BEST BUY CO INC
Form DEF 14A
May 16, 2007

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

BEST BUY CO., INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x	No fee required.		
o	Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.		
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	(4)	Proposed maximum aggregate value of transaction:	
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o	Fee paid previously with preliminary materials.		
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	(2)	Form, Schedule or Registration Statement No.:	
	(3)	Filing Party:	
	(4)	Date Filed:	

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

NOTICE OF 2007 REGULAR MEETING OF SHAREHOLDERS

Time: 9:30 a.m., Central Time, on Wednesday, June 27, 2007

Place: Best Buy Corporate Campus Theater
7601 Penn Avenue South
Richfield, Minnesota 55423

Items of Business:

1. To elect seven Class 2 directors to serve on our Board of Directors for a term of two years and to ratify the appointment of one Class 1 director.
2. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending March 1, 2008.
3. To approve an amendment to the Best Buy Co., Inc. 2004 Omnibus Stock and Incentive Plan to increase the number of shares subject to the plan to 38 million shares.
4. To transact such other business as may properly come before the meeting.

Record Date: You may vote if you were a shareholder of record of Best Buy Co., Inc. as of the close of business on Monday, April 30, 2007.

Proxy Voting: Your vote is important. You may vote via proxy:

1. By visiting **www.proxyvote.com** on the Internet;
2. By calling (within the U.S. or Canada) toll-free at **1-800-690-6903**; or
3. By signing and returning the enclosed proxy card.

Regardless of whether you expect to attend the meeting in person, please vote your shares in one of the three ways outlined above.

By Order of the Board of Directors

Minneapolis, Minnesota
May 16, 2007

Elliot S. Kaplan
Secretary

Help us make a difference by eliminating paper proxy mailings to your home or business. With your consent, we will provide all future proxy voting materials and annual reports to you electronically. You may enroll for electronic delivery of future Best Buy shareholder materials at www.BestBuy.com select the For Our Investors link and then the Click Here to Enroll link. Your consent to receive shareholder materials electronically will remain in effect until canceled by you.

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

PROXY STATEMENT

REGULAR MEETING OF SHAREHOLDERS JUNE 27, 2007

GENERAL INFORMATION

This proxy statement is furnished in connection with the solicitation of proxies by the Best Buy Co., Inc. (Best Buy, we, us, or our) Board of Directors (the Board to be voted at our 2007 Regular Meeting of Shareholders (the Meeting) to be held on Wednesday, June 27, 2007, at 9:30 a.m., Central Time, at the Best Buy Corporate Campus Theater, 7601 Penn Avenue South, Richfield, Minnesota, or at any postponement or adjournment of the Meeting. The mailing of proxy materials to shareholders will commence on or about May 16, 2007.

Background

What is the purpose of the Meeting?

At the Meeting, shareholders will vote on the items of business outlined in the Notice of 2007 Regular Meeting of Shareholders (the Notice), included as the cover page to this proxy statement. In addition, management will report on our business and respond to questions from shareholders.

Why am I receiving this proxy statement and a proxy card?

You are receiving this proxy statement and a proxy card because you owned shares of Best Buy Common Stock as of April 30, 2007, the record date for the Meeting, and are entitled to vote on the items of business at the Meeting. This proxy statement describes the items that will be voted on at the Meeting and provides information on these items so that you can make an informed decision.

Who may vote?

In order to vote at the Meeting, you must be a shareholder of record of Best Buy as of April 30, 2007, the record date for the Meeting. If your shares are held in street name (that is, through a bank, broker or other nominee), you will receive instructions from the shareholder of record that you must follow in order for your shares to be voted as you choose.

When is the record date?

The Board has established April 30, 2007, as the record date for the Meeting.

How many shares of Best Buy Common Stock are outstanding?

As of the record date, there were 479,304,176 shares of Best Buy Common Stock outstanding. There are no other classes of capital stock outstanding.

Voting Procedure

On what items of business am I voting?

You are being asked to vote on the following items of business:

- The election of seven Class 2 directors for a term of two years and the ratification of one Class 1 director;
- The ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending March 1, 2008;

- The approval of an amendment to the Best Buy Co., Inc. 2004 Omnibus Stock and Incentive Plan (Omnibus Plan) to increase the number of shares subject to the plan to 38 million shares; and

- Such other business as may properly come before the Meeting.

How do I vote?

If you are a shareholder of record (that is, if your shares are owned in your name and not in street name), you may vote:

- Via the Internet at **www.proxyvote.com**;

- By telephone (within the U.S. or Canada) toll-free at **1-800-690-6903**;

- By signing and returning the enclosed proxy card; or

- By attending the Meeting and voting in person.

If you wish to vote by Internet or telephone, you must do so before 11:59 p.m. Eastern Time on June 26, 2007. After that time, Internet and telephone voting will not be permitted, and a shareholder wishing to vote, or revoke an earlier proxy, must submit a signed proxy card or vote in person.

We encourage our shareholders to receive proxy materials via the Internet because it reduces our expenses for shareholder meetings. Beginning with our fiscal 2008 proxy materials, and in accordance with the new rules of the U.S. Securities and Exchange Commission (SEC), we plan to send all shareholders who have not affirmatively opted to receive paper materials, all of their proxy materials via the Internet. However, you still may opt to continue receiving paper copies of proxy materials, at no cost to you, by following the instructions we will provide in advance of the distribution of our fiscal 2008 proxy materials.

Street name shareholders who wish to vote at the Meeting will need to obtain a proxy form from the institution that holds their shares of record.

How are my voting instructions carried out?

When you vote via proxy, you appoint Richard M. Schulze and Elliot S. Kaplan (the Proxy Agents) as your representatives at the Meeting. The Proxy Agents will vote your shares at the Meeting, or at any postponement or adjournment of the Meeting, as you have instructed them on the proxy card. If you return a properly executed proxy card without specific voting instructions, the Proxy Agents will vote your shares in accordance with the Board s recommendations. With proxy voting, your shares will be voted whether or not you attend the Meeting. Even if you plan to attend the Meeting, it is advisable to vote your shares via proxy in advance of the Meeting in case your plans change.

If an item comes up for vote at the Meeting, or at any postponement or adjournment of the Meeting, that is not described in the Notice, the Proxy Agents will vote the shares subject to your proxy at their discretion.

How many votes do I have?

You have one vote for each share you own, and you can vote those shares for each item of business to be addressed at the Meeting.

How many shares must be present to hold a valid Meeting?

For us to hold a valid Meeting, we must have a quorum, which means that a majority of the outstanding shares of our Common Stock that are entitled to vote are present at the Meeting. Your shares will be counted as present at the Meeting if you:

- Vote via the Internet or by telephone;

- Properly submit a proxy card (even if you do not provide voting instructions); or

- Attend the Meeting and vote in person.

How many votes are required to approve an item of business?

Pursuant to our Amended and Restated Bylaws, each item of business to be voted on at the Meeting requires the affirmative vote by the holders of a majority of the shares of Best Buy Common Stock present at the

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Meeting and entitled to vote. The election of directors and the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm are considered routine matters under New York Stock Exchange (NYSE) rules. The NYSE rules allow brokerage firms to vote their clients shares on routine matters if the clients do not provide voting instructions. The approval of the amendment to increase the number of shares subject to our Omnibus Plan is considered a non-routine matter under NYSE rules. The NYSE rules do not allow brokerage firms to vote their clients shares on non-routine matters in the absence of affirmative voting instructions.

If your brokerage firm votes your shares on routine matters because you do not provide voting instructions, your shares will be counted for purposes of establishing a quorum to conduct business at the Meeting and in determining the number of shares voted for or against the routine matter. If your brokerage firm lacks discretionary voting power with respect to an item that is not a routine matter and you do not provide voting instructions (a broker non-vote), your shares will be counted for purposes of establishing a quorum to conduct business at the Meeting, but will not be counted in determining the number of shares voted for or against the matter. Abstentions are counted as present and entitled to vote for purposes of determining a quorum and will have the same effect as votes against a proposal.

What if I change my mind after I vote via proxy?

You may revoke your proxy at any time before your shares are voted by:

- Submitting a later-dated proxy prior to the Meeting (by mail, Internet or telephone);
- Voting in person at the Meeting; or
- Providing written notice to Best Buy s Secretary at our principal office.

Where can I find the voting results of the Meeting?

We will announce the preliminary voting results at the Meeting. We will publish the final voting results in our Quarterly Report on Form 10-Q for our second fiscal quarter ending September 1, 2007. Our Quarterly Report on Form 10-Q is required to be filed with the SEC within 40 days of the end of our fiscal quarter.

Proxy Solicitation

How are proxies solicited?

We will request that brokerage firms, banks, other custodians, nominees, fiduciaries and other representatives of shareholders forward proxy materials and annual reports to the beneficial owners of our Common Stock. We expect to solicit proxies primarily by mail, but directors, officers and other employees of Best Buy may also solicit proxies in person, by telephone, through electronic transmission and by facsimile transmission. Directors and employees of Best Buy do not receive additional compensation for soliciting shareholder proxies.

Who will pay for the cost of soliciting proxies?

We pay all of the costs of preparing, printing and distributing proxy materials. We will reimburse brokerage firms, banks and other representatives of shareholders for reasonable expenses incurred as defined in the NYSE schedule of charges.

