit share-based management fee, which accounted for a $64 million reduction to SG&A in the first six months of fiscal 2012, and increased spending related to new Five Star stores. Partially offsetting the increase in SG&A was lower spending in Europe and the favorable impact of foreign currency exchange rate fluctuations.

The International segment experienced an operating loss in the second quarter and first six months of fiscal 2013 compared to operating income in the prior-year periods primarily due to the decrease in revenue, coupled with the decline in the gross profit rate and the elimination of the Best Buy Mobile profit share-based management fee.

Liquidity and Capital Resources

We continue to closely manage our liquidity and capital resources. The key variables we use to manage our liquidity requirements are the level of investment to support our growth strategies, discretionary SG&A spending, capital expenditures, credit facilities and short-term borrowing arrangements, working capital management, and our share repurchase program.

Capital expenditures, particularly with respect to opening new stores and remodeling existing stores, is a component 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 plan to continue to upgrade our information technology systems and capabilities throughout fiscal 2013. We also plan to continue to invest in areas such as Best Buy Mobile, as well as modifying certain existing stores to our new pilot Connected Store format. We currently expect to suspend our share repurchase activity for the remainder of fiscal 2013.

Summary

The following table summarizes our cash and cash equivalents and short-term investments balances at August 4, 2012, March 3, 2012, and July 30, 2011 ($ in millions):

	August 4, 2012	March 3, 2012	July 30, 2011
			(recast)
Cash and cash equivalents	$ 680	$ 1,199	$ 2,079
Short-term investments	—	—	80
Total cash and cash equivalents and short-term investments	$ 680	$ 1,199	$ 2,159

The decrease in the balance of our cash and cash equivalents and short-term investments compared with the end of the second quarter of fiscal 2012 was primarily due to the Mobile buy-out in the fourth quarter of fiscal 2012, share repurchases and dividends over the past year, and the retirement of our convertible debentures. The decrease in the balance of our cash and cash equivalents since March 3, 2012, was primarily due to capital expenditures, share repurchases and dividends, and cash used in operations during the first six months of fiscal 2013.

Other Financial Measures

Our current ratio, calculated as current assets divided by current liabilities, was 1.1 at the end of the second quarter of fiscal 2013, compared with 1.2 at the end of fiscal 2012, and 1.2 at the end of the second quarter of fiscal 2012. The decrease compared to the prior-year period was due primarily to a decrease in cash and cash equivalents resulting from the factors described above.

Our debt to net earnings ratio was (71.8) at the end of the second quarter of fiscal 2013, compared with 6.7 at the end of fiscal 2012, and 1.7 at the end of the second quarter of fiscal 2012, driven primarily by a net loss in the trailing twelve months as a result of the Mobile buy-out and goodwill impairment charge in the fourth quarter of fiscal 2012, a decline in the gross profit rate, and an increase in restructuring charges. Our adjusted debt to EBITDAR ratio, which includes capitalized operating lease obligations in its calculation, increased to 2.8 at the end of the second quarter of fiscal 2013, compared with 2.6 at the end of fiscal 2012, and 2.6 at the end of the second quarter of fiscal 2012, primarily due to decreased net earnings.

Our adjusted debt to EBITDAR ratio is considered a non-GAAP financial measure and should be considered in addition to, rather than as a substitute for, the most directly comparable ratio determined in accordance GAAP. We have included this information in our MD&A as we view the adjusted debt to EBITDAR ratio as an important indicator of our creditworthiness. Furthermore, we believe that our adjusted 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 adjusted 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.

Our adjusted debt to EBITDAR ratio is calculated as follows:

$$\text{Adjusted debt to EBITDAR} = \frac{\text{Adjusted debt}}{\text{EBITDAR}}$$

The most directly comparable GAAP financial measure to our adjusted 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 adjusted debt to EBITDAR ratio ($ in millions):

	August 4, 2012[(1)]		March 3, 2012 [(1)]		July 30, 2011[(1)] (recast)	
Debt (including current portion)	$	2,226	$	2,208	$	2,537
Capitalized operating lease obligations (8 times rental expense)[(2)]		9,459		9,402		9,261
Adjusted debt	$	11,685	$	11,610	$	11,798
Net (loss) earnings including noncontrolling interests[(3)]	$	(31)	$	330	$	1,495
Goodwill impairment		1,207		1,207		—
Interest expense, net		98		97		56
Income tax expense		536		709		724
Depreciation and amortization expense [(4)]		1,221		968		1,120
Rental expense		1,182		1,175		1,158
EBITDAR	$	4,213	$	4,486	$	4,553
Debt to net earnings ratio		(71.8)		6.7		1.7
Adjusted debt to EBITDAR ratio		2.8		2.6		2.6

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

(2) The multiple of eight times annual rental 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) We utilize net (loss) earnings including noncontrolling interests within our calculation as the earnings and related cash flows attributable to noncontrolling interests are available to service our debt and operating lease commitments.

(4) Depreciation and amortization expense includes impairments of fixed assets, investments and intangible assets, as well as charges related to our restructuring activities.

Cash Flows

The following table summarizes our cash flows for the first six months of fiscal 2013 and 2012 ($ in millions):

	Six Months Ended			
	August 4, 2012		July 30, 2011 (recast)	
Total cash (used in) provided by:				
Operating activities	$	(222)	$	1,169
Investing activities		(195)		(442)
Financing activities		(334)		(4)
Effect of exchange rate changes on cash		30		18
Adjustment for fiscal year-end change		202		235
(Decrease) increase in cash and cash equivalents	$	(519)	$	976

The decrease in cash provided by operating activities in the first six months of fiscal 2013 was primarily due to the following factors:

- lower operating income levels in fiscal 2013;
- higher cash outflows experienced in fiscal 2013 in relation to accounts payable, since the level of accounts payable at the end of recast fiscal 2011 was unusually low;
- higher cash outflows in fiscal 2013 due to payments related to restructuring activities;
- lower levels of transaction taxes payable in fiscal 2013; and
- lower cash inflows from receivables due to timing of bank and credit card settlements

The reduction in cash used in investing activities in the first six months of fiscal 2013 was primarily due to a lower level of restricted cash required by banks in China.

The increase in cash used in financing activities in the first six months of fiscal 2013 was primarily the result of a decrease in borrowings due to the issuance of $1.0 billion of long-term debt securities in the prior-year period, partially offset by a decrease in repayments on Europe's credit facility and other short-term debt and a decrease in repurchases of common stock.

Share Repurchases and Dividends

In June 2011, our Board of Directors authorized a new $5.0 billion share repurchase program. The June 2011 program terminated and replaced our prior $5.5 billion share repurchase program authorized in June 2007. There is no expiration date governing the period over which we can repurchase shares under the June 2011 share repurchase program.

In the second quarter of fiscal 2013, we repurchased and retired 6.3 million shares of our common stock at a cost of $122 million. We repurchased and retired 13.8 million shares of our common stock at a cost of $425 million during the second quarter of fiscal 2012. We have $4.0 billion available for future repurchases at August 4, 2012 , under our June 2011 share repurchase program. Repurchased shares have been retired and constitute authorized but unissued shares.

During the second quarter of fiscal 2013, we declared and paid our regular quarterly cash dividend of $0.16 per common share, or $54 million in the aggregate. During the same period one year ago, we declared and paid a regular quarterly cash dividend of $0.15 per common share, or $56 million in the aggregate. As announced on August 22, 2012 , our Board of Directors authorized payment of our next regular quarterly cash dividend of $0.17 per common share, payable on October 2, 2012 , to shareholders of record as of the close of business on September 11, 2012 .

