BEST BUY CO INC

FORM 10-K405

(Annual Report (Regulation S-K, item 405))

Filed 05/31/96 for the Period Ending 03/02/96

Address	7601 PENN AVE SOUTH RICHFIELD, MN 55423
Telephone	6122911000
CIK	0000764478
Symbol	BBY
SIC Code	5731 - Radio, Television, and Consumer Electronics Stores
Industry	Retail (Technology)
Sector	Services
Fiscal Year	02/03

BEST BUY CO INC

FORM 10-K405
(Annual Report (Regulation S-K, item 405))

Filed 5/31/1996 For Period Ending 3/2/1996

Address	7601 PENN AVE SOUTH
	RICHFIELD, Minnesota 55423
Telephone	612-291-1000
CIK	0000764478
Industry	Retail (Technology)
Sector	Services
Fiscal Year	03/01

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
- --- ACT OF 1934 FOR THE FISCAL YEAR ENDED MARCH 2, 1996.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

- --- EXCHANGE ACT OF 1934

Commission File Number: 1-9595

BEST BUY CO., INC.

(Exact Name of Registrant as Specified in Charter)

MINNESOTA (State of Incorporation)	41-0907483 (I.R.S. Employer Identification Number)
7075 FLYING CLOUD DRIVE EDEN PRAIRIE, MINNESOTA (Address of principal executive offices)	55344 (Zip Code)

Registrant's telephone number, including area code: 612-947-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
COMMON STOCK, $.10 PAR VALUE	NEW YORK STOCK EXCHANGE
8-5/8% SENIOR SUBORDINATED NOTES, DUE 2000	NEW YORK STOCK EXCHANGE
9% SUBORDINATED EXTENDIBLE NOTES, DUE 1997	NEW YORK STOCK EXCHANGE
6-1/2% CONVERTIBLE MONTHLY INCOME PREFERRED SECURITIES	NEW YORK STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act:
NONE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

---

The aggregate market value of voting stock held by non-affiliates of the Registrant on May 20 1996, was approximately $701,295,307. On that date, there were 43,118,267 shares of Common Stock issued and outstanding.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the Registrant's Annual Report to Shareholders for the year ended March 2, 1996 ("Annual Report") are incorporated by reference

into Part II.

Portions of the Registrant's Proxy Statement dated May 8, 1996 for the regular meeting of shareholders to be held June 19, 1996 ("Proxy Statement") are incorporated by reference into Part III.

PART I

Item 1. BUSINESS

General

Best Buy Co., Inc. (the "Company" or "Best Buy"), is one of the fastest growing national specialty retailers. The Company offers a wide selection of name brand consumer electronics, home office equipment, entertainment software and appliances. The Company commenced business in 1966 as an audio component systems retailer, and in the early 1980s, with the introduction of the video cassette recorder, expanded into video products. In 1983, the Company changed its marketing strategy to use mass merchandising techniques for a wider variety of products, and began to operate its stores with a "superstore" format. In 1989, Best Buy dramatically changed its method of retailing by introducing its "Concept II" store format, a self-service, non-commissioned, discount style sales environment designed to give the customer more control over the purchasing process. The Company determined that an increasing number of customers had become knowledgeable enough to select products without the assistance of a commissioned salesperson and preferred to make purchases in a more convenient and customer friendly environment. With its innovative retail format, the Company has moved into a leading position nationally in all of its principal product categories except appliances.

In fiscal 1995, the Company developed a strategy to further enhance its store format. The strategy, known as "Concept III", features a larger, redesigned store format created to produce a more informative and exciting shopping experience for the customer. Through focus group interviews and other research, the Company determined that customers wanted more product information and a larger product selection. In order to meet these evolving consumer preferences, the Company developed interactive Answer Centers featuring touch screen monitors from which customers and sales personnel can immediately access product information. Additionally, the enhanced store format features more hands-on demonstrations allowing customers to, among other things, experience audio and video products such as "surround sound" systems and sample featured compact discs at approximately 100 private listening stations. Finally, these larger stores, generally 45,000 to 58,000 square feet, accommodate a larger product selection intended to be as good as or better than the largest selection offered by most of Best Buy's competitors in each of its principal product categories. Management continues to evaluate and refine the content and features of these Concept III stores to maximize the revenue and operating profit while providing customers with the most desirable shopping experience. As of March 2, 1996, 154 of 251 stores were the 45,000 or 58,000 square foot format generally incorporating the features of a "Concept III" store. All stores opening in fiscal 1997 will incorporate the Concept III features when opened except for the Answer Center kiosks. The Company continues to refine the touch screen Answer Center kiosks to determine how to maximize the return on this technology. Currently 24 stores operate with the Answer Center kiosks.

In the last two fiscal years the Company has increased its store count by 66%, adding 100 new stores as of March 2, 1996, was operating 251 stores from coast to coast. The Company anticipates opening 20 to 25 new stores in 1997. By the end of fiscal 1997, the Company expects to operate approximately 270 stores.

Business Strategy

The Company's business strategy is to offer consumers an enjoyable and convenient shopping experience while maximizing the Company's profitability. Best Buy believes it offers consumers meaningful advantages in store environment, product value, selection and service. An objective of this strategy has been to achieve a dominant share of the markets Best Buy serves. The Company currently holds a leading, and in some cases dominant, share in its markets. The Company's Concept III store format uses interactive technology to enhance the customer's shopping experience. As part of its overall strategy, the Company:

- Offers a self-service, discount style store format, featuring easy to locate product groupings, emphasizing customer choice and product information and providing assistance from non-commissioned product specialists and, in Concept III stores, interactive product displays and information.

- Provides a large selection of brand name products comparable to retailers that specialize in the Company's principal product categories and seeks to ensure a high level of product availability for customers.

- Seeks to provide customers with the best product value available in the market area through active comparison shopping programs, daily price changes, lowest price guarantees and special promotions, including interest-free financing, extended service plans generally priced below the competitors, and home delivery.

- Provides a variety of services not offered by certain competitors, including convenient financing programs, product delivery and installation, computer training and post-sale services including repair and warranty services and computer upgrades.

- Locates stores at sites that are easily accessible from major highways and thoroughfares and seeks to create sufficient concentrations of stores in major markets to maximize the leverage on fixed costs including advertising and operations management.

- Controls costs and enhances operating efficiency by centrally controlling all buying, merchandising and distribution, and vertically integrating certain support functions such as advertising.

Best Buy's store format is a key component of its business strategy. The Company believes that because customers are familiar with most of the products the Company sells and are accustomed to discount shopping formats, they increasingly resist efforts to direct their choice of product and appreciate controlling the purchase decision.

Best Buy continuously evaluates the retail environment and regularly uses focus groups to assess customer preferences. Through these processes, Best Buy concluded that customers want access to more product information in order to be more confident about their buying decisions. As a result, Best Buy's Concept III store format features interactive product displays and information including, in selected locations, Answer Centers enabling customers to immediately access product information from touch screen monitors that display informative and entertaining full motion videos. All Concept III stores contain a demonstration area for television "surround sound" systems so that customers can hear for themselves how different configurations of audio components enhance sound quality; a simulated, life-size car display that demonstrates differences in car stereo sound resulting from different speaker configurations; speaker rooms featuring a wide variety of music allowing customers to compare speaker quality while listening to their choice of music; approximately 100 private listening posts where customers can sample featured music software; and a "Fun & Games" area where customers and their children can try the latest video games. Best Buy believes that these features further differentiate it from competing retailers and should also provide an advantage for the Company relative to potential future competitors such as catalog and on-line services and television shopping networks.