How can multiple shareholders sharing the same address request to receive only one set of proxy materials and other investor communications?

If you opt to continue to receive paper copies of our proxy materials, you may elect to receive future proxy materials, as well as other shareholder communications, in a single package per address. This practice, known as householding, is designed to reduce our printing and postage costs. To make the election, please indicate on your proxy card under Householding Election your consent to receive such communications in a single package per address. Once we receive your consent, we will send a single package per household until you revoke your consent by notifying our Investor Relations Department at 7601 Penn Avenue South, Richfield, MN 55423 or by telephone at (612) 291-6147. We will start sending you individual copies of proxy materials and investor communications within 30 days of your revocation.

Can I receive the proxy materials electronically?

Yes. We are pleased to offer shareholders the choice to receive our proxy materials electronically over the Internet instead of receiving paper copies through the mail. Choosing electronic delivery will save us the costs of printing and mailing these materials. Our fiscal 2007 annual report and proxy statement are being mailed to all shareholders who have not already elected to receive these materials electronically. If you are a shareholder of record and would like to receive these materials electronically in the future, you may enroll for this service on the Internet after you vote your shares in accordance with the instructions for Internet voting set forth on the enclosed proxy card. We encourage our shareholders to receive proxy materials via the Internet because it reduces our expenses for shareholder meetings. Beginning with our fiscal 2008 proxy materials, and in accordance with the SEC s new rules, we plan to send all shareholders who have not affirmatively opted to receive paper materials, all of their proxy materials via the Internet. However, you still may opt to continue receiving paper copies of proxy materials, at no cost to you, by following the provided instructions.

You may also enroll for electronic delivery of future Best Buy shareholder materials at any time on our Web site at www.BestBuy.com select the For Our Investors link and then the Click Here to Enroll link. As with all Internet usage, the user must pay all access fees and telephone charges.

An electronic version of this proxy statement is posted on our Web site at www.BestBuy.com select the For Our Investors link and then either the SEC Filings link or the Corporate Governance link.

Additional Information

Where can I find additional information about Best Buy?

Our Annual Report to Shareholders, our reports on Forms 10-K, 10-Q and 8-K, and other publicly available information should be consulted for other important information about Best Buy. You can also find additional information about Best Buy on our Web site at www.BestBuy.com.

CORPORATE GOVERNANCE AT BEST BUY

Our Board is elected by the shareholders to oversee our business and affairs. In addition, the Board advises management regarding a broad range of subjects including Best Buy strategies and operating plans. Members of the Board monitor and evaluate our business performance through regular communication with our Chief Executive Officer and other members of management, and by attending Board meetings and Board committee meetings.

The Board values effective corporate governance and adherence to high ethical standards. As such, the Board has adopted Corporate Governance Principles for our directors and our Code of Business Ethics, both of which are posted on our Web site at www.BestBuy.com select the For Our Investors link and then the Corporate Governance link. Paper copies of these documents are available to shareholders free of charge upon request.

Committees of the Board

The Board has the following four committees:

- Audit Committee;
- Compensation and Human Resources Committee;
- Nominating, Corporate Governance and Public Policy Committee; and
- Finance and Investment Policy Committee.

Given the importance of strategic growth to us, the matters previously covered by the Strategic Growth component of the former Strategic Growth and

Financial Planning Committee are now being addressed by the full Board.

The charters of the Audit Committee, Compensation and Human Resources Committee, and Nominating, Corporate Governance and Public Policy Committee are posted on our Web site at www.BestBuy.com select the For Our Investors link and then the Corporate Governance link. The charters include information regarding the committees composition, purpose and responsibilities. Paper copies of these documents are available to shareholders free of charge at their request.

The Board has determined that all members of the Audit Committee, Compensation and Human Resources Committee, and Nominating, Corporate Governance and Public Policy Committee are independent directors as defined under the SEC and NYSE corporate governance rules, as applicable.

The Board committees have responsibilities as follows:

Audit Committee. This committee discharges the Board s oversight responsibility to the shareholders and the investment community regarding: (i) the integrity of our financial statements and financial reporting processes; (ii) our internal accounting systems and financial and operational controls; (iii) the qualifications and independence of our independent registered public accounting firm; (iv) the performance of our internal audit function and our independent registered public accounting firm; and (v) our compliance with ethics programs, including our Code of Business Ethics, and legal and regulatory requirements.

In carrying out these duties, this committee maintains free and open communication between the Board, our independent registered public accounting firm, our internal auditors and management. This committee meets with management, our internal audit staff and our independent registered public accounting firm at least quarterly. In addition, this committee conducts quarterly conference calls with management and our independent registered public accounting firm prior to our earnings releases to discuss quarterly reviews and the fiscal year-end audit.

Compensation and Human Resources Committee. The responsibilities of this committee are to: (i) determine and approve our Chief Executive Officer s compensation and benefits package; (ii) determine and approve executive and director compensation; (iii) appoint officers at the level of senior vice president and above, other than our Chief Executive Officer; (iv) oversee cash and equity-based incentive compensation and other employee benefit plans; (v) oversee our human capital policies and programs; and (vi) oversee the development of executive succession plans.

Nominating, Corporate Governance and Public Policy Committee. This committee discharges the Board s responsibilities related to general corporate governance, including Board organization, membership, training and evaluation. It also reviews and recommends to the Board corporate governance principles, presents qualified individuals for election to the Board, and oversees the evaluation of the performance of the Board and its committees. Finally, this committee oversees matters of public policy and social responsibility that affect us domestically and internationally. For additional information regarding our director nomination process, see *Director Nomination Process* on page 8.

Finance and Investment Policy Committee. This committee advises the Board regarding our financial policies and financial condition to help enable us to achieve our long-range goals. It evaluates and monitors the: (i) protection and safety of our cash and investments; (ii) achievement of reasonable returns on financial assets within acceptable risk tolerance; (iii) maintenance of adequate liquidity to support our activities; (iv) assessment of the cost and availability of capital; and (v) alignment of our strategic goals and financial resources.

Board Meetings and Attendance

The Board held four regular meetings and two special meetings during the fiscal year ended March 3, 2007. Each incumbent director attended, in person or by telephone, at least 75% of the meetings of both the Board and Board committees on which he or she served. The average attendance by directors at Board and Board committee meetings exceeded 95%. Our Board does not have a formal policy relating to Board member attendance at our regular meetings of shareholders; however, our directors generally attend the shareholders meeting each year. Each of the directors attended the 2006 Regular Meeting of Shareholders.

The following table shows the date each committee was established, the number of meetings held in fiscal 2007 and the names of the directors serving on each committee as of May 1, 2007.

Committee	Date Established	Number of Meetings During Fiscal 2007	Members
Audit	June 1, 1984	9	Hatim A. Tyabji* Ari Bousbib Matthew H. Paull Mary A. Tolan
Compensation and Human Resources	February 13, 1997	15	Frank D. Trestman* Kathy J. Higgins Victor Ronald James Hatim A. Tyabji
Nominating, Corporate Governance and Public Policy	February 13, 1997	7	Kathy J. Higgins Victor* Ronald James James E. Press Rogelio M. Rebolledo
Finance and Investment Policy	September 13, 2006	4	Elliot S. Kaplan* Allen U. Lenzmeier Matthew H. Paull Mary A. Tolan Frank D. Trestman

* Chairman

Director Nomination Process

The Nominating, Corporate Governance and Public Policy Committee (Nominating Committee) is responsible for screening and recommending to the full Board director candidates for nomination. The Nominating Committee will often engage a third-party search firm to assist in identifying appropriate candidates to consider as additions to our Board of Directors. When there is an opening on the Board, the Nominating Committee will also consider nominations received from our shareholders, provided that proposed candidates meet the requisite director qualification standards discussed below.

When the Board elects to fill a vacancy on the Board, the committee will announce the open position and post any additional search criteria on our Web site at www.BestBuy.com select the For Our Investors link and then the Corporate Governance link. Candidates recommended by shareholders, if qualified, will be considered in the same manner as any other candidate.

The Nominating Committee will then evaluate the resumes of any qualified candidates recommended by a search firm and shareholders, as well as by members of the Board. Generally, in order to be considered for nomination, a candidate must have:

- High professional and personal ethics and values;
- A strong record of significant leadership and meaningful accomplishments in his or her field;
- Broad policy-making experience;
- The ability to think strategically;
- Sufficient time to carry out the duties of Board membership; and
- A commitment to enhancing shareholder value and representing the interests of all shareholders.

All candidates are evaluated based on these qualification standards and the current needs of the Board.

Shareholder nominations must be accompanied by a candidate resume which addresses the extent to which the nominee meets the director qualification standards and any additional search criteria posted on our Web site. Nominations will be considered only if we are currently seeking to fill an open director position. All nominations by shareholders should be submitted as follows:

Chairman, Nominating, Corporate Governance

and Public Policy Committee

c/o Mr. Joseph M. Joyce

Senior Vice President, General Counsel and
Assistant Secretary

Best Buy Co., Inc.