Sources of Liquidity

Funds generated by operating activities, available cash and cash equivalents, and our credit facilities are our most significant sources of liquidity. We believe our sources of liquidity will be sufficient to sustain operations and to finance anticipated capital investments and strategic initiatives. 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 $1.0 billion 364-Day senior unsecured revolving credit facility (the "364-Day Facility Agreement") and a $1.5 billion five-year senior unsecured revolving credit facility (the Five-Year Facility Agreement") (collectively the "Agreements") with a syndicate of banks, with no borrowings outstanding on the Agreements at August 4, 2012. The 364-Day Facility Agreement was originally scheduled to expire in October 2012 but was renewed on August 31, 2012. The Five-Year Facility Agreement expires in October 2016. At August 31, 2012, we had no borrowings outstanding under the Agreements.

We also have $839 million available under unsecured revolving credit and demand facilities related to our International segment operations, of which $519 million was outstanding at August 4, 2012.

Our ability to access our facilities is subject to our compliance with the terms and conditions of such facilities, including financial covenants. The financial covenants require us to maintain certain financial ratios. At August 4, 2012, 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 31, 2012, are summarized below. On August 6, 2012, Moody's Investors Service, Inc. (“Moody's”) affirmed its Baa2 long-term rating and changed its outlook from Stable to Developing. Also on August 6, 2012, Standard & Poor's Ratings Services (“Standard & Poor's”) and Fitch Ratings Ltd. (“Fitch”) initiated ratings actions. Standard & Poor's lowered its corporate credit rating from BBB- to BB+ and kept its outlook on CreditWatch with negative implications. Fitch lowered its rating from BBB- to BB+ and revised its outlook from Negative to Rating Watch Negative.

Pending a review by each agency, the outcome of a Developing or Negative Credit Watch outlook could result in (1) a reaffirmation of its most recent rating or (2) a change in rating and/or outlook.

Rating Agency	Rating	Outlook
Moody’s	Baa2	Developing
Standard & Poor’s	BB+	CreditWatch Neg
Fitch	BB+	Rating Watch Neg

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, our future borrowing costs, access to capital markets, vendor financing terms and future new-store leasing costs.

Auction Rate Securities and Restricted Cash

At August 4, 2012, and July 30, 2011, we had $22 million and $91 million, respectively, invested in ARS recorded at fair value within Short-term investments and Equity and other investments (long-term) in our Condensed Consolidated Balance Sheets. The majority of our ARS portfolio is AA/Aaa-rated and collateralized by student loans, which are guaranteed 95% to 100% by the U.S. government. Due to the auction failures that began in February 2008, we have been unable to liquidate a portion of our ARS. The investment principal associated with our remaining ARS subject to failed auctions will not be accessible until successful auctions occur, a buyer is found outside of the auction process, the issuers establish a different form of financing to replace these securities or final payments are due according to the contractual maturities of the debt issues, which range from 4 to 29 years. We do not intend to sell our remaining ARS until we can recover the full principal amount through one of the means described above. In addition, we do not believe it is more likely than not we would be required to sell our remaining ARS until we can recover the full principal amount based on our other sources of liquidity.

Our liquidity also is affected by restricted cash balances that are pledged as collateral or restricted to use for vendor payables, general liability insurance, workers’ compensation insurance, and customer warranty and insurance programs. Restricted cash and cash equivalents, which are included in other current assets, were $360 million, $459 million and $532 million at August 4, 2012, March 3, 2012, and July 30, 2011, respectively. The decrease in restricted assets from the second quarter of fiscal 2012 and the end of fiscal 2012 was due primarily to decreased cash reserve requirements within certain of our foreign operations.

Debt and Capital

At August 4, 2012, we had short-term debt outstanding under our various credit and demand facilities of $519 million, an increase from $480 million at March 3, 2012 and $392 million at July 30, 2011. The increases are a result of increased borrowings on our Europe facility due to lower cash generated from our European operating activities.

U.S. Revolving Credit Facilities

We have a 364-Day Facility Agreement and a Five-Year Facility Agreement with JPMorgan Chase Bank, N.A. (“JPMorgan”) (collectively, the "Agreements"), as administrative agent, and a syndicate of banks. The Agreements permit borrowings up to $2.5 billion (which may be increased to up to $3.0 billion at our option under certain circumstances) and a $300 million letter of credit sublimit. The 364-Day Facility Agreement was originally scheduled to expire in October 2012 but was renewed on August 31, 2012. The Five-Year Facility Agreement expires in October 2016. See Note 8, *Debt* , of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended March 3, 2012, for further description of the U.S. Revolving Credit Facilities.

Europe Revolving Credit Facility

Best Buy Europe, a venture between Best Buy Co., Inc. and Carphone Warehouse Group plc, has a £400 million ($627 million based on the exchange rate in effect as of the end of the second quarter of fiscal 2013) unsecured revolving credit facility agreement (the “Europe RCF”) with ING Bank N.V., London Branch, as agent, and a syndicate of banks to finance its working capital needs. The RCF expires in July 2015. See Note 8, *Debt*, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended March 3, 2012, for further description of the Europe RCF.

2013 Notes

We have $500 million principal amount of notes due July 15, 2013 (the "2013 Notes"). Prior to August 6, 2012, the 2013 Notes bore interest at a fixed rate of 6.75% per year. As a result of the credit downgrade, the 2013 Notes now bear interest at a fixed rate of 7.00%. Interest on the 2013 Notes is payable semi-annually on January 15 and July 15 of each year, beginning January 15, 2009. Net proceeds from the sale of the 2013 Notes were $496 million, after an initial issuance discount of $1 million and other transaction costs. See Note 8, *Debt*, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended March 3, 2012, for further description of the 2013 Notes.

2016 and 2021 Notes

We have $350 million principal amount of notes due March 15, 2016 (the "2016 Notes") and $650 million principal amount of notes due March 15, 2021 (the "2021 Notes", and together with the 2016 Notes, the "Notes"). The 2016 Notes bear interest at a fixed rate of 3.75% per year, while the 2021 Notes bear interest at a fixed rate of 5.50% per year. Interest on the Notes is payable semi-annually on March 15 and September 15 of each year, beginning September 15, 2011. The Notes were issued at a slight discount to par, which when coupled with underwriting discounts of $6 million, resulted in net proceeds from the sale of the Notes of $990 million. See Note 8, *Debt*, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended March 3, 2012, for further description of the 2016 and 2021 Notes.

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.

There has been no material change in our contractual obligations other than as set forth above and in the ordinary course of business since the end of fiscal 2012. See our Annual Report on Form 10-K for the fiscal year ended March 3, 2012 , 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 March 3, 2012. 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 March 3, 2012. There has been no significant change in our significant accounting policies or critical accounting estimates since the end of fiscal 2012.

New Accounting Standards

See Note 1, *Basis of Presentation*, of Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for a description of recently issued and adopted accounting pronouncements, including the dates of adoption and impacts on our results of operations, financial position, and cash flows.

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," "believe," "estimate," "expect," "intend," "foresee," "plan," "project," "outlook," and other words and terms of similar meaning. Such statements reflect our current view with respect to future events and are subject to certain risks, uncertainties and assumptions. A variety of factors could cause our future results to differ materially from the anticipated results expressed 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 March 3, 2012 , 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 our actual results and outcomes to differ materially from those contained in such forward looking statements are the following: general economic conditions, changes in consumer preferences, credit market constraints, acquisitions and development of new businesses, divestitures, product availability, sales volumes, pricing actions and promotional activities of competitors, profit margins, weather, natural or man-made disasters, changes in law or regulations, foreign currency fluctuation, availability of suitable real estate locations, our ability to react to a disaster recovery situation, the impact of labor markets and new product introductions on our overall profitability, failure to achieve anticipated benefits of announced transactions, integration challenges relating to new ventures and unanticipated costs associated with previously announced or future restructuring activities.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In addition to the risks inherent in our operations, we are exposed to certain market risks, including adverse changes in foreign currency exchange rates and interest rates.