The Company's stores are in large, open buildings with high ceilings. Best Buy's stores average over 40,000 square feet. The Concept III stores feature specialty areas such as larger viewing rooms for large screen and projection televisions, larger speaker rooms and a separate department for movie videos. The Company expects that the majority of the new stores opened will be the 45,000 square foot format to best leverage the cost of operations and maximize productivity.

Best Buy's merchandising strategy differs from many other retailers selling comparable merchandise. Best Buy's merchandise is displayed at eye level next to signs identifying the products' major features, with the boxed products available above or below the display model. The Company's salaried product specialists, who are knowledgeable about the operation and features of the merchandise on display, are dedicated to a particular product area for customers who desire assistance. This convenient, self service format allows the customer to carry merchandise directly to the check-out lanes, pay for it and leave the store thus avoiding the time-consuming process used at traditional superstores and catalog showrooms. Certain of the Company's competitors with the traditional superstore format use commissioned sales staffs and generally only have display models on the selling floor with boxed merchandise stored in a back room. This traditional superstore design allows sales personnel to direct the customer to products selected by the salesperson. At these stores, a salesperson is able to promote products yielding the greatest sales commissions. In addition, unlike Best Buy, these traditional superstores generally apply pressure to the consumer to promote the sale of extended service plans and have trained their sales staffs to maximize the sale of these plans. The Company offers extended service plans, generally at lower prices than its competitors and intends to place increased emphasis on the sale of these plans in fiscal 1997. The Company's sales staff will be trained in a no pressure presentation of value priced extended service plans.

The Company believes that its advertising strategy continues to contribute to its increasing revenues. Best Buy spends approximately 3% of store sales on advertising, including the distribution of about 28 million newspaper inserts weekly. The Company has vertically integrated advertising and promotion capabilities and operates its own in-house advertising agency. This capability allows the Company to respond rapidly to competitors in a cost effective manner. In many of its markets, the Company is able to secure and deliver merchandise to its stores and to create, produce and run an advertisement all within a period of less than one week.

Print advertising consists of four-color weekly inserts, generally of 16 to 20 pages, that emphasize a variety of product categories and feature extensive name brand selection and price range. The Company also produces all of its television and radio commercials, each with a specific marketing message. Television commercials and radio spots account for approximately 35% of total advertising expenditures. The Company is reimbursed by vendors for a substantial portion of advertising expenditures through cooperative advertising arrangements. In fiscal 1997, the Company is also introducing a national brand image advertising program which illustrates the principal differences in the Company's store format and shopping environment compared to its competitors.

Product service and repair are important aspects of Best Buy's marketing strategy, providing the opportunity to differentiate itself from warehouse clubs and other discount stores which generally provide no such services. Virtually all products sold by the Company, with the exception of software, carry manufacturers' warranties. The Company offers to service and repair almost all of the products it sells, except major appliances in certain markets, and has been designated by most of its suppliers as an authorized service center. The Company contracts with outside factory service organizations in certain markets to service and repair major appliances and is expanding its own in-home appliance repair service. In addition, the Company conducts computer software training classes at selected stores and makes its technical support staff available to assist customers with the custom configuration of personal computers and peripheral products. The Company also delivers and installs major appliances and large electronics products and installs car stereos, cellular phones and car security systems.

Product Selection and Merchandising

Best Buy provides a broad selection of name brand models within each product line in order to provide customers with greater choice. The Company currently offers approximately 5,000 products, exclusive of entertainment software titles and accessories, in its four principal product categories. In addition, the Company continues to expand its selection of accessories, which typically yield a higher margin than most of the Company's other products. The Company believes that this assortment of accessories builds customer traffic for its other products.

The home office category, Best Buy's largest product category, includes personal computers and related peripheral equipment, telephones, cellular phones, answering machines, fax machines, copiers and calculators. The Company was among the first consumer electronics retailers to carry an extensive assortment of personal computer products and related software. Sales in this category are largely comprised of the sale of personal computers. The retail market for personal computers has become promotional and competitive. The Company's results can be affected by significant changes in promotional activity as well as product demand for and availability of personal computers. The Company believes that it is well positioned to withstand increased competition in the retail market for personal computer products, traditionally low margin items, due to its early entry and experience in the market, its broad product lines, including those that generate higher profit margins, and its relatively low cost structure. In addition, the Company believes that the related services it offers, such as computer training, configuration, maintenance and upgrade, are distinct advantages compared to other discount and mail order computer retailers. The Company also believes that changing technology and hardware requirements necessary to support new software, including on-line services, will continue to be a primary factor in the growth in sales of personal computers and related products in the future. The Company's home office products category includes brand names such as Acer, Apple, AT&T, Canon, Compaq, Epson, Hewlett Packard, IBM, Motorola, NEC, Packard Bell, Panasonic, Sharp and Toshiba. The Company also offers a broad assortment of office products and school supplies such as paper, pens, and other consumables to complement home office equipment.

Best Buy's second largest product category is consumer electronics, consisting of video and audio equipment. Video products include televisions, video cassette recorders, camcorders and satellite dishes that receive direct broadcast satellite television. Audio products include audio components, audio systems, portable audio equipment, car stereos and security systems. The Company continues to expand its product selection in consumer electronics by offering higher end products and components that have greater appeal to audio and video enthusiasts. Further, the Company anticipates that with the availability of better picture and sound quality through direct broadcast satellite, it will have more opportunities to sell higher end equipment such as home theaters, "surround sound" systems and in-wall components. The Company sells consumer electronics with brand names such as Aiwa, Bose, Cambridge Soundworks, Eosone, General Electric, Infinity, JBL, JVC, Magnavox, Panasonic, Pioneer, RCA, Sanyo, Samsung, Sharp, Sony, Technics and Toshiba.

Best Buy's entertainment software category includes compact discs, pre-recorded audio and video cassettes and computer software. The Company is one of the few large consumer electronics retailers that sells a broad selection of entertainment software in all of its stores. The Company offers from 25,000 to 60,000 titles in its stores with as many as 80,000 titles in its largest Concept III stores. In addition, Best Buy customizes a portion of the music software assortment for particular stores. The Company believes that it has substantially increased customer traffic by offering this wide and customized assortment of entertainment software.

The major appliance category includes microwave ovens, washing machines, dryers, air conditioners, dishwashers, refrigerators, freezers, ranges and vacuum cleaners. Products in this category through fiscal 1996 included brand names such as Eureka, Frigidaire, Hoover, Maytag, Roper, Sharp, and White-Westinghouse. In the first quarter of fiscal 1997, the Company significantly expanded its assortment and selection in this category through the addition of the Amana, General Electric, GE Profile, Hotpoint and Tappan appliance brand names. The Company will also begin carrying an assortment of fully featured, high end small electrics from manufacturers such as Braun, Cuisinart, DeLonghi, Oster and Waring Professional. The appliance department will be further enhanced by the addition of designer cookware, kitchen gadgets and gourmet spices and oils. The appliance department will be merchandised to give consumers a presentation that looks and feels like a real gourmet kitchen rather than simply rows of appliances.