7601 Penn Avenue South

Richfield, Minnesota 55423

Director Independence

With the adoption of its Corporate Governance Principles, the Board established independence standards consistent with the requirements of the SEC and NYSE corporate governance rules, as applicable. To be considered independent under the NYSE rules, the Board must affirmatively determine that a director or director nominee does not have a material relationship with Best Buy (directly, or as a partner, shareholder or officer of an organization that has a relationship with Best Buy). In addition, NYSE rules provide that no director or director nominee may be deemed independent if the director or director nominee

has in the past three years:

- Received (or whose immediate family member has received as a result of service as an executive officer) more than $100,000 during any 12-month period in direct compensation from Best Buy, other than director and committee fees and certain pension payments and other deferred compensation;
- Been an employee of Best Buy;
- Had an immediate family member who was an executive officer of Best Buy;

- Worked on (or whose immediate family member has worked on) our audit as a partner or an employee of our internal or independent auditor; or

- Been (or whose immediate family member has been) employed as an executive officer of another company whose compensation committee at that time included a present executive officer of Best Buy; or

is:

- A partner or employee of our internal or independent auditor (or whose immediate family member is currently a partner of such firm or is employed in the audit, assurance or tax compliance practice of such firm); or

- An employee (or has an immediate family member who is an executive officer) of another company that makes payments to Best Buy, or receives payments from Best Buy, for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1 million or 2% of such other company s consolidated gross revenues.

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Under our director independence standards described above, the Board has determined that each director (including former director James C. Wetherbe), with the exception of Messrs. Schulze, Anderson, Lenzmeier and Kaplan, is independent. The Board based these determinations primarily on a review of the responses of the directors to questions regarding employment and compensation history, affiliations, and family and other relationships, and on discussions with our directors. The Board also reviewed the relationships between Best Buy and companies with which our directors are affiliated and determined that the relationships with affiliates of Messrs. Bousbib, James, Paull, Press, Rebolledo and Trestman are not material and do not impair the directors independence. For additional information regarding these relationships, see *Certain Relationships and Related-Party Transactions* on page 40.

During fiscal 2007, we had an elevator service and preventative maintenance agreement with Otis Elevator Company, of which Mr. Bousbib is president. The agreement was deemed not material because it was entered into prior to Mr. Bousbib s membership on the Board and because the value of the agreement was small and represented an insignificant portion of both Best Buy s and Otis s annual consolidated gross revenue for each of the past three fiscal years. In addition, Mr. Bousbib did not participate in negotiating or executing our agreement with Otis.

In the case of Mr. James, our payment of annual membership dues to the Center for Ethical Business Cultures, a nonprofit organization, was deemed not material because such payment represents only a small portion of the total dues collected by the organization. Additionally, Mr. James does not provide us any advisory or consulting services in connection with our membership.

Our co-marketing agreement with McDonald s Corporation, of which Mr. Paull serves as corporate senior executive vice president and chief financial officer, was deemed not material because the amounts involved were small and represented an insignificant portion of both Best Buy s and McDonald s annual consolidated gross revenues for each of the past three fiscal years. In addition, Mr. Paull did not participate in negotiating or executing our agreement with McDonald s.

Mr. Press is president of Toyota Motor North America, the American subsidiary of Toyota Motor Corporation Ltd. During fiscal 2007, we had lease agreements with another subsidiary of Toyota. The amounts involved were small and represented an insignificant portion of the annual consolidated gross revenue of each of the companies for each of the past three fiscal years.

Our vendor agreement with Pepsi Bottling Group Incorporated, of which Mr. Rebolledo is chairman of its Mexican subsidiary, does not constitute a material transaction. We purchase Pepsi products for resale in our corporate and retail locations. The payments to Pepsi were small and represented an insignificant portion of the consolidated gross revenue of both companies for each of the past three fiscal years.

Mr. Trestman s and his son-in-law s interest in a development in which we lease retail space was not deemed material because the amount of the annual lease payment is less than $1 million and the retail square-footage leased constitutes less than 15% of the total leaseable square-footage in the development. In addition, Mr. Trestman did not participate in negotiating or executing our lease agreement.

Executive Sessions of Non-Management and Independent Directors

In order to promote open discussion among non-management directors, the Board has a policy of conducting executive sessions of non-management directors in connection with each regularly scheduled Board meeting. The executive sessions of non-management directors are chaired by the Secretary, provided the Secretary is a non-management director. In addition, the independent directors meet alone in executive session during each regularly scheduled Board meeting. This session is chaired by the independent directors on a rotating basis.

Communications With the Board of Directors

Shareholders and interested parties who wish to contact the Board, any individual director, or the non-management or independent directors as a group, are welcome to do so in writing, addressed to such person(s) in care of:

Mr. Joseph M. Joyce

Senior Vice President, General Counsel and
Assistant Secretary

Best Buy Co., Inc.

7601 Penn Avenue South

Richfield, Minnesota 55423

Mr. Joyce will forward all written shareholder correspondence to the appropriate Board member(s), except for spam, junk mail, mass mailings, customer complaints or inquiries, job inquiries, surveys, business solicitations or advertisements, or patently offensive or otherwise inappropriate material. Mr. Joyce may, at his discretion, forward certain correspondence, such as customer-related inquiries, elsewhere within Best Buy for review and possible response. Comments or questions regarding Best Buy s accounting, internal controls or auditing matters will be referred to members of the Audit Committee. Comments or questions regarding the nomination of directors and other corporate governance matters will be referred to members of the Nominating Committee.

Director Orientation and Continuing Education

Our Nominating Committee oversees the orientation and continuing education of our directors. Director orientation familiarizes directors with our strategic plans; significant financial, accounting and risk management issues; compliance programs and other controls; policies; principal officers and internal auditors; and our independent registered public accounting firm. The orientation also addresses Board procedures, directors responsibilities, Corporate Governance Principles and our Board committee charters.

We also offer continuing education programs to assist the directors in maintaining their expertise in these areas. In addition, directors have the opportunity to attend commercial director education seminars related to the director s committee assignment(s) or to the work of the Board. In fiscal 2007, we conducted two orientations for directors and one continuing education program for the Board. We completed an orientation in fiscal 2008 for another new member of the Board.

Director Compensation

Overview of Director Compensation

In April of each year, the Compensation and Human Resources Committee (Compensation Committee) reviews the total compensation paid to non-management directors and the Chairman of the Board. The purpose of the review is to ensure that the level of compensation is appropriate to attract and retain a diverse group of directors with the breadth of experience necessary to perform the Board s duties, and to fairly compensate directors for their service. The review is comprehensive and includes consideration of qualitative and comparative factors. To ensure directors are compensated relative to the scope of their responsibilities, the Compensation Committee considers: (i) the time and effort involved in preparing for Board, committee and management meetings and the additional duties assumed by committee chairs; (ii) the level of continuing education required to remain informed of broad corporate governance trends, and material developments and strategic initiatives within Best Buy; and (iii) the risks associated with fulfilling fiduciary duties. To supplement the qualitative analysis, the Compensation Committee also considers the total value of the compensation as compared with director compensation at other Fortune 100 companies and our peer group of companies, which is described in *How We Determine Compensation* on page 25.

Director Summary Compensation Table

The following table summarizes the compensation earned by our non-management directors and management directors that are not named executive officers (as described on page 24), during fiscal 2007:

Name	Fees Earned Or Paid In Cash	(1)	Option Awards	(2)	Non-qualified Deferred Compensation Earnings	(3)	All Other Compensation		Total
Ari Bousbib(4)	$ 17,077		$ 105,750		$		$		$ 122,827
Kathy J. Higgins Victor	67,750		187,950						255,700
Ronald James	66,000		187,950						253,950
Elliot S. Kaplan	54,750		187,950						242,700
Allen U. Lenzmeier			187,950				137,208	(5)	325,158
Matthew H. Paull	55,500		187,950						243,450
James E. Press(6)	10,000		38,231						48,231
Rogelio M. Rebolledo(4)	15,823		105,750						121,573
Richard M. Schulze			187,950				1,040,863	(7)	1,228,813
Mary A. Tolan	55,500		187,950						243,450
Frank D. Trestman	73,101		187,950						261,051
Hatim A. Tyabji	65,500		187,950						253,450
James C. Wetherbe(8)	29,563		187,950						217,513

(1) Management directors did not receive any cash compensation for their service as directors during fiscal 2007. The cash compensation in fiscal 2007 for each of our non-management directors consisted of:

Annual retainer(a)	$ 40,000
Annual committee chair retainer (Audit Committee or Compensation Committee)(a)	10,000
Annual committee chair retainer (all other committees)(a)	5,000
Board meeting attended in person(b)	2,000
Board meeting attended via conference call	1,000
Committee meeting attended in person	1,000
Committee meeting attended via conference call	500

(a) The annual retainer and the annual committee chair retainer for non-management directors who serve during only a portion of a fiscal year is prorated. All annual retainers are paid in quarterly installments.

(b) Board members receive an additional $2,000 per day if a meeting extends beyond one day.

(2) These amounts reflect the expense recognized for financial statement reporting purposes in fiscal 2007 in accordance with Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), *Share-Based Payment* (123(R)), for stock options granted under our Omnibus Plan. The amounts reported have been adjusted to eliminate service-based forfeiture assumptions used for financial reporting purposes. The assumptions used in calculating these amounts are set forth in Note 6, *Shareholders Equity*, to the consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended March 3, 2007.