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, revenue streams and recognized receivable and payable balances. Our primary objective in holding derivatives is to reduce the volatility of net earnings and cash flows associated with changes in foreign currency exchange rates. Our foreign currency risk management strategy includes cash flow hedges as well as derivatives that are not designated as hedging instruments. The cash flow hedge contracts generally have terms of up to two years, while the derivatives not designated as hedges generally have terms up to six months. The aggregate notional amount and fair value recorded on our Condensed Consolidated Balance Sheets related to our foreign exchange forward and swap contracts outstanding was $153 million and $2 million, respectively, at August 4, 2012. The amount recorded in our Condensed Consolidated Statements of Earnings and Comprehensive Income related to all contracts settled and outstanding was a loss of $4 million in the second quarter of fiscal 2013. See Note 9, *Derivative Instruments*, of Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional information regarding our derivative instruments.

The overall strength of the U.S. dollar compared to the British pound, Canadian dollar and Mexican peso since the end of the second quarter of fiscal 2012 has had a positive overall impact on our revenue as the foreign denominations translated into more U.S. dollars. The weakness of the U.S. dollar compared to the Chinese yuan had a negative impact on revenue. It is not possible to determine the exact impact of foreign currency exchange rate fluctuations; however, the effect on reported revenue and net earnings can be estimated. We estimate that foreign currency exchange rate fluctuations had a negative impact on our revenue of approximately $48 million and a positive impact on our net earnings of approximately $1 million in the second quarter of fiscal 2013.

Interest Rate Risk

Short- and long-term debt

At August 4, 2012, our short- and long-term debt was comprised primarily of credit facilities and our 2013 Notes, 2016 Notes and 2021 Notes. We currently do not manage the interest rate risk on our debt through the use of derivative instruments.

Our credit facilities' interest rates may be reset due to fluctuations in a market-based index, such as the federal funds rate, the LIBOR, or the base rate or prime rate of our lenders. A hypothetical 100-basis-point change in the interest rates on the outstanding balance of our credit facilities as of August 4, 2012 , would change our annual pre-tax earnings by $5 million.

There is no interest rate risk associated with our 2013 Notes, 2016 Notes or 2021 Notes, as the interest rates are fixed at 6.75%, 3.75% and 5.50%, respectively, per annum.

Long-term investments in debt securities

At August 4, 2012 , our long-term investments in debt securities were comprised of ARS. These investments are not subject to material interest rate risk. A hypothetical 100-basis point change in the interest rates on our ARS investments as of August 4, 2012 , would change our annual pre-tax earnings by less than $1 million. We do not manage interest rate risk on our investments in debt securities through the use of derivative instruments.

Other Market Risks

Investments in auction rate securities

At August 4, 2012, we held $22 million in investments in ARS, which includes a $2 million pre-tax unrealized loss in accumulated other comprehensive income. Given current conditions in the ARS market, we may incur additional temporary unrealized losses or other-than-temporary realized losses in the future if market conditions were to persist and we were unable to recover the cost of our ARS investments. A hypothetical 100-basis point loss from the par value of these investments as of August 4, 2012, would result in an impairment of less than $1 million.

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 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 August 4, 2012. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, at August 4, 2012, our disclosure controls and procedures were effective.

There was no change in internal control over financial reporting during the fiscal quarter ended August 4, 2012, 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

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. An opposition to the plaintiffs' motion was filed, with argument heard on June 8, 2012, and we await the court's decision. As a result, the court's decision on the motion to dismiss is not final, and the time period for an appeal thereof is delayed until 30 days after a court order disposing of the plaintiffs' new motion.

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 until after a final resolution of the motion to dismiss in the consolidated *IBEW Local 98 Pension Fund v. Best Buy Co., Inc., et al.* case.

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. 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. 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 2013 , 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 purchased at the end of the applicable fiscal period, pursuant to our June 2011 $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 Plans or Programs**	**Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs**[1]
May 6, 2012 through June 2, 2012	2,408,600	$ 18.92	2,408,600	$ 4,065,000,000
June 3, 2012 through July 7, 2012	3,932,998	19.50	3,932,998	3,989,000,000
July 8, 2012 through August 4, 2012	—	—	—	3,989,000,000
Total Fiscal 2013 Second Quarter	6,341,598	19.28	6,341,598	3,989,000,000

(1) “Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs” reflects our $5.0 billion share repurchase program announced on June 21, 2011, less the $889 million we purchased in fiscal 2012 and the $122 million we purchased in the second quarter of fiscal 2013. The June 2011 program has no stated expiration date governing the period over which we can purchase shares. For additional information related to the June 2011 program, see Note 12, *Repurchase of Common Stock*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

ITEM 6. EXHIBITS

Any agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and should not be relied upon for that purpose. In particular, any representations and warranties made by the registrant in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

3.1	Amended and Restated By-Laws, dated June 20, 2012 (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed by Best Buy Co., Inc. on June 21, 2012)
4.1	364-Day Credit Agreement dated as of August 31, 2012, among Best Buy Co., Inc., the Subsidiary Guarantors party thereto, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent (incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed by Best Buy Co., Inc. on September 5, 2012)
10.1	Form of Best Buy Co., Inc. Continuity Award Agreement dated June 21, 2012
10.2	Employment Agreement, dated August 19, 2012, between Hubert Joly and Best Buy Co., Inc. (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by Best Buy Co., Inc. on August 21, 2012)
10.3	Form of Long-Term Incentive Program Buy-Out Award Agreement dated September 4, 2012, between Hubert Joly and Best Buy Co., Inc.
10.4	Agreement and Release of Claims, dated May 12, 2012, by and between Brian J. Dunn and Best Buy Co., Inc. (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by Best Buy Co., Inc. on May 14, 2012)
10.5	Confidentiality Agreement, dated August 26, 2012, between Richard Schulze and Best Buy Co., Inc. (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by Best Buy Co., Inc. on August 27, 2012)
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 2013, filed with the SEC on September 6, 2012, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets at August 4, 2012; March 3, 2012; and July 30, 2011, (ii) the Condensed Consolidated Statements of Earnings and Comprehensive Income for the three and six months ended August 4, 2012, and July 30, 2011, (iii) the Consolidated Statements of Cash Flows for the six months ended August 4, 2012, and July 30, 2011, (iv) the Consolidated Statements of Changes in Shareholders' Equity for the six months ended August 4, 2012, and July 30, 2011, and (v) the Notes to Condensed Consolidated Financial Statements.

____

(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.