The Company also sells cameras and other photographic equipment, easy to assemble furniture designed for use with computer and audio/video equipment and a broad selection of accessories. The Company continues to evaluate compatible products to maximize the profit from the available space in the larger stores.

In the fourth quarter of fiscal 1996, Best Buy finalized an agreement with AI WarrantyGuard Inc. (AIWG), a joint venture between American International Group, Inc. (AIG) and National Electronics Warranty Corporation. AIWG will administer extended service plans sold by Best Buy and insured by New Hampshire Insurance Company, an AIG member company, which carries A.M. Best Company ratings of superior (A++).

The following table sets forth the approximate percentages of store sales from each of Best Buy's principal product lines.

	Fiscal Years Ended		
	February 26, 1994	February 25, 1995	March 2, 1996
Home Office	35%	37%	41%
Consumer Electronics:			
Video	23	20	18
Audio	15	14	13
Entertainment Software	12	14	15
Major Appliances	9	8	7
Other (1)	6	7	6
Total	100%	100%	100%

(1) Includes photographic equipment, blank audio and video tapes, video games, furniture and accessories and extended service plans.

Store Locations and Expansion

The Company's expansion strategy generally has been to enter major metropolitan areas with the simultaneous opening of several stores and then to expand into contiguous non-metropolitan markets. Currently, approximately 25% of the Company's stores are in non-metropolitan markets. The entry into a new market is preceded by a detailed market analysis which includes a review of competitors, demographics and economic data. Best Buy's store location strategy enables it to increase the effectiveness of advertising expenditures and to create a high level of consumer awareness. In addition, the clustering of stores allows the Company to maintain more effective management control, enhance asset utilization, and utilize its distribution facilities more efficiently.

When entering a major metropolitan market, the Company establishes a district office, service center and major appliance warehouse. Each new store requires approximately $3.0 to $4.0 million of working capital, depending on the size of the store, for merchandise inventory (net of vendor financing), leasehold improvements, fixtures and equipment. Pre-opening costs of approximately $200,000 per store are incurred in hiring and training new employees and in advertising and are expensed in the year the store is opened.

During fiscal 1996, the Company opened 47 stores, a 23% increase in its store base. The Company also expanded or relocated 16 stores to larger facilities. Due to an expected slowing in the economy, Best Buy is slowing its national market expansion in fiscal 1997. The Company expects to open 20 to 25 new stores in fiscal 1997, half of which are expected to be in the new markets of Philadelphia, Pennsylvania and Tampa, Florida. The remainder of the new stores will be opened generally in existing markets. To further implement the Concept III store format, the Company also plans to reposition another nine stores in fiscal 1997. The Company believes it has the necessary distribution capacity and management information systems as well as management experience and depth to support its fiscal 1997 expansion plans.

The following table presents the number and location of stores operated by the Company at the end of each of the last three fiscal years.

	Number of Stores at Fiscal Year End		
	1994	1995	1996
Texas	28	32	34
Illinois	30	31	32
California	--	7	19
Ohio	2	12	18
Michigan	10	14	16
Minnesota	15	15	15
Florida	--	3	12
Wisconsin	11	11	11
Georgia	7	9	10
Missouri	10	10	10
Indiana	7	8	8
Maryland	--	4	8
Arizona	6	7	7
Colorado	6	6	7
North Carolina	--	3	7
Virginia	--	5	6
Iowa	5	5	5
Kansas	4	5	5
South Carolina	--	3	4
Arkansas	2	3	3
Nebraska	3	3	3
Oklahoma	3	3	3
Kentucky	--	1	2
Alabama	--	--	1
Delaware	--	--	1
Nevada	--	1	1
New Mexico	1	1	1
North Dakota	--	1	1
South Dakota	1	1	1
Total	151	204	251

Suppliers, Purchasing and Distribution

The Company's marketing strategy depends, in part, upon its ability to offer a wide selection of name brand products to its customers and is, therefore, dependent upon satisfactory and stable supplier relationships. In fiscal 1996, Best Buy's 20 largest suppliers accounted for approximately 70% of the merchandise purchased by the Company, with five suppliers, Acer, Hewlett-Packard, Packard Bell, Sony, and Thomson Consumer Electronics (RCA) accounting for approximately 38% of the Company's total purchases. The loss of or disruption of supply, including disruptions in supply due to manufacturers' product quality issues, from any one of these major suppliers could have a material adverse effect on the Company's sales. Certain suppliers have, at times, limited or discontinued their supply of products to the Company. Best Buy generally does not have long-term written contracts with its major suppliers and does not currently have any indication that any current suppliers will discontinue selling merchandise to the Company. The Company has not experienced difficulty in maintaining satisfactory sources of supply, and management expects that adequate sources of supply will continue to exist for the types of merchandise sold in its stores.

Best Buy's centralized buying staff purchases substantially all of the Company's merchandise. The buying staff within the Company's Marketing Department is responsible for product acquisition, promotion planning and product pricing. An inventory management staff in the Marketing Department is responsible for overall inventory management including allocations of inventory and replenishment of store inventory. Generally, with the exception of certain entertainment software, there are no agreements with suppliers for the return of unsold inventory. Merchandise remaining at the time of new product introduction is generally sold on a close-out basis. Revenues from the sale of close-out merchandise have been insignificant.

The Company has made product availability a high priority and continues to make investments in facilities, personnel and systems to assure that its in-stock position will be among the highest in the industry. The Company utilizes an automatic replenishment system for restocking its stores and is able to deliver products to its stores as required. Replenishment of store inventories is based on inventory levels, historical and projected sales trends, promotions and seasonality. The Company utilizes an extensive merchandise planning and daily inventory monitoring system to manage inventory turns.

The majority of the Company's merchandise, except for major appliances, is shipped directly from manufacturers to the Company's distribution centers in California, Ohio, Minnesota, Oklahoma and Virginia. In addition, the Company operates a dedicated distribution center for entertainment software in Minnesota. The Company's newest distribution center is in Findlay, Ohio, opening in fiscal 1996, with this approximately 780,000 square feet. Major appliances are shipped to satellite warehouses in each of the Company's major markets. In fiscal 1997, the Company will expand its appliance distribution capacity to support the additional product assortment. In order to respond to the need to meet release dates for certain computer products and entertainment software titles, the Company has increased the volume of merchandise shipped directly to the stores from manufacturers and distributors. The Company is, however, still dependent upon the distribution centers for inventory storage and shipment of most merchandise to stores. The Company primarily uses contract carriers to ship merchandise from its distribution centers to its stores. The Company believes that its distribution centers can most effectively service stores within a 600 to 700 mile radius and that its six distribution centers will accommodate the Company's expansion plans for the next year. The Company plans to continue investing in new systems and purchasing material handling equipment to reduce labor costs, improve accuracy in filling orders and enhance space utilization.

Management Information Systems

Best Buy has developed proprietary software that provides daily information on sales, gross margins and inventory levels by store and by stockkeeping unit. These systems allow the Company to compare current performance against historical performance and the current year's budget. Best Buy uses point-of-sale bar code scanning from which sales information is polled at the end of each day. The Company's MIS group, in conjunction with the advertising department, has also developed the proprietary technology that is used in the touch screen Answer Centers. The Company uses EDI (Electronic Data Interchange) with selected suppliers for the more efficient transmittal of purchase orders, shipping notices and invoices. The Company believes that the systems it has developed have the ability to continue to improve customer service, operational efficiency, and management's ability to monitor critical performance factors. Best Buy is continuing to make investments in designing new systems, modifying existing systems and increasing processing capacity, particularly with respect to distribution, inventory management and store operations.