At March 3, 2007, the aggregate number of stock option awards outstanding was: Mr. Bousbib 5,000 shares; Ms. Higgins Victor 30,000 shares; Mr. James 30,000 shares; Mr. Kaplan 86,250 shares; Mr. Lenzmeier 697,500 shares; Mr. Paull 30,000 shares; Mr. Press 1,875 shares; Mr. Rebolledo 5,000 shares; Mr. Schulze 1,965,000 shares; Ms. Tolan 24,500 shares; Mr. Trestman 110,250 shares; and Mr. Tyabji 104,250 shares.

(3) We do not provide guaranteed, above-market or preferential earnings on compensation deferred under our Fourth Amended and Restated Deferred Compensation Plan (Deferred Compensation Plan). The options available for notional investment of deferred

compensation are similar to those available under the Best Buy Retirement Savings Plan (Retirement Savings Plan) and are described in *Non-Qualified Deferred Compensation* on page 38.

(4) Messrs. Bousbib and Rebolledo were appointed as Class 1 directors effective August 18, 2006. For personal reasons, Mr. Bousbib has decided not to stand for ratification as a director at the Meeting.

(5) The amount includes: (a) payment of $120,587 in salary for Mr. Lenzmeier s employment as Vice Chairman, as described below in *Employment Arrangement for Allen U. Lenzmeier*; (b) payment of $5,489 in matching contributions under our Retirement Savings Plan; (c) payment of $832 in premiums for life insurance coverage exceeding $50,000; (d) payment of $6,000 automobile allowance; (e) payment of $116 in premiums for executive long-term disability insurance; (f) reimbursement of $2,008 for tax preparation expenses; (g) payment of $2,001 for an annual physical exam; and (h) reimbursement of $175 for airline club privileges.

(6) Mr. Press was appointed as a Class 2 director effective December 20, 2006.

(7) The amount includes: (a) payment of $1,000,000 in salary for Mr. Schulze s employment as Chairman of the Board, as described below in *Employment Arrangement for Richard M. Schulze*; (b) payment of $15,000 in matching contributions under our Retirement Savings Plan; (c) payment of $9,154 in premiums for life insurance coverage exceeding $50,000; (d) payment of $6,000 automobile allowance; (e) reimbursement of $6,020 for a country club membership; (f) payment of $360 in premiums for executive long-term disability insurance; (g) payment of $2,514 for an annual physical exam; and (h) payment of $1,815 representing the value of merchandise received and tax gross-ups. Not reflected in the amount are the following benefits Mr. Schulze received from third-parties in connection with his relationship with Best Buy: (a) satellite TV service; and (b) cellular phone equipment and service.

(8) Dr. Wetherbe s term as a Class 1 director expired on June 21, 2006, and he did not stand for re-election.

Employment Arrangement for Richard M. Schulze

In June 2002, we entered into an employment arrangement with Richard M. Schulze, a founder of Best Buy and our former Chief Executive Officer, and our Chairman of the Board. Mr. Schulze s responsibilities as Chairman include Board oversight, corporate strategic planning and mentoring company officers. Mr. Schulze also periodically represents Best Buy at public functions and actively engages with employees at designated company functions. Under the arrangement, we agreed to pay Mr. Schulze an annual salary of $1 million, for as long as he is physically and mentally proficient to act as Chairman, subject to his election as a director by our shareholders. The arrangement allows for annual increases based on the consumer price index, but no adjustments have been made since its inception. Mr. Schulze is not eligible to participate in our equity-based compensation programs for employees. However, he is eligible to receive options to purchase the same number of shares granted to non-management directors, as described in *Director Equity Awards* on page 14. In addition, he receives the following benefits: (i) reimbursement of all business-related expenses, including travel, entertainment, room and board; (ii) health insurance benefits for Mr. Schulze and his spouse; (iii) an automobile allowance including payment for fuel, storage, parking and insurance; (iv) partial reimbursement of country club membership dues; (v) office facilities at our corporate campus, including full administrative support services; and (vi) eligibility to participate in our Retirement Savings Plan and Deferred Compensation Plan.

In April 2007, the Compensation Committee, at Mr. Schulze s request, amended his employment arrangement. Under the amended arrangement, Mr. Schulze will receive an annual salary of $150,000. Mr. Schulze will continue to receive the same benefits included in his original employment arrangement described above, except he will no longer receive an automobile allowance or reimbursement of country club membership dues. The Compensation Committee also approved plans to establish a Chairman s Award to provide recognition to employees throughout Best Buy who make meaningful contributions to our success through innovation and intrapreneurship.

Employment Arrangement for Allen U. Lenzmeier

We entered into an employment arrangement with Allen U. Lenzmeier, our Vice Chairman, in April 2006. As Vice Chairman, Mr. Lenzmeier provides consulting services to us in connection with international expansion projects. Under the arrangement, we agreed to pay Mr. Lenzmeier an annual salary of $60,000 to serve as Vice Chairman on a part-time basis. Mr. Lenzmeier is not eligible to participate in our equity-based compensation programs for employees, except our 2003 Employee Stock Purchase Plan (ESPP). However, he is eligible to receive options to purchase the same number of shares granted to non-management directors, as described in *Director Equity Awards* below. In addition, he receives the following benefits: (i) reimbursement of all business-related expenses, including travel, entertainment, room and board; (ii) an automobile allowance including payment for fuel, storage, parking and insurance; (iii) office facilities at our corporate campus, including full administrative support services; and (iv) eligibility to participate in our Retirement Savings Plan and Deferred Compensation Plan. In April 2007, the Compensation Committee amended Mr. Lenzmeier s employment arrangement. Under the amended arrangement, Mr. Lenzmeier will continue to receive the same benefits included in his original employment arrangement described above, except he will no longer receive an automobile allowance.

Director Equity Awards

A significant portion of director compensation is linked to our stock performance in the form of stock option grants. Each April, in connection with the Compensation Committee s annual review of director compensation, the Compensation Committee considers a stock option award for directors. On April 28, 2006, the Compensation Committee granted to each then-serving director, other than management directors who are eligible to participate in our equity-based compensation programs for employees, an option to purchase 7,500 shares of Best Buy Common Stock at an exercise price of $56.66 per share. The grants were made under the Omnibus Plan, vested immediately on the grant date and can generally be exercised over a 10-year period.

The Compensation Committee also considers stock option grants for new directors at the time they are appointed to the Board. Because annual director stock option grants are made in April, special appointment-based grants are prorated based on the number of months remaining prior to the time when the Compensation Committee expects to consider the next annual director grant. The following table summarizes stock option grants made to directors appointed to the Board during fiscal 2007:

Name	Grant Date	Number of Options	Exercise Price
Ari Bousbib(1)	August 18, 2006	5,000	$ 49.02
Rogelio M. Rebolledo(1)	August 18, 2006	5,000	$ 49.02
James E. Press(2)	December 20, 2006	1,875	$ 48.36

Note: All grants were made under the Omnibus Plan, vested immediately on the grant date and can generally be exercised over a 10-year period.

(1) Messrs. Bousbib and Rebolledo were appointed as Class 1 directors effective August 18, 2006.

(2) Mr. Press was appointed as a Class 2 director effective December 20, 2006.

Director Stock Ownership Guidelines

The Compensation Committee has established stock ownership guidelines for our non-management directors. Each non-management director is expected to own shares of our Common Stock equivalent in value to five times their annual cash retainer. Newly appointed directors have five years from their date of appointment to achieve the expected level of stock ownership.

Deferred Compensation Plan

Each calendar year, we offer directors the right to defer up to 100% of their annual and committee chair retainers, as well as Board and committee meeting fees under our Deferred Compensation Plan which is described in *Non-Qualified Deferred Compensation Plan* on page 38. No company contributions or matching contributions are made for the benefit of directors under the Deferred Compensation Plan.

Other Benefits

We reimburse all directors for travel and other necessary business expenses incurred in performance of their services for us. In addition, we extend coverage to all directors under a directors and officers indemnity insurance policy.

Fiscal 2008 Directors Compensation

On April 10, 2007, the Compensation Committee conducted its annual review of director compensation as described on page 11 in *Overview of Director Compensation*. The Compensation Committee determined that the following three changes would be implemented for fiscal 2008: (i) the elimination of meeting attendance fees; (ii) an increase in the annual retainer; and (iii) an increase in the annual retainer for committee chairs. The Compensation Committee believes it is important to implement a compensation framework that is aligned with the services rendered by directors. Meeting attendance fees were eliminated because the scope of directors responsibilities and involvement in company affairs regularly extends beyond scheduled Board and committee meetings. In addition, the Compensation Committee acknowledged the additional responsibilities assumed by committee chairs in executing the Board s duties. The non-management directors will have five years to achieve the higher level of expected stock ownership resulting from the increase in the annual retainer. The following is a summary of cash compensation for non-management directors, effective as of the beginning of fiscal 2008:

Annual retainer	$ 75,000
Annual committee chair retainer (Audit Committee or Compensation Committee)	15,000
Annual committee chair retainer (all other committees)	10,000

In addition, the Compensation Committee will continue to consider an annual equity award for directors, as described in *Director Equity Awards* on page 14.