Table of Contents

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 6, 2012	By:	/s/ HUBERT JOLY
		Hubert Joly *President and Chief Executive Officer* *(duly authorized and principal executive officer)*
Date: September 6, 2012	By:	/s/ JAMES L. MUEHLBAUER
		James L. Muehlbauer *Executive Vice President — Finance* *and Chief Financial Officer* *(duly authorized and principal financial officer)*
Date: September 6, 2012	By:	/s/ SUSAN S. GRAFTON
		Susan S. Grafton *Senior Vice President, Controller* *and Chief Accounting Officer* *(duly authorized and principal accounting officer)*

Exhibit 10.1

BEST BUY CO., INC.
CONTINUITY AWARD AGREEMENT
Award Date:

I. The Award and the Plan.

As of the Award Date set forth above, Best Buy Co., Inc. (“Best Buy”) grants to you, [Name] (a) $[XXX,XXX] (the “Cash Award”); and (b) [# of Shares] of Best Buy common stock (the “Restricted Shares”) on the terms and conditions contained in the Best Buy Co., Inc. 2004 Omnibus Stock and Incentive Plan, as amended (the “Plan”), and all on the terms and conditions contained in this Continuity Award Agreement (this “Agreement”). Capitalized terms not defined in the body of this Agreement are defined in the attached Addendum or in the Plan. Except as otherwise stated, all references to “Sections” or "Articles" refer to Sections or Articles of this Agreement.

II. Terms of Cash Award. If you voluntarily terminate employment with the Company Group before the first anniversary of Best Buy's non-interim Chief Executive Officer being appointed, the Cash Award will be subject to recovery by Best Buy.

III. Terms of Restricted Share Grant.

3.1. Time-Based Restricted Shares: Restricted Period. Until your Restricted Shares vest as provided below, they are subject to the restrictions described in Section 3.2 (the "Restrictions") during the period (the “Restricted Period”) beginning on the Award Date and ending three years later. The Restrictions will lapse and the Restricted Shares will become transferable and non-forfeitable in cumulative installments as follows, unless otherwise provided in this Agreement:

Award Date	25%
1st Anniversary of Award Date	25%
2nd Anniversary of Award Date	25%
3rd Anniversary of Award Date	25%

Upon vesting of each 25% installment, the Restricted Shares that have become vested will be delivered to you within 30 days, in the form of either book-entry registration or a stock certificate.

3.2. Restrictions . The Restricted Shares are subject to forfeiture or recovery at any time pursuant to Article III and, during the Restricted Period, are also subject to the following Restrictions:

(a) The Restricted Shares are subject to forfeiture to Best Buy as provided in this Agreement and the Plan.

(b) During the Restricted Period, you may not sell, assign, pledge or otherwise transfer the Restricted Shares (or any interest in or right to the Restricted Shares), other than by will or the laws of descent and distribution, and any such attempted transfer will be void.

3.3. Effect of Retirement, Disability, Death or other Termination of Employment. Your employment with the Company Group may be terminated by your employer at any time for any reason (with or without advance notice). Subject to the forfeiture provisions of Article IV and the exception in paragraph (d) of this Section 3.3:

(a) If your employment with the Company Group is terminated by reason of your Qualified Retirement or death, or you become Disabled during the Restricted Period, the Restrictions will lapse and Restricted Shares that are unvested as of the date of termination will become non-forfeitable and transferable.

(b) If, during the Restricted Period, and within 12 months following a Change in Control, you terminate your employment with the Company Group for Good Reason, the restrictions will lapse and the Restricted Shares will become non-forfeitable and transferable as of the date of such termination.

(c) If, during the Restricted Period, your employment is terminated by the Company Group for reasons other than Cause, the restrictions will lapse and the Restricted Shares will become non-forfeitable and transferable as of the date of such termination.

(d) If your employment is terminated during the Restricted Period for any other reason, your rights to all Restricted Shares that are not vested as of the date of termination will be immediately and irrevocably forfeited.

3.4. Limitation of Rights Regarding Shares. Until issuance of the Restricted Shares, you will not have any rights of a shareholder with respect to the Restricted Shares. Upon issuance of the Restricted Shares, you will, subject to the Restrictions and Article IV, have all of the rights of a shareholder with respect to the Restricted Shares, unless and until the Restricted Shares are forfeited or recovered by Best Buy under this Agreement or the Plan, except that you will not have the right to vote the Restricted Shares during the Restricted Period.

3.5. Income Taxes. You are liable for any federal and state income or other taxes applicable upon the lapse of the Restrictions on any Restricted Shares, and your subsequent disposition of any Restricted Shares that have become vested; and you acknowledge that you should consult with your own tax advisor regarding the applicable tax consequences. Upon the lapse of Restrictions on any Restricted Shares, Best Buy will withhold from those Restricted Shares the number of Shares having a Fair Market Value equal to the amount of all applicable taxes required by Best Buy to be withheld upon the lapse of the Restrictions on those Restricted Shares.

IV. Restrictive Covenants and Remedies. By accepting this Award, you agree to the restrictions and agreements contained in this Article (the “Restrictive Covenants”); and you agree that the Restrictive Covenants and the remedies described in this Article are reasonable and necessary to protect the legitimate interests of the Company Group, and do not supersede any other restrictive covenants you may also be subject to under other agreement(s).

4.1. 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 employment with the Company Group 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.

4.2. Competitive Activity . During your employment with the Company Group and for one year following the earlier of (i) termination of your employment for any reason whatsoever or (ii) the last scheduled award vesting date, you shall not engage in any Competitive Activity. Because the Company Group's business competes on a global basis, your obligations hereunder shall apply anywhere in the world. In the event that any portion of this Section 4.2 regarding “Competitive Activity” shall be determined by any court of competent jurisdiction to be unenforceable because it is unreasonably restrictive in any respect, it shall be interpreted to extend over the maximum period of time for which it reasonably may be enforced and to the maximum extent for which it reasonably may be enforced in all other respects, 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.

4.3. Non-Solicitation. During your employment and for one year following the earlier of (i) termination of your employment for any reason whatsoever or (ii) the last scheduled award vesting date, you shall not:

a. 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;

b. 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, firm, or corporation;

c. 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;

d. 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

e. 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.

4.4. Non-Disparagement. During your employment and for one year following the earlier of (i) termination of your employment for any reason whatsoever or (ii) the last scheduled award vesting date, you shall not make any statements, written or verbal, or cause or encourage others to make any statements, written or verbal, that defame, disparage or in any way criticize the personal or business reputation, practices, or conduct of the Company Group, its employees, directors, and officers. This prohibition extends to statements, written or verbal, made to anyone, including but not limited to, the news media, investors, potential investors, any board of directors or advisory board or directors, industry analysts, competitors, strategic partners, vendors, employees (past and present), and clients.

4.5. Violation of Restrictive Covenants. In consideration of the terms of the Award, you agree to be bound by the Restrictive Covenants set forth above and agree that, if you violate any provision of the Restrictive Covenants, then, notwithstanding any other provision of this Agreement, (a) the Cash Award will be subject to recovery by Best Buy, (b) any unvested Restricted Shares shall be cancelled and forfeited and any rights thereto shall become null and void; and (c) you shall immediately return to the Company any vested Restricted Shares still under your control and shall promptly reimburse to the Company the fair market value (as measured on the vesting date of Restricted Shares,) of any such Shares that are no longer under your control. In addition, if you violate the Non-Disclosure provision, you may be subject to disciplinary action, up to and including employment termination.

4.6. Committee Discretion . You may be released from your Restrictive Covenant under this Article IV only if, and to the extent that, the Committee (or its duly appointed agent) determines in its sole discretion that such action is in the best interests of the Company Group.

4.7 Recovery Policy. Amounts paid under the Agreement shall be subject to recovery by Best Buy in accordance with and to the maximum extent required under the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act. As described in Article II, in addition, if you voluntarily terminate employment with the Company Group before the first anniversary of Best Buy's non-interim Chief Executive Officer being appointed, the Cash Award will be subject to recovery by Best Buy.