Store Operations

Best Buy has developed a standardized and detailed system for operating its stores. The system includes procedures for inventory management, transaction processing, customer relations, store administration and merchandise display. The Company's store operations are organized into divisions. Each division is divided into regions and is under the supervision of a vice president who oversees operations through several regional managers, each of whom has responsibility for a number of districts within the region. District managers monitor store operations closely and meet regularly with store managers to discuss merchandising and new product introductions, sales promotions, customer feedback and requests and store operating performance. Similar meetings are conducted at the corporate level with divisional and regional management. Each district also has a loss prevention manager, with product security controllers employed at each store to control inventory shrinkage. Advertising, pricing and inventory policies are controlled at corporate headquarters. The Company's training, consumer affairs, human resources and store merchandising functions are also centralized at corporate headquarters.

The Company's stores are open seven days and six evenings a week. A store is typically staffed by one manager, four assistant managers, and an average staff ranging from 70 to 140 persons depending on store size. Approximately 65% of a store's staff, which includes product specialists and a support staff of cashiers and customer service and stock handling employees, is employed on a part-time basis. Store managers are paid a salary and have the opportunity to earn bonuses if their stores exceed sales and gross margin quotas, meet certain budget criteria in controlling expenses, and achieve certain administrative goals.

The Company has an in-house education program to train new employees, keep current employees informed of changes and modifications to its operating procedures and demonstrate new products. The training program includes classes for employees and the use of detailed store manuals and training video tapes produced in-house. Best Buy also provides its store personnel with in-store training in the demonstration and operation of the Company's merchandise, which is enhanced using tests that are administered through the Company's mainframe computer system. The Company also conducts a six-week course of classroom instruction combined with on-the-job training for future management candidates. Stores hold monthly "team meetings" for all personnel to review store performance and Company focus. Specialized product training is also conducted at these monthly meetings. The Company's policy is to staff store management positions with personnel promoted from within each store and to staff new stores from its pool of trained managers. However, as Best Buy expands into new markets, it also recruits local management personnel who have valuable knowledge about the new market.

Credit Policy

Approximately 35% of store revenues are paid for in cash, with the remaining 65% paid for by either major credit cards or the Best Buy private label credit card. The Company has significantly expanded the use of special financing offers and considers them an important part of its marketing strategy. Generally, the special financing offers allow customers to defer all payments interest-free for 90 days or six months, depending on the price of the product, or to defer interest payments for approximately one year on the purchase of selected products. The special financing offers are provided to customers who qualify for Best Buy's private label credit card. The private label credit card allows these customers to obtain financing on purchases of merchandise at Best Buy stores through arrangements between the Company and independent banks and consumer credit programs. The Company is generally able to qualify a new customer for credit on the spot, typically in less than five minutes. Receivables from private label credit card sales are sold, without recourse to the Company, to unaffiliated third party institutions. The Company receives payment from these institutions within 2 to 3 days following the sale.

Competition

Retailing in each of the Company's product categories is highly competitive. While overall consumer electronics sales have grown relatively slowly in recent years, the concentration of sales among the top retailers in the industry has increased significantly. The industry's consolidation has been evidenced in recent years by the liquidation and consolidation of a number of competitors. The relatively slow industry sales growth is due to market saturation for many consumer electronics products and the general absence of new products in that market. The growth of sales nationally in the home office product category has begun to slow and the Company competes with an increasing number of retailers and alternative channels of distribution. In addition, the Company believes that consumers have become more knowledgeable and value conscious, thereby putting pressure on profit margins. Management believes that its store format distinguishes the Company from most of its competitors by offering customers a friendlier and less pressured shopping experience. In addition, the Company competes by aggressively advertising and emphasizing product selection, low prices, financing alternatives and service.

Best Buy competes in most of its markets against Circuit City, Sears and Montgomery Ward and in selected markets against Incredible Universe (owned by Tandy Corp.). It also competes against computer superstores such as Computer City (owned by Tandy Corp.) and CompUSA and entertainment software superstores operated by Musicland and Tower Records. Certain of these competitors have significantly greater financial resources than the Company. The Company also competes against independent dealers, discount stores, wholesale clubs, office products superstores and mass merchandisers. As of March 2, 1996, approximately 75% of the Company's stores compete with Circuit City.

Employees

As of March 2, 1996, the Company employed approximately 33,500 persons, of whom approximately 18,000 were part-time or seasonal employees. The Company has never experienced a strike or work stoppage, and management believes that its employee relations are good. There are currently no collective bargaining agreements covering any of the Company's employees.

Item 2. PROPERTIES

The Company's stores, most of which are leased, include sales space, inventory storage, management offices and employee areas. All of the leases provide for a fixed minimum rent with scheduled escalation dates and amounts. Leases for seven of the stores have a percentage rent provision equal to from .75% to 4% of gross sales at each location in excess of certain specified sales amounts. Currently, percentage rent is paid for only three stores. The initial terms of the leases range from 5 to 25 years and generally allow the Company to renew for up to three additional five-year terms. The terms of a majority of the leases, including renewal options, extend beyond the year 2020. At March 2, 1996 the Company owned twelve of its retail store locations. Management expects to sell and lease back these properties in fiscal 1997.

The Company leases over 2 million square feet of distribution facilities including brown goods centers in Bloomington, Minnesota, Ardmore, Oklahoma, Saunton, Virginia, and Ontario, California, and a software distribution center in Edina, Minnesota. The Company also currently owns a 780,000 square foot distribution facility in Findlay, Ohio. The Company also operates leased satellite warehouses for major appliances in its major markets. The Company's corporate offices are located in a 290,000 square foot facility it owns in Eden Prairie, Minnesota.

Item 3. LEGAL PROCEEDINGS

The Company was named a defendant in a lawsuit against the Company and certain officers filed in the United States District Court for the District of Minnesota on December 6, 1994. The plaintiffs alleged various violations of federal securities laws and sought damages in an unspecified amount on behalf of a purported class of all persons who purchased Best Buy stock between September 20, 1994 and December 1, 1994. The Company has defended the lawsuit vigorously and the original complaint was dismissed without prejudice by the Court on September 11, 1995. The plaintiffs amended the complaint and again, on May 3, 1996, the magistrate judge recommended that the amended complaint be dismissed without prejudice. The Court dismissed the lawsuit without prejudice on May 30, 1996.