ITEM OF BUSINESS NO. 1 ELECTION OF DIRECTORS

General Information

Our Amended and Restated Bylaws provide that the Board may consist of a maximum of 13 directors, six of whom are designated as Class 1 directors and seven of whom are designated as Class 2 directors. Directors are elected for a term of two years, and the terms are staggered so that Class 1 directors are elected in even-numbered years and Class 2 directors are elected in odd-numbered years.

Board Structure

Our Board is committed to having a sound governance structure that promotes the best interests of all Best Buy shareholders. To that end, our Board has evaluated and actively continues to examine emerging corporate governance trends and best practices. Shareholder perspectives play an important role in that process. The level of importance afforded to shareholder perspectives by our Board is evident upon a closer review of the Board s governance structure. Some key points regarding that structure are as follows:

- We believe that two-year terms allow our directors to have a longer-term orientation to our business and encourage long-term, strategic thinking. At the same time, this structure holds the directors accountable to our shareholders, as the entire Board is subject to re-election as early as 53 weeks from any Regular Meeting of Shareholders. Moreover, we believe that the two-year terms promote continuity and foster an appropriate institutional memory among Board members.

- Our Board is predominantly independent. Of our 12 incumbent directors, only three are Best Buy employees (including our Chairman of the Board, who is a founder of Best Buy and a major shareholder). Further, the Board has affirmatively determined that eight of our 12 incumbent directors are independent under SEC and NYSE corporate governance rules, as applicable.

- We have separated the roles of Chairman of the Board and Chief Executive Officer. Our Chairman focuses on Board oversight responsibilities, strategic planning and mentoring company officers. Our Chairman also periodically represents Best Buy at public functions and actively engages with employees at designated company functions. Our Chief Executive Officer focuses on the development and execution of company strategies.

- Our Board is very active. Our directors attended, on average, over 95% of fiscal 2007 Board and Board committee meetings.

We believe our Board structure serves the interests of shareholders by balancing Board continuity and the promotion of long-term thinking with the need for director accountability.

Voting Information

You may vote for all, some or none of the nominees to be elected to the Board. However, you may not vote for more individuals than the number nominated. Each of the nominees has agreed to continue serving as a director if elected. However, if any nominee becomes unwilling or unable to serve and the Board elects to fill the vacancy, the Proxy Agents named in the proxy will vote for an alternative person nominated by the Board. Our Restated Articles of Incorporation prohibit cumulative voting, which means you can vote only once for any nominee. The affirmative vote of a majority of the shares present and entitled to vote at the Meeting is required to elect each director nominee.

IF YOU RETURN A PROXY CARD THAT IS PROPERLY SIGNED BUT YOU HAVE NOT MARKED YOUR VOTE, THAT PROXY WILL BE VOTED TO ELECT ALL OF THE NOMINEES.

Board Voting Recommendation

Management and the Board recommend that shareholders vote **FOR** the re-election of Ronald James, Elliot S. Kaplan, Matthew H. Paull, James E. Press, Richard M. Schulze, Mary A. Tolan and Hatim A. Tyabji as Class 2 directors. The Board appointed Mr. Press as a Class 2 director effective December 20, 2006. Mr. Press was identified and recommended to the Board by an independent third-party search firm.

If elected, each Class 2 director will hold office until the election of directors at the 2009 Regular Meeting of Shareholders and until his or her successor has been duly elected and qualified, or until his or her earlier death, resignation or removal.

The Board appointed Ari Bousbib and Rogelio M. Rebolledo as Class 1 directors, effective August 18, 2006. Both of these directors were identified and recommended to the Board by an independent third-party search firm. Mr. Bousbib has decided not to stand for ratification as a director at the Meeting for personal reasons. Management and the Board recommend that shareholders ratify the appointment of Mr. Rebolledo as a Class 1 director at the Meeting. If ratified, Mr. Rebolledo will hold office until the election of directors at the 2008 Regular Meeting of Shareholders and until his successor has been duly elected and qualified, or until his earlier death, resignation or removal.

All of the nominees are currently members of the Board.

Nominees and Directors

There are no family relationships among the nominees or between any nominees and any of our other directors.

ITEM OF BUSINESS NO. 1.1

Nominees for Class 2 Directors
(ages as of March 3, 2007)

Ronald James, 56, has been a director since May 2004. Since 2000, he has served as president and chief executive officer of the Center for Ethical Business Cultures in Minneapolis, Minnesota, which assists business leaders in building ethical and profitable business cultures at the enterprise, community and global levels. From 1996 to 1998, he was president and chief executive officer of the Human Resources Group, a division of Ceridian Corporation in Minneapolis. From 1971 to 1996, he was employed by U.S. West Communications, Inc. (now Qwest), most recently serving as Minnesota s top executive officer. He serves on the boards of Tamarack Funds, an investment fund of RBC Dain Rauscher, Inc.; Bremer Financial Corporation; and Allina Hospitals and Clinics. Finally, Mr. James serves on the boards of the Greater Twin Cities United Way, the Travelers Foundation and the Guthrie Theater.

Elliot S. Kaplan, 70, has been a director and Secretary since January 1971. Since 1961, he has been an attorney with the law firm of Robins, Kaplan, Miller & Ciresi L.L.P., Minneapolis, Minnesota, which serves as our primary outside general counsel. He is also a director of infoUSA, Inc. and an owner and director of the Bank of Naples in Naples, Florida. In addition, he serves on the board of The Minnesota Historical Society and is vice chairman of the University of Minnesota Foundation.

Matthew H. Paull, 55, has been a director since September 2003. He is corporate senior executive vice president and chief financial officer for McDonald s Corporation, which develops, operates, franchises and services a worldwide system of McDonald's restaurants. Prior to joining McDonald s Corporation in 1993, he was a partner at Ernst & Young LLP, specializing in international tax.

James E. Press, 60, has been a director since December 2006. He has been employed by Toyota since 1970 and since June 2006 has been president of Toyota Motor North America, an automobile manufacturer, as well as a managing officer of Toyota Motor Corporation Ltd., the parent company in Japan. He is also chairman of the Association of International Automobile Manufacturers. He serves on the boards of the Automotive Youth Educational Systems, the Toyota Technological Institute at Chicago, the Detroit Area Council of the Boy Scouts of America and the Southern California Committee for the Olympic Games.

Richard M. Schulze, 66, is a founder of Best Buy. He has been an officer and director from our inception in 1966 and currently is Chairman of the Board. Effective in June 2002, he relinquished the duties of Chief Executive Officer. He had been our principal executive officer for more than 30 years. He is on the board of the University of St. Thomas, chairman of its Executive and Institutional Advancement Committee, and a member of its Board Affairs Committee. Mr. Schulze is also chairman of the board of the University of St. Thomas Business School.

Mary A. Tolan, 46, has been a director since May 2004. She is the founder and chief executive officer of Accretive Health, a patient access and revenue cycle service company for health care providers located in Chicago, Illinois. Prior to founding Accretive Health in November 2003, she was a partner at Accenture Ltd, a global management consulting, technology services and outsourcing company, holding the positions of corporate development officer and group chief executive, among others. She serves on the council for the Graduate School of Business at the University of Chicago, the board of the Lyric Opera in Chicago and the board of Arise, Inc.

Hatim A. Tyabji, 61, has been a director since April 1998. Since July 2001, he has been executive chairman of Bytemobile, Inc., a wireless Internet infrastructure provider in Mountain View, California. From 1998 to 2000, he served as chairman and chief executive officer of Saraïde, Inc., a provider of Internet and wireless data services; and from 1986 to 1998, as president and chief executive officer (and as chairman from 1992 until 1998) of VeriFone, Inc., a global transaction automation enterprise. He is chairman of DataCard Group, and a director of Merchant e-Solutions and eFunds. He also serves as Ambassador at Large for Benchmark Capital.

ITEM OF BUSINESS 1.2

Nominee for Ratification as Class 1 Director
Term expires in 2008
(age as of March 3, 2007)

Rogelio M. Rebolledo, 62, has been a director since August 2006. Since July 2006, he has been chairman of PBG Mexico, the Mexican operations of Pepsi Bottling Group, Inc. He began his 30-year career with PepsiCo Inc. at Sabritas, the salty snack food unit of Frito-Lay International in Mexico. He was responsible for the development of the international Frito-Lay business, first in Latin America and then in Asia. From 2001 to 2003, he was president and chief executive officer of Frito-Lay International. He served as president and chief executive officer of Pepsi Bottling Group s Mexico operations from January 2004 until being named to his current position.

Class 1 Directors Terms expire in 2008
(ages as of March 3, 2007)

Bradbury H. Anderson, 57, has been a director since August 1986 and is currently our Vice Chairman and Chief Executive Officer. He assumed the responsibility of Chief Executive Officer in June 2002, having previously served as President and Chief Operating Officer since April 1991. He has been employed in various capacities with us since 1973. In addition, he serves as the chairman of the board of the Retail Industry Leaders Association, as well as on the boards of the American Film Institute, Junior Achievement, Minnesota Public Radio and Waldorf College.

Kathy J. Higgins Victor, 50, has been a director since November 1999. Since 1994, she has been president of Centera Corporation, an executive development and leadership coaching firm she founded which is located in Minneapolis, Minnesota. From 1991 to 1994, she was the senior vice president of human resources at Northwest Airlines, Inc., and prior to that held senior executive positions at The Pillsbury Company and Burger King Corporation. She is on the board of the University of St. Thomas.