4.8 Right of Set-Off. By accepting this Agreement, you consent to a deduction from any amounts any member of the Company Group owes you from time to time (including amounts owed to you as wages or other compensation, fringe benefits or vacation pay, as well as any other amounts owed to you by any member of the Company Group), to the extent of the amounts you owe any member of the Company Group under this Section 4.8. Whether or not the Company Group elects to make any set-off in whole or in part, if the Company Group 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 Best Buy.

4.9 **Partial Invalidity** . If any portion of this Article IV 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.

4.10 **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 damages or other legal remedies available to the Company Group for any such injury would, therefore, be an inadequate remedy for any such breach. 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.

V. **General Terms and Conditions** .

5.1. **Employment and Terms of Plan**. This Agreement does not guarantee your continued employment nor alter the right of any member of the Company Group to terminate your employment at any time. This Award is granted pursuant to the Plan and is subject to its terms. In the event of any conflict between the provisions of this Agreement and the Plan, the provisions of 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.

5.2. **Governing Law, Jurisdiction and Venue**. This Agreement is governed by, and subject to, the laws of the State of Minnesota, without regard to the conflict of law provisions, as provided in the Plan. You and Best Buy 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.

5.3. **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 and all attorney, expert and consulting fees, costs and 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.

BEST BUY CO., INC.:	**EMPLOYEE:**
By: _______________________________	_______________________________

ADDENDUM TO
BEST BUY CO., INC.
CONTINUITY AWARD AGREEMENT
Award Date:

Capitalized terms not defined in the body of this Agreement are defined in the Plan or, if not defined therein, will have the following meanings:

“Affiliate” is generally defined in the Plan, but will mean, solely for purposes of the definitions of "Change of Control" and "Person" in this Addendum, a company controlled directly or indirectly by Best Buy, where "control" will mean the right, either directly or indirectly, to elect a majority of the directors or other governing body thereof without the consent or acquiescence of any third party.

"Beneficial Owner" will have the meaning defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended, or any successor provision.

“Cause” for termination of your employment 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 acting within the scope of its authority;

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

(V) fail to devote substantially all of your business time and effort to the Company Group;

(VI) 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;

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

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

(IX) breach any provision of this Agreement (including but not limited to Section 4.1, concerning Confidential Information) or any other agreement between you and any member of the Company Group; or

(X) 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 employment 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) for termination of your employment, the member of the Company Group that employs you may terminate your employment and 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. The use of this definition solely for purposes of this Agreement does not change your at will employment status.

A "Change in Control" will be deemed to have occurred solely for purposes of this Agreement, if the conditions set forth in any one of the following paragraphs are satisfied after the Award Date:

(I) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of Best Buy representing 50% or more of the combined voting power of Best Buy's then outstanding securities excluding, at the time of their original acquisition, from the calculation of securities beneficially owned by such Person, any securities acquired directly from Best Buy or its Affiliates or in connection with a transaction described in clause (a) of paragraph III below; or

(II) individuals who at the Award Date constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of Best Buy) whose appointment or election by the Board or nomination for election by Best Buy's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the Award Date or whose appointment, election or nomination for election was previously so approved or recommended, cease for any reason to constitute a majority thereof; or

(III) there is consummated a merger or consolidation of Best Buy or any Affiliate with any other company, other than (a) a merger or consolidation which would result in the voting securities of Best Buy outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of Best Buy or any Affiliate, at least 50% of the combined voting power of the voting securities of Best Buy or such surviving entity or parent thereof outstanding immediately after such merger or consolidation, or (b) a merger or consolidation effected to implement a recapitalization of Best Buy (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly of securities of Best Buy representing 50% or more of the combined voting power of Best Buy's then outstanding securities; or

(IV) the shareholders of Best Buy approve a plan of complete liquidation of Best Buy or there is consummated an agreement for the sale or disposition by Best Buy of all or substantially all Best Buy's assets, other than a sale or disposition by Best Buy of all or substantially all of Best Buy's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by shareholders of Best Buy in substantially the same proportions as their ownership of Best Buy immediately before such sale; or

(V) the Board determines in its sole discretion that a change in control of Best Buy has occurred.

(VI) Notwithstanding the foregoing, a "Change in Control" will not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of Best Buy immediately before such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of Best Buy immediately following such transaction or series of transactions.

"Company Group" will mean, collectively, Best Buy and its Affiliates.

"Competitive Activity" will mean any activities that are competitive with the business conducted by Best Buy or its subsidiaries at or prior to the date of the termination of your employment, all as described in Best Buy's periodic reports filed pursuant to the Securities Exchange Act of 1934 (*e.g.*, Best Buy's Annual Report on Form 10-K) or other comparable publicly disseminated information. Specifically, while not limited to the following, you agree that you will not, directly or indirectly:

(I) own or hold, directly or beneficially, as a shareholder (other than as a shareholder with less than 1% of the outstanding common stock of a publicly traded corporation), option holder, warrant holder, partner, member or other equity or security owner or holder any company or business that derives more than 25% of its revenue from the Restricted Activities (as defined below), or any company or business controlling, controlled by or under common control with any company or business directly engaged in such Restricted Activities (any of the foregoing, a "Restricted Company") or

(II) engage or participate as an employee, director, officer, manager, executive, partner, independent contractor, board member, consultant or technical or business advisor (or any foreign equivalents of the foregoing) in the Restricted Activities.

For purposes of this Agreement, the term "Restricted Activities" means the retail, wholesale or commercial sale of consumer electronic products and/or services including vendors who offer their products directly to the consumer, wholesale clubs, home-improvement superstores and web-based alternatives.

“Confidential Information” will mean any and all information in whatever form, whether written, electronically stored, orally transmitted or memorized pertaining to: trade secrets; customer lists, records and other information regarding customers; price lists and pricing policies, financial plans, records, ledgers and information; purchase orders, agreements and related data; business development 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 other employees of the Company Group); tax or financial information; business and sales methods and operations; business correspondence, memoranda and other records; inventions, improvements and discoveries; processes and methods; and 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 employment, 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; provided, however, that the compilation, manipulation or other exploitation of generally known information may constitute Confidential Information.

"Disabled" will mean that you either (a) have qualified for long term disability payments under the long term disability plan of the Company Group member then employing you; or (b) are unable to perform the essential functions of your position (with or without reasonable accommodation) with any such Company Group member due to a physical or mental impairment resulting from your illness, pregnancy (if you are a woman) or injury, and such inability to perform continues for at least six consecutive months. If any such Company Group member does not have a long term disability plan in effect at such time, you will be deemed disabled for the purposes hereof if you would have qualified for long term disability payments under Best Buy's long term disability plan had you then been an employee of Best Buy.

“Good Reason” will mean the occurrence of any of the following events following a Change in Control, except for the occurrence of such an event in connection with your death, the termination of your employment with the Company Group by your employer (or any successor company or affiliated entity then employing you for Cause, or any termination of your employment for Disability:

(I) the assignment of employment duties or responsibilities that are not substantially comparable or greater in responsibility and status to the employment duties and responsibilities held by you immediately before the Change in Control;

(II) a material reduction in your base salary as in effect immediately before the Change in Control; or

(III) being required to work in a location more than 50 miles from your office location immediately before the Change in Control, except for requirements of temporary travel on the Company Group's business to an extent substantially consistent with your business travel obligations immediately before the Change in Control.

"Person" is generally defined in the Plan, but solely for purposes of the definition of "Change of Control" in this Addendum, will have the meaning defined in Sections 3(a)(9) and 13(d) of the Securities Exchange Act of 1934, as amended, except that such term will not include (i) Best Buy or any of its Affiliates, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of Best Buy or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of Best Buy in substantially the same proportions as their ownership of stock of Best Buy.