THE EXECUTIVE OFFICERS OF THE REGISTRANT ARE AS FOLLOWS:

NAME	AGE	POSITION WITH COMPANY	YEARS WITH THE COMPANY
Richard M. Schulze	55	Founder, Chairman, Chief Executive Officer and Director	29
Bradbury H. Anderson	46	President, Chief Operating Officer and Director	22
Allen U. Lenzmeier	52	Executive Vice President and Chief Financial Officer	11
Wade R. Fenn	37	Executive Senior Vice President - Marketing	15
Steven R. Anderson	49	Senior Vice President - MIS and Chief Information Officer	9
Julie M. Engel	35	Senior Vice President - Advertising	14
George S. Fouts	58	Senior Vice President - Sales	9
Robert C. Fox	45	Senior Vice President - Finance and Treasurer	10
Wayne R. Inouye	43	Senior Vice President - Marketing, Computers & Home Office	-
James P. Mixon	51	Senior Vice President - Logistics	2
Lee H. Schoenfeld	43	Senior Vice President - Strategic Marketing	17
Philip J. Schoonover	36	Senior Vice President - Marketing, Consumer Electronics & Appliances	1
Kenneth R. Weller	47	Senior Vice President - Sales	2
Randall K. Zanatta	38	Senior Vice President - Visual Merchandising	16

RICHARD M. SCHULZE is a founder of the Company. He has served as an officer and director of the Company from its inception in 1966 and currently serves as its Chairman and Chief Executive Officer.

BRADBURY H. ANDERSON has been the Company's President and Chief Operating Officer since April 1991, having served as Executive Vice President - Marketing of the Company from February 1986. He has been employed in various other capacities with the Company since 1973, including retail salesperson, store manager and sales manager. Mr. Anderson has been a Director of the Company since 1986.

ALLEN U. LENZMEIER was promoted to his present position in April 1991 after having served as Senior Vice President - Finance and Operations and Treasurer of the Company from 1986. Mr. Lenzmeier joined the Company in 1984 and has also served as Vice President - Finance and Operations and Treasurer.

WADE R. FENN was promoted to his present position in August 1995, having served as a Sr. Vice President - Sales since 1991 and a Regional Vice President of the Company from 1987. Mr. Fenn joined the Company in 1980 as a salesperson and has also been employed by the Company as a store and district manager.

STEVEN R. ANDERSON was promoted to his present position in April 1994, after having served as Vice President-MIS since July 1990. Mr. Anderson joined the Company in 1986 as Director of Management Information Systems.

JULIE M. ENGEL was promoted to her present position in April 1995. Ms. Engel joined the Company in July 1981 as Advertising Manager, was promoted to Advertising Director in 1984 and became Vice-President - Advertising in April 1987.

GEORGE S. FOUTS was promoted to his present position in April 1991, having served as Regional Vice President of the Company from 1987. Mr. Fouts joined the Company in 1986 as a sales manager after being employed by RCA Corporation for nineteen years.

ROBERT C. FOX was promoted to his present position in April 1994, after having served as Vice President-Accounting since 1987 and Treasurer since 1993. Mr. Fox joined the Company in 1985 as Controller.

WAYNE R. INOUYE joined the Company as Senior Vice President of Marketing for Computers and Home Office. Mr. Inouye's retail experience spans 17 years, the past 10 as vice president of merchandising with The Good Guys!

JAMES P. MIXON joined Best Buy in April 1994 as Senior Vice President- Transportation and Distribution. Prior to joining the Company, Mr. Mixon held various distribution management positions with several national retailers, most recently with Marshalls Stores, Inc.

LEE H. SCHOENFELD was promoted to his present position in July 1993. Mr. Schoenfeld joined the Company in 1978 as a salesperson and has served most recently as Vice President - Marketing.

PHILIP J. SCHOONOVER joined Best Buy in May 1995 and was promoted to Senior Vice President of Marketing for Consumer Electronics and Appliances. Mr. Schoonover's retail background spans 13 years, which includes more than eight years as vice president of sales for the eastern region of Sony Corp. of America. Most recently he served as executive vice president for TOPS Appliance City for five years.

KENNETH R. WELLER joined the Company in May 1993. Since 1986, he was Vice President of Sales of The Good Guys!, a San Francisco-based consumer electronics retailer where he had worked since 1982.

RANDALL K. ZANATTA joined the Company in March 1980 and was promoted to his present position in April 1994. Mr. Zanatta joined the Company as a salesperson and was promoted to store manager. He later joined the Company's Marketing Department, becoming a Vice President-Marketing in 1986.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information set forth under the caption "Common Stock Prices" on page 10 of the Annual Report is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information set forth under the caption "Selected Consolidated Financial and Operating Data" on page 5 of the Annual Report is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information set forth under the caption "Management's Discussion & Analysis of Financial Condition and Results of Operations" on pages 6 through 9 of the Annual Report is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required by this Item, listed below, are contained in the Annual Report on the pages thereof indicated, and are expressly incorporated herein by this reference.

REPORT OF INDEPENDENT AUDITORS - ERNST & YOUNG LLP

Shareholders and Board of Directors
Best Buy Co., Inc.

We have audited the accompanying consolidated balance sheets of Best Buy Co., Inc. and subsidiaries as of March 2, 1996 and February 25, 1995, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 1996 and 1995 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Best Buy Co., Inc. at March 2, 1996 and February 25, 1995, and the consolidated results of its operations and its cash flows for each of the years then ended, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP
Minneapolis, Minnesota
April 15, 1996

REPORT OF INDEPENDENT AUDITORS - DELOITTE & TOUCHE LLP

We have audited the accompanying statements of earnings, shareholders' equity, and cash flows of Best Buy Co., Inc. (the Company) for the year ended February 26, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the results of Best Buy Co., Inc.'s operations and its cash flows for the year ended February 26, 1994, in conformity with generally accepted accounting principles.

As discussed in Note 8 to the financial statements, the Company changed its method of accounting for income taxes during the year ended February 26, 1994.

DELOITTE & TOUCHE LLP
Minneapolis, Minnesota
April 13, 1994

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On August 16, 1994, the Company dismissed Deloitte & Touche LLP as its independent auditors and retained Ernst & Young LLP. The Audit Committee of the Board of Directors approved the decision to change auditors. The reports of Deloitte & Touche LLP for each of the previous two fiscal years contained no adverse opinion or disclaimer of opinion and were not qualified or modified with respect to uncertainty, audit scope or accounting principle. During the prior two fiscal years and through the date of dismissal, there were no disagreements with Deloitte & Touche LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure. During the same time period there were no "reportable events" as defined by the Rules and Regulations of the Securities and Exchange Commission.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information set forth under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Nominees and Directors" on pages 3 through 6 of the Proxy Statement is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the caption "Executive Compensation" on pages 7 through 13 of the Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information set forth under the caption "Security Ownership of Beneficial Owners and Management" on pages 3 through 5 of the Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information set forth under the captions "Nominees and Directors" and "Certain Transactions" on pages 5 through 6 of the Proxy Statement is incorporated herein by reference.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

1. Financial Statements.

All financial statements of the Registrant as set forth under Item 8 of this Report.

2. Financial Statement Schedules:

No schedules have been included since they are either not applicable or the information is included elsewhere herein.