Allen U. Lenzmeier, 63, has been a director since February 2001 and is currently our Vice Chairman, serving on a part-time basis to support our international expansion. Prior to his promotion to his current position in 2004, he served in various capacities since joining us in 1984, including as President and Chief Operating Officer from 2002 to 2004, and as President of Best Buy Retail Stores from 2001 to 2002. He serves on the board of UTStarcom, Inc. He is also a national trustee for the Boys and Girls Clubs of America and serves on its Twin Cities board.

Frank D. Trestman, 72, has been a director since December 1984. Since 1989, he has been president of Trestman Enterprises, an investment and business development firm in Minneapolis, Minnesota, and chairman of The Avalon Group, a real estate development partnership in Minneapolis. From 1987 to 1989, he was a consultant to McKesson Corporation, a distributor of pharmaceutical products, and medical supplies and equipment. From 1983 to 1987, he was chairman of the board and chief executive officer of Mass Merchandisers, Inc., a distributor of non-food products to retailers in the grocery business. He is also on the board of the Harry Kay Foundation.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table provides information about the number of shares of Best Buy Common Stock beneficially owned at March 3, 2007, by our Chairman of the Board, our Chief Executive Officer, our Chief Financial Officer and each of our three other most highly compensated executive officers during the most recent fiscal year. The table provides similar information for each director including the director nominees, all directors and executive officers as a group, and each person we know who beneficially owns more than 5% of the outstanding shares of Best Buy Common Stock:

Name and Address(1)	Number of Shares Beneficially Owned		Percent of Shares Beneficially Owned
Richard M. Schulze Founder and Chairman of the Board	73,761,707	(2)	15.3%
Bradbury H. Anderson Vice Chairman, Chief Executive Officer and Director	4,822,864	(3)	1.0%
Allen U. Lenzmeier Vice Chairman and Director	2,341,334	(4)	*
Brian J. Dunn President and Chief Operating Officer	380,701	(5)	*
Robert A. Willett Chief Executive Officer Best Buy International and Chief Information Officer	334,836	(6)	*
Shari L. Ballard Executive Vice President Human Resources and Legal	187,539	(7)	*
Darren R. Jackson Executive Vice President Finance and Chief Financial Officer	343,505	(8)	*
Ari Bousbib Director	5,000	(9)	*
Kathy J. Higgins Victor Director	35,730	(10)	*
Ronald James Director	33,500	(11)	*
Elliot S. Kaplan Secretary and Director	170,261	(12)	*
Matthew H. Paull Director	34,669	(13)	*
James E. Press Director	1,875	(14)	*
Rogelio M. Rebolledo Director	5,000	(15)	*
Mary A. Tolan Director	30,000	(16)	*
Frank D. Trestman Director	219,725	(17)	*
Hatim A. Tyabji Director	111,750	(18)	*
All directors and executive officers, as a group (26 individuals)	83,390,503	(19)	17.1%
Capital Research and Management Co. 333 South Hope Street Los Angeles, CA 90071	73,462,450	(20)	15.3%

* Less than 1%.

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(1) The business address for all directors and executive officers is 7601 Penn Avenue South, Richfield, Minnesota 55423.

(2) The figure represents: (a) 67,393,693 outstanding shares registered in the name of Mr. Schulze and a co-trustee, and held by them as trustees of a trust for the benefit of Mr. Schulze; (b) 988,740 outstanding shares registered in the name of Mr. Schulze and co-trustees, and held by them as trustees of trusts for the benefit of Mr. Schulze and his children; (c) 1,326,769 outstanding shares registered in the name of Mr. Schulze and a co-trustee, and held by them as trustees of the Sandra Schulze Revocable Trust dated June 14, 2001; (d) 950,169 outstanding shares held by a limited partnership of which Mr. Schulze is the sole general partner (Mr. Schulze has disclaimed beneficial ownership of these shares except to the extent of his monetary interest therein); (e) 252,312 outstanding shares held by a limited partnership of which a limited liability company owned by Mr. Schulze is the sole general partner (Mr. Schulze has disclaimed beneficial ownership of these shares except to the extent of his monetary interest therein); (f) 31,672 outstanding shares held by a limited partnership of which a limited liability company owned by Mr. Schulze is the sole general partner (Mr. Schulze has disclaimed beneficial ownership of these shares except to the extent of his monetary interest therein); (g) 15,270 outstanding shares registered in the name of Mr. Schulze and held by him as trustee of trusts for the benefit of the children of Mr. Schulze s spouse (Mr. Schulze has disclaimed beneficial ownership of these shares); (h) 1,728 outstanding shares held by Mr. Schulze s spouse (Mr. Schulze has disclaimed beneficial ownership of these shares); (i) 2,061 outstanding shares held in Mr. Schulze s individual retirement account; (j) 759,688 outstanding shares owned by The Richard M. Schulze Family Foundation, of which Mr. Schulze is the sole director; (k) 74,605 outstanding shares registered in the name of JPMorgan Chase Bank (the Trustee), and held by the Trustee in connection with Best Buy s Retirement Savings Plan for the benefit of Mr. Schulze; and (l) options to purchase 1,965,000 shares, which he could exercise within 60 days of March 3, 2007.

(3) The figure represents: (a) 1,467,424 outstanding shares owned by Mr. Anderson; (b) 337,839 outstanding shares held by a limited partnership of which a limited liability company owned by Mr. Anderson and his spouse is the sole general partner and of which Mr. Anderson and his spouse are limited partners individually; (c) 151,877 outstanding shares registered in the name of Mr. Anderson and a co-trustee, and held by them as trustees of a trust for the benefit of Mr. Anderson; (d) 151,877 outstanding shares registered in the name of Mr. Anderson s spouse and a co-trustee, and held by them as trustees of a trust for the benefit of Mr. Anderson s spouse (Mr. Anderson has disclaimed beneficial ownership of these shares); (e) 1,800 outstanding shares registered in the name of Mr. Anderson and held by him as custodian for the benefit of his children (Mr. Anderson has disclaimed beneficial ownership of these shares); (f) 12,009 outstanding shares registered in the name of the Trustee, and held by the Trustee in connection with Best Buy s Retirement Savings Plan for the benefit of Mr. Anderson; (g) 21,322 outstanding shares owned by the Anderson Family Foundation, of which Mr. Anderson is a director; (h) 94,966 outstanding shares of restricted stock with performance-based vesting; and (i) options to purchase 2,583,750 shares, which he could exercise within 60 days of March 3, 2007.

(4) The figure represents: (a) 1,610,934 outstanding shares owned by Mr. Lenzmeier; (b) 32,900 outstanding shares held by a private foundation of which Mr. Lenzmeier and his spouse are the sole directors and officers; and (c) options to purchase 697,500 shares, which Mr. Lenzmeier could exercise within 60 days of March 3, 2007.

(5) The figure represents: (a) 8,105 outstanding shares owned by Mr. Dunn; (b) 93,345 outstanding shares of restricted stock with performance-based vesting; (c) 13,616 outstanding shares registered in the name of the Trustee, and held by the Trustee in connection with Best Buy s Retirement Savings Plan for the benefit of Mr. Dunn; and (d) options to purchase 265,635 shares, which he could exercise within 60 days of March 3, 2007.

(6) The figure represents: (a) 44,850 outstanding shares owned by Mr. Willett; (b) 173,476 outstanding shares of restricted stock with performance-based vesting; (c) 259 outstanding shares registered in the name of the Trustee, and held by the Trustee in connection with Best Buy s Retirement Savings Plan for the benefit of Mr. Willett; and

(d) options to purchase 116,251 shares, which he could exercise within 60 days of March 3, 2007.

(7) The figure represents (a) 1,303 outstanding shares owned by Ms. Ballard; (b) 81,264 outstanding shares of restricted stock with performance-based vesting; (c) 10,489 outstanding shares registered in the name of the Trustee, and held by the Trustee in connection with Best Buy s Retirement Savings Plan for the benefit of Ms. Ballard; and (d) options to purchase 94,483 shares, which she could exercise within 60 days of March 3, 2007.

(8) The figure represents: (a) 18,897 outstanding shares owned by Mr. Jackson; (b) 104,352 outstanding shares of restricted stock with performance-based vesting; (c) 1,667 outstanding shares registered in the name of the Trustee, and held by the Trustee in connection with Best Buy s Retirement Savings Plan for the benefit of Mr. Jackson; and (d) options to purchase 218,589 shares, which he could exercise within 60 days of March 3, 2007.

(9) The figure represents options to purchase 5,000 shares, which Mr. Bousbib could exercise within 60 days of March 3, 2007.

(10) The figure represents: (a) 5,730 outstanding shares owned by Ms. Higgins Victor; and (b) options to purchase 30,000 shares, which she could exercise within 60 days of March 3, 2007.

(11) The figure represents: (a) 3,500 outstanding shares owned by Mr. James; and (b) options to purchase 30,000 shares, which he could exercise within 60 days of March 3, 2007.

(12) The figure represents: (a) 84,011 outstanding shares owned by Mr. Kaplan; and (b) options to purchase 86,250 shares, which he could exercise within 60 days of March 3, 2007.