"Qualified Retirement" will mean any termination of your employment with the Company Group that occurs on or after your 60th birthday, at a time when no member of the Company Group is entitled to discharge you for Cause, so long as you have served the Company Group continuously for at least the five-year period immediately preceding that termination.

Exhibit 10.3

BEST BUY CO., INC.

LONG-TERM INCENTIVE PROGRAM BUY-OUT AWARD AGREEMENT

Award Date: September 4, 2012

1. **The Award and the Plan**. Pursuant to the Best Buy Co., Inc. 2004 Omnibus Stock and Incentive Plan, as amended (the "Plan") and this Long-Term Incentive Program Buy-Out Award Agreement ("Agreement"), as of the Award Date set forth above (the "Award Date"), Best Buy Co., Inc. ("Best Buy") grants to Hubert Joly ("you") the Awards set forth below (collectively, this "Award"):

1.1. An option to purchase **700,935** Shares of Best Buy common stock (the "Option ") at the option price of **$18.02** per Share;

1.2. **332,964** time-based restricted stock units payable in one (1) Share for each restricted stock unit becoming vested and nonforfeitable in accordance with the terms of this Award (the "RSUs"); and

1.3. **199,906** of performance stock units payable in one (1) Share for each performance share unit becoming earned (upon attainment of target performance (or such lesser (or no) or greater number of performance stock units as are earned hereunder, all in accordance with Appendix A hereto)), vested and nonforfeitable in accordance with the terms of this Award (the " PSUs").

This Award is being granted to you pursuant to the Employment Agreement entered into between Best Buy and you dated August 19, 2012 (" Employment Agreement"). Capitalized terms not defined in this Agreement (including the Appendices hereto and by reference to the Employment Agreement where so identified) shall have the meaning defined in the Plan. Except as otherwise stated, all references to "Sections" or "Articles" refer to Sections or Articles of this Agreement.

2. **Terms of Option Grant**.

2.1. **Duration, Vesting and Exercisability of Option** . The Option expires on the tenth (10th) anniversary of the Award Date (the "Expiration Date "). You may exercise the Option in cumulative installments of one-quarter (1/4) of the Option each, with the first such installment becoming vested and exercisable on the Award Date and the remaining three such installments becoming vested and exercisable successively on each of the first three anniversaries of the Award Date, provided that you are employed on the date such installment is scheduled to so vest (except as provided in Section 3.4(a)(ii)). The Option may only be exercised by you during your lifetime, and may not be assigned or transferred other than by will or the laws of descent and distribution.

2.2. **Exercise and Tax Withholding**. The Option may be exercised in whole or in part by written notice to Best Buy (through the Plan administrator or other means as shall be specified by Best Buy from time-to-time) stating the number of Shares to be purchased under the Option and the method of payment. The notice must be accompanied by payment in full of the exercise price for all Shares designated in the notice. Payment of the exercise price may be made by cash, check, delivery of previously owned Shares having a Fair Market Value on the date of exercise that is equal to the exercise price, or withholding of Shares that would otherwise be issued upon such exercise having a Fair Market Value on the date of exercise that is equal to the exercise price, or a combination thereof. The Option is a Non-Qualified Stock Option that is not eligible for treatment as a qualified or incentive stock option for federal income tax purposes. You are liable for any federal and state income or other taxes applicable upon the grant or exercise of the Option or any disposition of the underlying Shares; and you acknowledge that you should consult with your own tax advisor regarding the applicable tax consequences. Prior to exercising the Option, you will pay or make adequate arrangements satisfactory to Best Buy to satisfy all applicable taxes. In this regard, you authorize Best Buy, or its respective agents, at their discretion, to satisfy the obligations with regard to all taxes by one or a combination of the following: (i) withholding from your wages or other cash compensation paid to you by Best Buy; or (ii) withholding from proceeds of the sale of shares of Best Buy common stock acquired at exercise of the Option either through a voluntary sale or through a mandatory sale arranged by Best Buy (on your behalf pursuant to this authorization); or (iii) withholding in shares of Best Buy common stock to be issued at exercise of the Option. You have no rights in the Shares subject to the Option until such Shares are received by you upon exercise of the Option.

2.3. Limited Exercise Rights after your Qualified Retirement, Disability, Death or other Termination of Employment. Your employment with the Company Group (as defined in Appendix B) may be terminated by your employer at any time for any reason (with or without advance notice). Subject to the forfeiture provisions of Article 4 and the exceptions in paragraph (e) of this Section 2.3:

(a) If you resign or otherwise voluntarily terminate your employment with the Company Group without Good Reason (and not due to Disability, death or Qualified Retirement), you will have 90 days after the date of your termination to exercise the Option, to the extent the Option had become vested as of your termination date.

(b) Upon your Qualified Retirement (as defined in Appendix B) from the Company Group, you will have three (3) years after the effective date of your retirement to exercise the Option, to the extent the Option had become vested as of your termination date.

(c) If you die while employed by the Company Group, the representative of your estate or your heirs will have one (1) year after the date of your death to exercise the Option, to the extent the Option had become vested as of the date of your death. If you become Disabled while employed with the Company Group, you will have one (1) year after the effective date of such classification to exercise the Option, to the extent the Option had become vested as of your termination date.

(d) If your employment with the Company Group is terminated by your employer without Cause (and not due to your Disability), or if you resign or otherwise voluntarily terminate your employment with the Company Group for Good Reason, you will have two (2) years after the date of your termination to exercise the Option, to the extent the Option had become vested as of your termination date.

(e) In no case, however, may the Option be exercised after the Expiration Date. The Option may not be exercised following termination of your employment with the Company Group for Cause.

3. Terms of Time-Based Restricted Stock Units and Performance-Based Restricted Stock Units.

3.1. Time-Based Restricted Stock Units: Vesting and Payment.

(a) Until your RSUs vest as provided below, they are subject to the restrictions described in Section 3.3 during the period (the " Restricted Period") beginning on the Award Date and ending three years later. Except as otherwise provided in Section 3.3, Section 3.4 and Article 4, the RSUs will vest and become nonforfeitable in thirty-six equal monthly installments of **9,249** Shares, with each such installment becoming vested on the **Fourth** day of the month commencing with **October 4, 2012** and each successive month thereafter until becoming fully vested and nonforfeitable, provided that you are employed on the date such installment is scheduled to so vest (except as provided at Section 3.4(a)(i)).

(b) RSUs, to the extent vested, will be payable to you, subject to Section 5.4, within 30 days following your separation from service with the Company Group, in the form of either book-entry registration or a stock certificate representing one (1) Share for each restricted stock unit that had so vested.

3.2. Performance Share Units: Performance Period; Performance Goals; Vesting; and Payment.

(a) Your PSUs are subject to the Performance Goal during the Performance Period as defined and set forth in Appendix A hereto. Your PSUs also are subject to your continued employment until the last day of the Performance Period, except as set forth in Section 3.4(a)(iii).

(b) Provided that you satisfy the continued employment requirement of Section 3.2(a) (or Section 3.4(a)(iii), as may apply), such number of PSUs will become earned, vested and nonforfeitable on the last day of the Performance Period as satisfies the Performance Goal and such earned and vested PSUs will be payable to you thirty (30) days following the last day of the Performance Period (or such earlier date as may apply under Section 3.4(a)(iii)), provided that to the extent that the value of such PSUs exceeds the specified annual calendar year limit in Section 4(d)(ii) of the Plan, the excess shall be paid on January 15th of successive calendar years using up in each such year the maximum amount permitted to be paid in each such year under such Section 4(d)(ii) as to performance-based compensation. Payment of your earned and vested PSUs will be in the form of either book-entry registration or a stock certificate representing one (1) Share for each performance share unit that had become so earned and vested. The Compensation and Human Resources

Committee will determine and certify, within thirty (30) days after the end of the Performance Period, in accordance with Section 162(m), whether and to what extent the Performance Goal may have been attained.