3. Exhibits:

Number	Description	Method of filing
3.1	Amended and Restated Articles of Incorporation, as amended, of Best Buy Co., Inc.	(3)
3.2	Certificate of Designation with respect to Best Buy Series A Cumulative Convertible Preferred Stock, filed November 1, 1994	(2)
3.3	Amended and Restated By-Laws, as amended, of Best Buy Co., Inc.	(2,4,5)
4.1	Form of Indenture between Best Buy Co., Inc. and First Trust Company, Inc., relating to $30,000,000 Subordinated Extendible Notes due 1997, dated as of July 1, 1987	(6)
4.2	Note Purchase Agreement with Principal Mutual Life Insurance Company, dated as of July 30, 1992	(7)
4.3	Amended and Restated Credit Agreement	(8)

	dated August 25, 1995 between Best Buy Co., Inc. and First Bank National Association	
4.4	First Amendment to the Credit Agreement between Best Buy and First Bank National Association, dated March 1, 1996	(1)
4.5	Indenture between Best Buy Co., Inc. and Mercantile Bank of St. Louis N.A. relating to $150,000,000 8-5/8% Senior Subordinated Notes due 2000, dated as of October 12, 1993	(3)
4.6	Amended and Restated Agreement of Limited Partnership of Best Buy Capital, L.P., dated as of November 3, 1994	(2)
4.7	Indenture between Best Buy, Best Buy Capital, L.P., and Harris Trust and Savings Bank relating to $288,227,848 6-1/2% Convertible Subordinated Debentures due 2024, dated as of November 3, 1994	(2)
4.8	Guarantee Agreement related to 6-1/2% Convertible Monthly Income Preferred Securities of Best Buy Capital, L.P., dated November 3, 1994	(2)
4.9	Deposit Agreement with respect to Best Buy Series A Cumulative Convertible Preferred Stock, dated November 3, 1994	(2)
10.1	1987 Employee Non-Qualified Stock Option Plan, as amended	(1)
10.2	Amended 1987 Directors' Non-Qualified Stock Option Plan, as amended	(2)
10.3	1994 Full-Time Employee Non-Qualified Option Stock Plan, as amended	(1)
10.4	Resolutions of the Board of Directors dated April 19, 1996 establishing the bonus program for senior officers	(1)
11.1	Computation of Earnings Per Share	(1)
13.1	1996 Annual Report to Shareholders	(1)
21.1	Subsidiaries of the Registrant	(1)

23.1	Consent of Ernst & Young LLP	(1)
23.2	Consent of Deloitte & Touche LLP	(1)
27.1	Financial Data Schedule	(1)

(1) Document is filed herewith.

(2) Exhibits so marked were filed with the Securities and Exchange Commission on May 23, 1995 as exhibits to the Form 10-K of Best Buy Co., Inc. and are incorporated herein by reference and made a part hereof.

(3) Exhibits so marked were filed with the Securities and Exchange Commission on May 20, 1994 as exhibits to the Form 10-K of Best Buy Co., Inc. and are incorporated herein by reference and made a part hereof.

(4) Exhibit so marked was filed with the Securities and Exchange Commission on November 12, 1991, as an exhibit to the Registration Statement on Form S-3 (Registration No. 33-43065) of Best Buy Co., Inc., and is incorporated herein by reference and made a part of hereof.

(5) Exhibit so marked was filed with the Securities and Exchange Commission on January 13, 1992, as an exhibit to Form 10-Q of Best Buy Co., Inc., and is incorporated herein by reference and made a part hereof.

(6) Exhibit so marked was filed with the Securities and Exchange Commission on June 19, 1987, as an exhibit to the registration statement on form S-1 (Registration No. 33-15201) of Best Buy Co., Inc., and are incorporated herein by reference and made a part hereof.

(7) Exhibits so marked were filed with the Securities and Exchange Commission on October 12, 1992, as exhibits to Form 10-Q of Best Buy Co., Inc., and are incorporated herein by reference and made a part hereof.

(8) Exhibit so marked was filed with the Securities and Exchange Commission on October 10, 1995, as an exhibit to Form 10-Q of Best Buy Co., Inc. and is incorporated herein by reference and made a part hereof.

Pursuant to Item 601(b)(4)(iii) of Regulation S-K under the Securities Act of 1933, the Registrant has not filed as exhibits to the Form 10-K certain instruments with respect to long-term debt under which the amount of securities authorized does not exceed 10 percent of the total assets of the

Registrant. The Registrant hereby agrees to furnish copies of all such instruments to the Commission upon request.

(b) Reports on Form 8-K

A Current Report on Form 8-K was filed on May 8, 1996 regarding cautionary language with respect to forward looking comments made by or on behalf of the Company.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

BEST BUY CO., INC.
(Registrant)

By: /s/ Richard M. Schulze

Chief Executive Officer

Dated: May 29, 1996

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on May 29, 1996.

/s/ Richard M. Schulze *- ------------------------------* *Richard M. Schulze*	*Chairman, Chief Executive Officer and Director (principal executive officer)*
/s/ Bradbury H. Anderson *- ------------------------------* *Bradbury H. Anderson*	*President, Chief Operating Officer and Director*
/s/ Allen U. Lenzmeier *- ------------------------------* *Allen U. Lenzmeier*	*Executive Vice President and Chief Financial Officer (principal financial officer)*
/s/ Robert C. Fox *- ------------------------------* *Robert C. Fox*	*Sr. Vice President - Finance and Treasurer (principal accounting officer)*

<u>Director</u>
Elliot S. Kaplan

/s/ Frank D. Trestman *- ------------------------------* *Frank D. Trestman*	*Director*
- ------------------------------ *Culver Davis, Jr.*	*Director*
/s/ David Stanley *- ------------------------------* *David Stanley*	*Director*

<u>Director</u>
James C. Wetherbe

EXHIBIT 4.4

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is dated as of March 1, 1996, and is between BEST BUY CO., INC., a Minnesota corporation (the "Company"), the lenders party to the Credit Agreement, as hereinafter defined (such lenders being hereinafter sometimes referred to, collectively, as the "Banks"), and FIRST BANK NATIONAL ASSOCIATION, as agent for the Banks (in such capacity, the "Agent").

WITNESSETH THAT:

WHEREAS, the Company, the Banks and the Agent are parties to an Amended and Restated Credit Agreement dated as of August 25, 1995 (the "Credit Agreement"); and

WHEREAS, the Company, the Banks and the Agent have agreed to amend the Credit Agreement as provided herein.

NOW, THEREFORE, the parties hereto agree as follows:

1. CERTAIN DEFINED TERMS. Each capitalized term used herein without being defined that is defined in the Credit Agreement shall have the meaning given to it in the Credit Agreement.

2. AMENDMENTS TO CREDIT AGREEMENT. The Credit Agreement is amended as follows:

(a) Section 1.01 is amended to add the following definitions in the appropriate alphabetical order:

"ACTUAL SENIOR DEBT RATING": the rating for the Company or any outstanding senior, unsecured pubic debt issued by the Company that is NOT credit-enhanced, as announced from time to time by either S&P or Moodys.

"APPLICABLE COMMITMENT FEE PERCENTAGE": as of any date of determination, the applicable percentage based on the Performance Level, as set forth below:

Performance Level	Applicable Percentage
I	0.25%
II	0.25%

III 0.375% IV 0.50%

"APPLICABLE LETTER OF CREDIT FEE PERCENTAGE": as of any date of determination, (a) with respect to Letters of Credit having a scheduled expiration date not more than six months after the date of issuance, the applicable percentage based on the Performance Level, as set forth below:

Performance Level	Applicable Percentage
I	0.75%
II	0.75%
III	1.25%
IV	1.75%

and (b) with respect to Letters of Credit having a scheduled expiration date more than six months after the date of issuance, the applicable percentage based on the Performance Level, as set forth above, plus one-quarter of one percent (0.25%).

"BB CONCEPTS": Best Buy Concepts, Inc., a Nevada corporation.

"BB INVESTMENTS": BBC Investment Co., a Nevada corporation.