(13) The figure represents: (a) 4,669 outstanding shares owned by Mr. Paull; and (b) options to purchase 30,000 shares, which he could exercise within 60 days of March 3, 2007.

(14) The figure represents options to purchase 1,875 shares, which Mr. Press could exercise within 60 days of March 3, 2007.

(15) The figure represents options to purchase 5,000 shares, which Mr. Rebolledo could exercise within 60 days of March 3, 2007.

(16) The figure represents: (a) 5,500 outstanding shares owned by Ms. Tolan; and (b) options to purchase 24,500 shares, which she could exercise within 60 days of March 3, 2007.

(17) The figure represents: (a) 84,475 outstanding shares owned by Mr. Trestman; (b) 25,000 outstanding shares registered in the name of Mr. Trestman s spouse as trustee of an irrevocable family trust (Mr. Trestman has disclaimed beneficial ownership of these shares); and (c) options to purchase 110,250 shares, which Mr. Trestman could exercise within 60 days of March 3, 2007.

(18) The figure represents: (a) 7,500 outstanding shares owned by Mr. Tyabji; and (b) options to purchase 104,250 shares, which he could exercise within 60 days of March 3, 2007.

(19) The figure represents: (a) outstanding shares and options described in the preceding footnotes; (b) 69,348 outstanding shares owned by other executive officers; (c) 78,051 outstanding shares of restricted stock with performance-based vesting held by other executive officers; (d) options granted to other executive officers to purchase 403,673 shares, which they could exercise within 60 days of March 3, 2007, and; (e) 19,435 outstanding shares registered in the name of the Trustee, and held by the Trustee in connection with Best Buy s Retirement Savings Plan for the benefit of other executive officers.

(20) As reported on the owner s most recent Schedule 13G that reported beneficial ownership as of December 29, 2006. Capital Research and Management Co. has sole voting power over 16,773,750 shares and sole investment power over 73,462,450 shares.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires that our directors, executive officers and shareholders who own more than 10% of our Common Stock file initial reports of ownership with the SEC and the NYSE. They must also file reports of changes in ownership with the SEC and the NYSE. In addition, they are required by SEC regulations to provide us copies of all Section 16(a) reports that they file with the SEC. Based solely on a review of such Section 16(a) reports, management and the Board believe our directors, officers and owners of more than 10% of our outstanding equity securities complied with the reporting requirements during the fiscal year ended March 3, 2007, except for reports of the following stock transactions that were late due to administrative error: the sale of shares pursuant to a Rule 10b-5 sales plan on March 9, 2006, by Richard M. Schulze, Chairman; the cashless exercise of options on September 26, 2006, by John C. Walden, formerly Executive Vice President Customer Business Group; the acquisitions of shares pursuant to the vesting of equity-based incentives on November 3, 2006, for Shari L. Ballard, Executive Vice President Human Resources and Legal; Brian J. Dunn, President and Chief Operating Officer; Darren R. Jackson, Executive Vice President Finance and Chief Financial Officer; Joseph M. Joyce, Senior Vice President, General Counsel and Assistant Secretary; Timothy D. McGeehan, Executive Vice President Retail Sales; Kalendu Patel, Executive Vice President Strategy and International; and Ryan D. Robinson, Senior Vice President and Chief Financial Officer New Growth Platforms; the sale of shares on December 5, 2006, by Mr. Robinson; and the sale of shares on December 16, 2006, by Mr. Patel.

In addition, the following reports relating to prior year transactions were late due to administrative error: the transfer of shares from directly held ownership to a family foundation on December 28, 2005, by Bradbury H. Anderson, Vice Chairman and Chief Executive Officer; the gifts of shares to trusts for the benefit of Mr. Schulze s step-children on May 11, 2005, by a trust of which Mr. Schulze is a co-trustee; and the ownership of options by Robert A. Willett, Chief Executive Officer Best Buy International and Chief Information Officer, upon becoming a Section 16 reporting officer in April 2004, received by Mr. Willett prior to his employment with us.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Named Executive Officers

The following Compensation Discussion and Analysis describes the material elements of compensation for the following individuals, collectively referred to as the named executive officers :

- Bradbury H. Anderson, Vice Chairman and Chief Executive Officer;
- Darren R. Jackson, Executive Vice President Finance and Chief Financial Officer;
- Brian J. Dunn, President and Chief Operating Officer;
- Robert A. Willett, Chief Executive Officer Best Buy International and Chief Information Officer; and
- Shari L. Ballard, Executive Vice President Human Resources and Legal.

Total Rewards Philosophy

We believe our success depends on employees at all levels using their unique strengths, experiences and ideas to foster innovation and build strong customer relationships. While our compensation and benefit programs are important tools in attracting and retaining talented employees, we also believe that non-monetary factors such as work environment, learning and development opportunities, and relationships between employees and managers are critical to provide a rewarding employee experience. Collectively, these elements comprise our Total Rewards philosophy. We believe this company-wide approach to attracting, motivating and retaining talent is a competitive advantage.

Our Total Rewards philosophy seeks to:

- Provide employees with a greater choice of rewards that are most valued by them;
- Differentiate rewards to individuals, based on their contributions;
- Encourage and recognize experimentation, entrepreneurship and innovation; and
- Reward employee contributions for achieving strong financial and non-financial results.

We implement the Total Rewards philosophy by employing broad-based programs that are designed to align employee interests and create a common vision of success.

Fiscal 2007 Executive Compensation Program

Compensation Objectives. Our compensation program and policies serve the following objectives:

- Reward employees for creating shareholder value and for comparative performance against external benchmarks;
- Align longer-term employee and shareholder interests;
- Motivate employees to achieve short-term financial, operational, customer and employee outcomes that materially contribute to the sustainable, longer-term health of Best Buy; and
- Maintain a flexible compensation structure that provides for potential wealth accumulation for superior growth or achieving key strategic objectives.

Elements of Compensation. The fiscal 2007 compensation program for our named executive officers included the following elements:

Element	Form of Compensation	Purpose	Performance Metric(s)
Base Salary	Cash	Provide competitive, fixed compensation to attract and retain exceptional executive talent	Not performance-based
Short-Term Incentive	Cash	Create a strong financial incentive for achieving or exceeding a combination of company and executive management team goals	EVA®; operating income rate; revenue growth; selling, general and administrative expenses rate
Long-Term Incentive	Stock options	Create a strong financial incentive for achieving or exceeding long-term performance goals and encourage a significant equity stake in our company	Best Buy Common Stock price
Special Long-Term Incentive	Performance-based restricted stock	Performance-based incentive to strengthen alignment of executive team interests and reward long-term achievement of specific company goals	EVA® growth; revenue growth; Best Buy Common Stock price growth; talent management
Health, Retirement and Other Benefits	Eligibility to participate in benefit plans generally available to our employees, including retirement, stock purchase, health, life insurance and disability plans	Plans are part of our broad-based employee benefits program	Not performance-based
Executive Benefits and Perquisites	Annual executive physical exam, supplemental long-term disability insurance, four weeks of paid vacation, enhanced employee discount, stock ownership target planning, tax planning or preparation services, and, for Mr. Anderson only, an automobile allowance	Provide competitive benefits to promote the health, well-being and financial security of our executive officers	Not performance-based

How We Determine Compensation. The Compensation Committee is responsible for determining and approving executive compensation. In addition, the Compensation Committee oversees the development, evaluation and approval of incentive compensation, equity-based and other employee benefit plans for all employees, including our executive officers. The Compensation Committee is authorized to delegate to management certain responsibilities regarding our employee benefit plans, as specified in the Compensation Committee s charter.

The Compensation Committee established and annually reviews our Total Rewards philosophy and our compensation objectives, and oversees the design, competitiveness and effectiveness of compensation programs for our named executive officers. At the beginning of each fiscal year, management provides the Compensation Committee with recommendations for total compensation for the named executive officers. Management has engaged a third-party compensation consultant, Towers Perrin, a global professional services firm, to assist in the development of compensation data that facilitates management s recommendations to the Compensation Committee. The management presentation includes an analysis prepared in support of the recommendations. The analysis includes market compensation from a variety of sources, such as proxy data of our peer group of companies and several national compensation surveys. The Compensation Committee reviews the recommendations and discusses them with management. The Compensation Committee s review is comprehensive and includes consideration of many factors, including: (i) the alignment of the proposed compensation with our Total Rewards philosophy; (ii) the alignment of the proposed compensation with our compensation objectives; (iii) the overall value of the compensation package, relative to external benchmarks; and (iv) the lack of supplemental compensation, benefits, perquisites and protections commonly extended to executive officers of other large companies. The Total Rewards philosophy and compensation objectives are described on page 24. The value of the compensation package relative to external benchmarks and the lack of supplemental compensation is described in greater detail below.

For fiscal 2007, the total direct compensation of our named executive officers was set between the 50th and 75th percentile of compensation levels for comparable positions as reported by our peer group of companies. Our peer group of companies, at the time compensation was determined for the named executive officers, included:

- Amazon.com, Inc.
- Circuit City Stores, Inc.
- Costco Wholesale Corporation
- Dell Inc.
- The Gap, Inc.
- The Home Depot, Inc.
- Staples, Inc.
- Target Corporation
- Wal-Mart Stores, Inc.
- Walgreen Co.