(c) The foregoing provisions of this Section 3.2 to the contrary notwithstanding, upon the occurrence of a Change of Control, the Compensation and Human Resources Committee will thereupon determine and certify, in accordance with Section 162(m) and based on the Performance Goal as set forth in Appendix A as of the date of such Change of Control, whether and to what extent the Performance Goal may have been attained through the date of such Change of Control, and you will be deemed to have earned the greater of (i) such number of PSUs as would have been earned based on the attainment of Target performance under the Performance Goal or (ii) such number of PSUs as would be earned based on the actual Performance Goal attained as so certified by the Compensation and Human Resources Committee. In such event, your obligation to continue employment until the last day of the Performance Period under Section 3.2(a) (except as provided in Section 3.4(a)(iii)) shall be unaffected by such Change of Control. “Change of Control” has the meaning defined in Appendix B hereto.

3.3. Limit on Transfers . You may not sell, assign, pledge or otherwise transfer the RSUs or PSUs at any time (or any interest in or right therein), other than by will or the laws of descent and distribution, and any such attempted transfer will be void.

3.4. Effect of Retirement, Disability, Death or other Termination of Employment. Your employment with the Company Group may be terminated by your employer at any time in accordance with the Employment Agreement. Subject to the forfeiture provisions of Article 4:

(a) If your employment with the Company Group is terminated by reason of your death, you become Disabled, your employment is involuntarily terminated by the Company Group without Cause or you voluntarily terminate your employment for Good Reason at any time before the Option or the RSUs, respectively, have become fully vested or the PSUs have become earned and vested:

i. the unvested RSUs will become fully vested, nonforfeitable and payable to you in accordance with Section 3.1 hereof;

ii. the unvested portion of the Option will become fully vested and exercisable on the date of termination;

iii. the PSUs will become earned (to the extent not previously deemed earned under Section 3.2(c)) to the extent that the Performance Goals have been attained through the date of termination and a pro rata portion of such earned number of PSUs will become immediately vested and payable to you within thirty (30) days following the date of termination or the earliest such later date as is required to satisfy Section 409A of the Code; provided that to the extent the value of such PSUs exceeds the specified annual calendar year limit in Section 4(d)(ii) of the Plan, the excess shall be paid on January 15th of successive calendar years using up in each such year the maximum amount permitted to be paid in such year under such Section 4(d)(ii) as to performance-based compensation; and further provided that, if such termination is within two (2) years after a Change in Control that satisfies the requirements of Treasury Regulation 1.409A-3(i)(5), the full amount shall be paid on such termination or such later date as is required to comply with Section 409A of the Code. For such purpose, (x) the Compensation and Human Resources Committee will thereupon determine and certify the attainment of the Performance Goals and the resulting number, if any, of PSUs as have become earned and (y) the pro rata portion will equal the fraction of such earned PSUs the numerator of which is the number of days you were employed through the date of termination and the denominator of which is 1,095; and

iv. Your right to vesting, and consequent payment, of the unvested portion of your Option, RSUs and PSUs under this Section 3.4, pursuant to an involuntary termination of your employment by the Company Group without Cause (and not due to Disability) or your voluntary termination for Good Reason, is subject to your providing a complete release of all claims to the Company Group, not later than forty-five (45) days following the date of your termination of employment, in the form of Agreement and Release of Claims set forth as Exhibit B of the Employment Agreement.

v. For purposes of this Award, “Cause”, “Good Reason” and “Disability” have the meaning as defined in the Employment Agreement.

(b) If your employment is involuntarily terminated by the Company Group for Cause, the vested but unexercised portion of the Option will be immediately forfeited and such portion of the Option will be immediately cancelled. You may retain all other vested equity.

(c) If your employment terminates for any reason other than as set forth in Section 3.4(a) or 3.4(b), such portion of each of the Option, RSUs and PSUs, that had not previously become vested, and earned (as applies), on the date of termination will be immediately forfeited and such portion of the Award will be immediately cancelled.

3.5. Dividend Equivalents. You will be entitled to an accrual of dividend equivalents with respect to the RSUs and PSUs under this Award from the Award Date until the date such RSUs and PSUs, respectively, are paid, as follows:

(a) As of each dividend date for holders of Shares, a dollar amount equal to the amount of the dividend that would have been paid on the number of Shares equal to the number of RSUs and PSUs, as applies, held by you under this Award as of the close of business on the record date for such dividend will be converted into a number of RSUs or PSUs, as applies, equal to the number of whole and fractional Shares that could have been purchased at the closing price on the dividend payment date with such dollar amount. In the case of any dividend declared on Shares which is payable in Shares, you will be credited with an additional number of RSUs and PSUs, as applies, equal to the product of (x) the number of RSUs or PSUs, as applies then held by you on the related dividend record date and the (y) the number of Shares (including any fraction thereof) distributable as a dividend on a Share.

(b) Such accrued dividend equivalents will be paid to you at such time and in accordance with Section 3.1(b), Section 3.2(b) or Section 3.4(a), as applies, but in each such case only to the extent that the RSUs on which such dividend equivalents were credited have become vested and payable and the PSUs on which such dividend equivalents were credited have become earned, vested and payable.

3.6. Limitation of Rights Regarding Shares. Until issuance of the Shares, you will not have any rights of a shareholder with respect to your RSUs or your PSUs.

3.7. Income Taxes. You are liable for any federal and state income or other taxes applicable upon the payment of vested RSUs and of earned and vested PSUs, and your subsequent disposition of any Shares paid with respect to such RSUs that have become vested and PSUs that have become earned and vested; and you acknowledge that you should consult with your own tax advisor regarding the applicable tax consequences. Upon the payment of Shares with respect to your vested RSUs and earned and vested PSUs (including RSUs and PSUs credited as accrued dividend equivalents thereon), Best Buy will withhold from those Shares the number of Shares having a Fair Market Value equal to the amount of the minimum applicable taxes required by Best Buy to be withheld upon the payment of those RSUs and PSUs as apply.

4. Restrictive Covenants and Remedies. By accepting this Award, you agree to the restrictions and agreements contained in Section 11 and Attachment B of the Employment Agreement ("Restrictive Covenants") and the remedies in Section 9 of the Employment Agreement, and you agree that the Restrictive Covenants and the remedies described in such provisions of the Employment Agreement are reasonable and necessary to protect the legitimate interests of the Company Group.

5. General Terms and Conditions .

5.1. Employment and Terms of Plan. This Agreement does not guarantee your continued employment nor alter the right of any member of the Company Group to terminate your employment at any time. This Award is granted pursuant to the Plan and is subject to its terms. In the event of any conflict between the provisions of this Agreement and the Plan, the provisions of 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.

5.2. Governing Law, Jurisdiction and Venue. The Performance Award and the provisions of this Agreement are governed by, and subject to, the laws of the State of Minnesota, without regard to the conflict of law provisions, as provided in the Plan. You and Best Buy 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. Notwithstanding the foregoing or any provision of the Plan as to determinations, interpretations or disputes, all such determinations, interpretations and/or disputes shall be subject to a *de novo* determination in accordance with Section 12 of the Employment Agreement.

5.3. Section 409A.

(a) 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 Compensation and Human Resources 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.

(b) To the extent required by Section 409A(a)(2)(B)(i), to the extent that you are a specified employee, payment of RSUs and PSUs 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 employment 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 employment shall not be deemed to have been terminated unless and until you have incurred a “separation from service” within the meaning of Section 409A.