"IMPLICIT SENIOR DEBT RATING": the implicit rating for senior, unsecured debt issued by the Company that is not credit-enhanced, as announced from time to time by S&P or Moody's, or if no such implicit rating is announced by either S&P or Moody's, a rating two grade levels higher than the rating announced by such rating agency for the Company's senior subordinated debt. If no rating is announced by either rating agency for the Company's senior subordinated debt, the Implicit Senior Debt Rating for such agency shall be deemed to be B (for S&P) or B2 (for Moody's).

"MOODY'S": Moody's Investor Services, Inc., or any successor to its statistical debt rating business.

"PERFORMANCE LEVEL": as of any date of determination, the Performance Level based on (i) for Performance Level I, the Actual Senior Debt Rating, and (ii) for performance Levels II, III and IV, the Implicit Senior Debt Rating, as set forth below:

Senior Debt Rating Performance Level

BBB- or higher by S&P or Baa3 or higher by Moody's	I
BB or higher by S&P and Ba2 or higher by Moody's	II
B+ or BB- by S&P and B1 or Ba3 by Moody's	III
B or lower by S&P and B2 or lower by Moody's	IV

If the Actual Senior Debt Rating at either S&P or Moodys would result in Performance Level I applying, Performance Level I will apply. In all other cases, if the Implicit Senior Debt Ratings of S&P and Moody's would result in different Performance Levels applying, the Performance Level shall be the numerically higher (i.e., based on the lower Implicit Senior Debt Rating) of such Performance Levels. Any change in the Performance Level shall be effective as of the date of the change in the Actual Senior Debt Rating or Implicit Senior Debt Rating causing such change.

"S&P": Standard & Poors Rating Group, a division of McGraw-Hill, Inc., and any successor to its statistical debt rating business.

(b) Section 1.01 is further amended to restate the following definitions as follows:

"APPLICABLE MARGIN": as of any date of determination, the applicable percentage based on the Performance Level, as set forth below:

Performance Level	Eurodollar Rate Advances	Swing-Line Loans	Reference Rate Advances
I	0.75%	-0.75%	-0.50%
II	1.00%	-0.75%	-0.50%
III	1.50%	-0.375%	0
IV	2.00%	0	0.50%

The Applicable Margin for any Eurodollar Advance during any Interest Period applicable thereto shall be the Applicable Margin in effect on the first day of such Interest Period.

"REFERENCE RATE": the greater of (a) rate of interest from time to time publicly announced by First Bank as its "reference rate" or (b) the Federal Funds Rate plus 1.0%. First Bank may lend to its customers at rates that are at, above or below the Reference Rate. For purposes of determining any interest rate hereunder or under the Notes which is based on the Reference Rate, such interest rate shall change as and when the Reference Rate shall change.

(c) Section 2.13 is amended by adding "plus the Applicable Margin" after "Reference Rate" where it appears in the last sentence thereof.

(d) Section 2.18(b) is restated in its entirety as follows:

(b) The Company shall pay to the Agent, for the account of the Banks, for the period from March 1, 1996 until the Termination Date, fees (the "Commitment Fees") in an amount equal to (a) the Applicable Commitment Fee Percentage per annum (determined daily on a floating basis) of the average daily Unused Base Commitment Amount, (b) one-eighth of one percent (0.125%) per annum of the average daily Unused Seasonal Commitment Amount and (c) the Applicable Commitment Fee Percentage per annum (determined daily on a floating basis) of the Unused Designated Amount. Such Commitment Fees are payable quarterly in arrears on the first day of the following calendar quarter and on the Termination Date.

All Commitment fees payable through February 29, 1996 under Section 2.18(b) of the Credit Agreement, as in effect prior to this Amendment, shall be payable on April 1, 1996.

(e) The first sentence of Section 2.19 is restated in its entirety as follows:

For each Letter of Credit issued, the Company shall pay to the Agent for the account of the Banks, in advance on the date of issuance, a fee (a "Letter of Credit Fee") in an amount equal to the Applicable Letter of Credit Fee Percentage per annum, as in effect on the date of issuance, of the original face amount of the Letter of Credit for the period from the date of issuance to the scheduled expiration date of such Letter of Credit.

(f) Section 5.01 is amended by deleting the word "and" at the end of clause (f) thereof, relettering clause (g) thereof as clause (h), and adding the following as clause (g) thereof:

(g) as soon as practicable and in any event within five Business Days after (i) the Company receives notice of any change in the Implicit Senior Debt Rating of either S&P or Moody's, or
(ii) the Company receives notice of any Actual Senior Debt Rating, or change in the Actual Senior Debt Rating, by S&P or Moody's, notice of such rating or change.

(g) Section 5.11 is restated in its entirety to read as follows:

Section 5.11 RESTRICTIONS ON FUNDAMENTAL CHANGES. Not, and not permit any Subsidiary to:

(a) in the case of BBC, engage in any business activities or operations other than (i) the ownership of the general partnership interest in Best Buy Stores, L.P., and (ii) activities permitted for a Real Estate Subsidiary;

(b) in the case of Best Buy Capital, engage in any business activities other than the issuance of the MIPS and the lending of the proceeds thereof, together with all or any part of any Investment made by the Company in Best Buy Capital, to the Company;

(c) in the case of BB Concepts, own any assets other than the "Best Buy" trademark and related intellectual property rights, license agreements with respect to those trademarks and related intellectual property rights with the Company and any Operating Subsidiary and other assets not to exceed $1,000,000 excluding amounts due to or from Affiliates of the Company) incident to its ownership or licensing of the foregoing, or incur any liabilities other than operating liabilities relating to its ownership and licensing of the trademarks and related intellectual property rights described above, Guarantees of liabilities of the Company and its Subsidiaries to the Banks, and liabilities to the Company and any Operating Subsidiary; PROVIDED, that BB Concepts may not own any such assets or incur any such liabilities unless, within five Business Days after it is formed, the Agent shall have received a Guaranty, in the form of Exhibit G hereto, duly executed by BB Concepts, together with such certificates and opinions as the Agent may reasonably request in connection therewith;

(d) in the case of BB Investments, own any assets other than shares of the capital stock of, limited partnership interests in, or similar ownership interests in Operating Subsidiaries, and incur any liabilities other than Guarantees of liabilities of the Company and its Subsidiaries to the Banks;

(e) in the case of the Company and its Subsidiaries taken as a whole, engage in any business activities or operations substantially different from or unrelated to those in which the Company was engaged on the Signing Date;

(f) enter into any transaction of merger or consolidation or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), except for the merger of any Subsidiary with and into the Company or any other Subsidiary;

(g) convey, sell, lease, transfer or otherwise dispose of (or enter into any commitment to convey, sell, lease, transfer or otherwise dispose of), in one or more transactions, all or any part of its business or assets, whether now owned or hereafter acquired, other than the sale of inventory and sales of private label credit card receivables in the ordinary course of business, except (i) the Company may sell the store properties (but not any equipment other than building fixtures), provided that such store properties are leased back to the Company and that no Event of Default or Unmatured Event of Default exists or would exist as a result of such sale and lease back and (ii) in addition, the Company and its Subsidiaries may dispose of any of their respective assets if, after giving effect to any such disposal, the aggregate book value of all assets disposed of by the Company and its Subsidiaries during the period from the Signing Date to the Termination Date (other than inventory sold in the ordinary course of business) does not exceed, on a cumulative basis at the time of any such disposition, ten percent of the Company's Tangible Net Worth as of the end of the preceding fiscal year;

(h) acquire by purchase or otherwise all or substantially all the business or property of, or stock or other evidence of beneficial ownership of, any Person; or

(i) create, acquire or own any Subsidiary other than (i) the Subsidiaries listed on Schedule 4.19, (ii) BB Concepts and BB

Investments, (iii) Operating Subsidiaries created or acquired after the Signing Date, provided that (A) all of the issued and outstanding shares of each class of capital stock, partnership interests in or other ownership interests in each such Operating Subsidiary is owned, directly or indirectly, by the Company and (B) each such Operating Subsidiary shall have executed and delivered to the Agent a guaranty of the Obligations in the form of Exhibit G hereto, together with such certificates and opinions as the Agent may reasonably request in connection therewith, and (iv) Real Estate Subsidiaries created after the Signing Date.