The peer group was established by selecting industry-leading retailers in their segments and companies with whom we compete for business and executive talent.

In connection with our evaluation of total compensation relative to external benchmarks, we also considered that many companies offer supplemental compensation, benefits, perquisites and protections to their executive officers, such as:

- Employment agreements;
- Severance or change-in-control agreements;
- Pension plan benefits;
- Supplemental retirement plan benefits;
- Executive life insurance benefits; and
- Country club memberships.

During fiscal 2007, we did not provide these types of compensation, benefits and perquisites to our named executive officers because they are contrary to our culture and are not consistent with our compensation objectives. Because many of the items listed above are linked to base salary and short-term incentive pay, our decision not to provide them generally creates a difference in the total compensation received by our named executive officers relative to other large companies.

Role of Independent Compensation Consultant in Determining Compensation. The Compensation Committee reviews management s compensation recommendations with The Delves Group, an independent consulting firm retained by the Compensation Committee. The Compensation Committee believes that this review helps ensure that management s compensation recommendations are in

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line with our stated objectives and reasonable when compared to the market for executive talent. In addition, the engagement of an independent consultant enhances the overall independence of the Compensation Committee s decision-making.

Role of Executive Officers in Determining Compensation

With the exception of rating the individual performance and assessing the talent of his direct reports, which may impact their base salary or annual long-term incentive awards, our Vice Chairman and Chief Executive Officer does not participate in or otherwise influence management s compensation recommendations for the named executive officers. Our other executive officers do not participate in the development of compensation recommendations or the approval process.

Summary of Compensation and Benefit Programs

We maintain a variety of compensation and benefit programs in which our named executive officers and other selected employees participate. These programs include the Omnibus Plan; our Executive Officer Short-Term Incentive Program (Executive Officer STIP); our Long-Term Incentive Program (LTIP); our Deferred Compensation Plan; the Retirement Savings Plan; and the ESPP.

Analysis of Compensation Elements

Base Salary. The Compensation Committee generally determines base salary levels for our named executive officers early in the fiscal year, with changes becoming effective during the first quarter of each fiscal year. The base salaries that became effective in the first quarter of fiscal 2007 were established based upon a review of the following factors: (i) internal value of the position relative to other positions; (ii) external value of the position or comparable position; (iii) individual performance compared with individual objectives; and (iv) living our company values. Based on these factors, the Compensation Committee approved base salary increases ranging from 9% to 15% for our named executive officers, except for Mr. Anderson whose salary was not adjusted. The base salary adjustments reflected an increase in responsibilities for our named executive officers that became effective in the first quarter of fiscal 2007. While the Compensation Committee noted Mr. Anderson s strong performance, his base salary was not adjusted because the Compensation Committee determined that it was reasonable, based on the factors described above.

Short-Term Incentive. For fiscal 2007, our named executive officers received performance-based, short-term incentive awards pursuant to our Executive Officer STIP. These awards, payable in cash, were expressed as a percentage ranging from 100% to 200% of each named executive officer s base salary, called the Incentive Target Percentage. The Incentive Target Percentage was determined based on each named executive officer s level of responsibility compared with similar positions in our peer group of companies, and internally relative to other executive officer roles. Based on actual performance compared with specific goals, award recipients could earn zero to two times their Incentive Target Percentage. We call this factor the Incentive Multiplier. The purpose of the Incentive Multiplier is to modify the incentive payout based on actual performance compared with specific criteria, which results in a score. The Incentive Multiplier is determined by multiplying our company performance and team performance scores, as described below. At the time we selected the metrics, we believed that the goals would be difficult, but achievable with significant effort. The formula below shows how the short-term incentive payments were determined for fiscal 2007:

Base Salary x Incentive Target Percentage x Incentive Multiplier(1) = Incentive Payout

(1) Incentive Multiplier = Company Performance x Team Performance

The Company Performance score was determined based on our company s Economic Value Added, or EVA® (EVA®) performance for fiscal 2007 compared with a goal approved by the Compensation Committee. EVA® measures the amount by which our after-tax profits, after certain adjustments, exceed our cost of capital. The EVA® goal for fiscal 2007 was established by determining the level of EVA® that was aligned with our fiscal 2007 earnings per share objective. All named executive officer short-term incentive awards were subject to the

attainment of a minimum level of company EVA®. We believe the use of EVA® as a primary incentive factor demonstrates our commitment to linking executive compensation with increasing shareholder value.

The Team Performance score was determined based on the average of the following company metrics: (i) operating income rate; (ii) revenue growth; and (iii) selling, general and administrative expenses rate. Our fiscal 2007 performance against each of these metrics was compared with goals approved by the Compensation Committee. The Team Performance goals were derived from the overall EVA® objective described above.

The fiscal 2007 short-term incentive payments to our named executive officers, as determined based on the formulas described above, were as follows:

Name	Base Salary	Incentive Target Percentage	Incentive Target	Incentive Multiplier	Incentive Payout
Mr. Anderson	$ 1,172,995	200 %	$ 2,345,990	1.13	$ 2,650,969
Mr. Jackson	600,000	125	750,000	1.13	847,500
Mr. Dunn	750,000	150	1,125,000	1.13	1,271,250
Mr. Willett	625,000	125	781,250	1.13	882,813
Ms. Ballard	500,000	100	500,000	1.13	565,000

Long-Term Incentive. We have established our LTIP under the Omnibus Plan, pursuant to which we make annual long-term incentive awards to our named executive officers. For fiscal 2007, all awards granted to the named executive officers (except for Mr. Anderson, who requested that he not be granted a long-term incentive award and that options to purchase shares be contributed to a discretionary award pool) were in the form of non-qualified stock options that have a term of ten years and become exercisable over a four-year period at the rate of 25% per year, beginning one year from the date of grant. The stock option exercise price was equal to the closing price of our Common Stock on the grant date, as quoted on the NYSE. The number of shares subject to each option granted to our named executive officers was determined based on the following factors: (i) the proportion of long-term incentives relative to total compensation; (ii) the officer s ability to significantly impact key company initiatives; (iii) the officer s responsibility for achieving specific long-term performance goals; and (iv) the officer s most recent performance evaluation and talent assessment. These factors were not required to carry equal weight with respect to each named executive officer, but were applied to each individual at the Compensation Committee s discretion, depending on individual circumstances. In addition, the value of the stock option awards was compared to awards made to executives in similar positions within our peer group of companies.

Special Long-Term Incentive. In fiscal 2007, we granted a special long-term incentive award to each of our named executive officers, in the form of performance-based restricted stock. We granted a performance-based award, rather than granting additional stock options, to supplement the long-term incentive opportunity. The award was designed to closely link the achievement of four key financial and non-financial performance metrics, described below, to the level of compensation earned by our named executive officers. At the time we selected the metrics, we believed that the goals would be difficult, but achievable with significant effort. We further believe the selected performance metrics, if achieved, will result in significant long-term value creation for our shareholders.

The number of shares subject to each award was determined based on the following factors: (i) the proportion of long-term incentives relative to total compensation; (ii) the officer s ability to significantly impact key company initiatives; and (iii) the officer s responsibility for achieving specific long-term performance goals. In addition, the value of the special long-term incentive award was considered in assessing the total long-term compensation for our named executive officers, relative to our peer group of companies.

The performance metrics for the special long-term incentive awards are as follows:

Metric	Description	Percent of Award
EVA® Growth	Measures the change in EVA® (in dollars) during the measurement period. EVA® is the amount by which our after-tax net operating profit, after certain adjustments, exceeds our cost of capital. The EVA® measurement will include our current businesses and any acquisitions completed during the measurement period.	25%
Revenue Growth	Measures the percentage growth of revenue generated on an annualized basis during the measurement period. The revenue growth measurement will include our current businesses and any acquisitions completed during the measurement period.	25%
Best Buy Common Stock Price	Measures the percentage growth of our Common Stock price on an annualized basis during the measurement period. The growth in our stock price will be measured as the change in the average closing price from the last 15 trading days of fiscal 2006 to the last 15 trading days of fiscal 2009.	25%
Talent Management	Measures progress on identifying, assessing and developing leadership capabilities based on three factors: (i) development, (ii) talent preparedness, and (iii) diversity. The scores for each of the three factors are averaged to determine an overall score.	25%

The named executive officers may earn 0%, 50%, 75% or 100% of the value represented by each performance metric depending on the level of achievement. However, no more than 100% of the target amount of the total award may be earned, regardless of the level of performance. The measurement period for the special long-term incentive award is from February 27, 2006, the beginning of fiscal 2007, through February 28, 2009, the end of fiscal 2009. At the end of the measurement period and so long as the named executive officer has been continuously employed with us, the earned portion of the award, if any, will vest but must be held by the named executive officer for a period of two years.

Perquisites and Other Benefits. Our named executive officers are generally offered the same employee benefits and perquisites offered to all employees, as summarized in the table below:

Benefit or Perquisite	**All Full-Time Employees**	**Named Executive Officers**
Automobile Allowance		√ (1)
Deferred Compensation Plan	√ (2)	√
Employee Discount	√	√
Executive Employee Discount		√
Employee Stock Purchase Plan	√	√
Health Insurance	√	√
Executive Physical Exam		√
Life Insurance	√	√
Long-Term Disability	√	√