(c) 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) To the extent that the right to payment of your RSUs or your PSUs is subject to your providing a release of claims to the Company Group (under Section 3.4(a)(iv)) that is not revoked, and as a result of the timing of when you provide such release of claims such payment could be made in either of two of your taxable years, such payment shall be made in the later such taxable year.

By signing below, you and Best Buy agree that the Option, RSUs and PSUs are granted under and governed by the terms and conditions of the Plan and this Agreement.

Best Buy Co., Inc.

By: ______________________________

Title: ______________________________

____

Hubert Joly

APPENDIX A

Performance Stock Unit (PSU) Performance Goal

1. **Performance Goal; Performance Period; PSUs Earned**. The number of performance stock units that may be earned under this Award is based on the attainment of the following performance goal:

The performance of Best Buy common stock total shareholder return, relative to a peer group comprised of the S&P 500 Index, over the 36-month period commencing on **October 1, 2012** and ending on **September 30, 2015**, except ending on the date of termination of employment for purposes of Section 3.4(a)(iii) or the date of the occurrence of a Change of Control in for purposes of Section 3.2(c), (the "Performance Period"). The number of performance stock units that may be earned under this Award are as follows:

Performance Level	Performance Achieved	Number of PSUs Earned
Below Threshold	Less than 30th percentile rank relative TSR	0 PSUs
At Threshold	30th percentile rank relative TSR	**99,953** PSUs (50% of Target)
At Target	50th percentile rank relative TSR	**199,906** PSUs (100%)
At Maximum	70th or greater percentile rank relative TSR	**299,859** PSUs (150% of Target)
The number of performance stock units earned will be interpolated on a linear basis for performance between Threshold and Target and between Target and Maximum.		

2. **Total Shareholder Return" or "TSR"**. Total Shareholder Return" or "TSR" means total shareholder return as applied to Best Buy or each company in the S&P 500 Index, meaning common stock price appreciation from the beginning to the end of the Performance Period, plus dividends and distributions made or declared (assuming for such purpose that such dividends or distributions are reinvested in Best Buy common stock or of any such company in the S&P 500 Index) during the Performance Period, expressed as a percentage return. For purposes of determining common stock price appreciation as applied to Best Buy hereunder, the applicable stock price will be the Fair Market Value (as defined in the Plan) of Best Buy common stock, as applies.

3. **Calculation**. For purposes of the Award and this Appendix A, the number of PSUs earned will be calculated as follows:
FIRST: For Best Buy and for the companies comprising the S&P 500 Index, determine the TSR for the Performance Period. For purposes of this calculation, TSR will be calculated on a compounded annualized basis over the Performance Period.

SECOND: Rank the TSR values determined in the first step from low to high (with the company having the lowest TSR being ranked number 1, the company with the second lowest TSR ranked number 2, and so on) and determine Best Buy's percentile rank based upon its position in the list by dividing Best Buy's position by the total number of companies (including Best Buy) in the S&P 500 and rounding the quotient to the nearest hundredth. For example, if Best Buy were ranked 300 on the list out of 500 companies (including Best Buy), its percentile rank would be 60%.

THIRD: Plot the percentile rank for Best Buy determined in the second step above into the appropriate band in the left-hand column of the table above and determine the number of PSUs earned as a percent of Target, which is the figure in the right-hand column of the table (using linear interpolation between points as provided in the table above) corresponding to that percentile rank. For example, if Best Buy's percentile rank is 60%, then 125% of the Target number of PSUs would be earned.

4. **Rules** . The following rules apply to the computation of the number of PSUs earned:
No Guaranteed Payout: The minimum number of PSUs which may be earned is zero and the maximum number of PSUs which may be earned is 150% of the Target number of PSUs. There is no minimum number of PSUs or other consideration that will be paid out, and no PSUs will be earned if the percentile rank is less than the 30th percentile or lower in the Performance Period.

Effect of Changes on S&P 500 Index: The S&P 500 Index shall be such companies as comprise that index from time to time during the Performance Period.

APPENDIX B

Certain Definitions

"Affiliate" is generally defined in the Plan, but will mean, solely for purposes of the definitions of "Change of Control" and "Person" in this Addendum, a company controlled directly or indirectly by Best Buy, where "control" will mean the right, either directly or indirectly, to elect a majority of the directors or other governing body thereof without the consent or acquiescence of any third party.

"Beneficial Owner" will have the meaning defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended, or any successor provision.

A "Change of Control" will be deemed to have occurred solely for purposes of this Agreement, if the conditions set forth in any one of the following paragraphs are satisfied after the Award Date:

(i) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of Best Buy representing 50% or more of the combined voting power of Best Buy's then outstanding securities excluding, at the time of their original acquisition, from the calculation of securities beneficially owned by such Person, any securities acquired directly from Best Buy or its Affiliates or in connection with a transaction described in clause (a) of paragraph III below; or

(ii) individuals who at the Award Date constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of Best Buy) whose appointment or election by the Board or nomination for election by Best Buy's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the Award Date or whose appointment, election or nomination for election was previously so approved or recommended, cease for any reason to constitute a majority thereof; or

(iii) there is consummated a merger or consolidation of Best Buy or any Affiliate with any other company, other than (a) a merger or consolidation which would result in the voting securities of Best Buy outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of Best Buy or any Affiliate, at least 50% of the combined voting power of the voting securities of Best Buy or such surviving entity or parent thereof outstanding immediately after such merger or consolidation, or (b) a merger or consolidation effected to implement a recapitalization of Best Buy (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly of securities of Best Buy representing 50% or more of the combined voting power of Best Buy's then outstanding securities; or

(iv) the shareholders of Best Buy approve a plan of complete liquidation of Best Buy or there is consummated an agreement for the sale or disposition by Best Buy of all or substantially all Best Buy's assets, other than a sale or disposition by Best Buy of all or substantially all of Best Buy's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by shareholders of Best Buy in substantially the same proportions as their ownership of Best Buy immediately before such sale; or

(v) the Board determines in its sole discretion that a change in control of Best Buy has occurred.

(vi) Notwithstanding the foregoing, a "Change in Control" will not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of Best Buy immediately before such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of Best Buy immediately following such transaction or series of transactions.

"Company Group" will mean, collectively, Best Buy and its Affiliates.

"Person" is generally defined in the Plan, but solely for purposes of the definition of "Change of Control" in this Addendum, will have the meaning defined in Sections 3(a)(9) and 13(d) of the Securities Exchange Act of 1934, as amended, except that such term will not include (i) Best Buy or any of its Affiliates, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of Best Buy or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of Best Buy in substantially the same proportions as their ownership of stock of Best Buy.

"Qualified Retirement" will mean any termination of your employment with the Company Group that occurs on or after your 60th birthday, at a time when no member of the Company Group is entitled to discharge you for Cause, so long as you have served the Company Group continuously for at least the five-year period immediately preceding that termination.

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 6, 2012

/s/ HUBERT JOLY

Hubert Joly
President 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, James L. Muehlbauer, 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 6, 2012

/s/ JAMES L. MUEHLBAUER

James L. Muehlbauer
Executive Vice President — Finance
and 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 President 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 August 4, 2012 (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 6, 2012

/s/ HUBERT JOLY

Hubert Joly
President 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 Executive Vice President — Finance and 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 August 4, 2012 (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 6, 2012	/s/ JAMES L. MUEHLBAUER
	James L. Muehlbauer
	Executive Vice President — Finance
	and Chief Financial Officer