(h) Section 5.13 is amended to delete the word "and" at the end of subsection (g), delete the period at the end of subsection (h) and substitute"; and" therefor, and add the following after subsection (h):

(i) Indebtedness in respect of a loan from the State of Ohio Development Authority to finance a distribution center in Findlay, Ohio in an amount not to exceed $5,000,000, on terms satisfactory to the Agent, which Indebtedness shall be supported by a Letter of Credit.

(i) Sections 5.14(g) and (h) are restated in their entirety to read as follows:

(g) Investments in BBC in an amount not to exceed $2,000,000, provided BBC complies with the requirements of Section 5.11(a);

(h) Investments in Best Buy Capital, BB Concepts and BB Investments, provided that Best Buy Capital, BB Concepts and BB Investments comply with the requirements of Sections 5.11(b), (c) and
(d), respectively; and

(j) Section 5.15 is restated in its entirety to read as follows:

Section 5.15 GUARANTEES. Not, and not permit any Subsidiary to, be or become liable on any Guarantee, except (a) Guarantees of the Indebtedness of BBC to Conquest under the Master Lease Agreement and the Agreement for Lease, PROVIDED that the requirements of clause
(b)(iii) of Section 5.26 are satisfied, (b) Guarantees of the Indebtedness of Operating Subsidiaries and Real Estate Subsidiaries created or acquired after the Signing Date as permitted pursuant to
Section 5.11(e), (c) Guarantees of the Obligations and other liabilities of the Company or any Operating Subsidiary to the Banks by BB Concepts, BB Investments and Operating Subsidiaries, and (d) a subordinated Guaranty by the Company of certain obligations of Best Buy Capital in respect of the

MIPS; PROVIDED, that the Company may not amend or cancel the subordination provisions thereof.

(k) Section 5.24 is restated in its entirety to read as follows:

Section 5.24 INTEREST COVERAGE RATIO. Not permit the Interest Coverage Ratio for any Measurement Period to be less than 1.70 to 1.00.

3. EFFECTIVENESS OF AMENDMENT. This Amendment shall be deemed effective as of the date first above written, but only upon delivery to the Agent of this Amendment duly executed by the Company and the Majority Banks, and when each of the following conditions precedent has been satisfied:

(a) no material action, suit or proceeding (including, without limitation, any inquiry or investigation) shall be pending or threatened with respect to the Company that could have a material adverse affect on the Company;

(b) no material adverse change in the business assets, financial condition or prospects of the Company shall have occurred since February 25, 1995;

(c) payment shall have been made to, and received by, the Agent of (i) an amendment fee in the amount of $275,000, for the account of the Banks, and (ii) all amounts payable to the Agent under the Credit Agreement or this Amendment, including, without limitation, all expenses of the Agent and the fees and expenses of counsel to the Agent incurred on or prior to the effective date of this Amendment, in the amounts requested by the Agent;

(d) the representations and warranties contained in Article IV of the Credit Agreement, as amended hereby, are correct on and as of the effective date of this Amendment as though made on and as of such date; and

(e) no Event of Default or Default has occurred and is continuing, or would result from the execution and delivery of this Amendment or the consummation of the transactions contemplated hereby.

4. ACKNOWLEDGEMENT. The Banks and the Company each acknowledge that, as amended hereby, the Credit Agreement, as amended by this Amendment, remains in full force and effect with respect to the Company, the Banks and the Agent. The Company confirms and acknowledges that it will continue to comply with the covenants set out in the Credit Agreement, as amended hereby, and that its representations and warranties set out in the Credit Agreement, as amended hereby, are true and correct as of the date of this Amendment. The Company further represents and warrants that (i) the execution, delivery and performance of this

Amendment by the Company is within its corporate powers and has been duly authorized by all necessary corporate action, (ii) this Amendment has been duly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms (subject to limitations as to enforceability which might result from bankruptcy, insolvency or other similar laws affecting creditors' rights generally) and (iii) no Events of Default or events which, with the giving of notice or passage of time, would be an Event of Default, exist under the Credit Agreement.

5. COUNTERPARTS. This Amendment may be signed by the parties hereto on different counterparts with the same effect as if the signatures hereto were on the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the day and year first above written.

BEST BUY CO., INC.

By /s/ Robert C. Fox
Its Sr VP Finance

FIRST BANK NATIONAL ASSOCIATION

By /s/ John Gatzlaff
Its Vice President

BANK ONE, DAYTON, NATIONAL ASSOCIATION

By /s/ John B. Middelberg
Its Vice President

THE MITSUBISHI BANK, LIMITED
(CHICAGO BRANCH)

By /s/ J.R. Arnold
Its Vice President

FIRST UNION NATIONAL BANK OF NORTH CAROLINA

By /s/
Its

THE LONG TERM CREDIT BANK OF JAPAN, LTD.

By /s/ Armund Schoen
Its Vice President and
Deputy General Manager

THE BANK OF NOVA SCOTIA

By /s/ F.C.H. Ashby
Its Sr Manager Loan Operations

YASUDA TRUST AND BANKING CO., LTD.

By /s/ Joseph C. Meek
Its First Vice President & Manager

THE BANK OF TOKYO, LTD.
(CHICAGO BRANCH)

By /s/ Joseph P. Howard
Its Vice President

THE SUMITOMO BANK, LIMITED

By /s/ John W. Howard, Jr.
Its Vice President
/s/ Michael J. Philippe
Its Vice President & Manager

MERCHANTILE BANK OF ST. LOUIS NATIONAL ASSOCIATION

By /s/ Sally H. Roth
Its Vice President

COMERICA BANK

By /s/
Its

WELLS FARGO BANK

By /s/
Its

BANK OF AMERICA ILLINOIS

By /s/ Guy Stapleton
Its

BANQUE NATIONAL DE PARIS

By /s/
Its

THE DAI-ICHI KANGYO BANK, LTDS.
(CHICAGO BRANCH)

By /s/

Its

THE SAKURA BANK, LIMITED

By /s/ Hajime Miyagi

Its Joint General Manager

THE SANWA BANK, LIMITED,
(CHICAGO BRANCH)

By /s/ Gordon Holtby

Its Vice President & Manager

UNITED STATES NATIONAL BANK OF OREGON

By /s/ Blake R. Howells

Its Vice President

EXHIBIT 10.1

BEST BUY CO., INC.

EMPLOYEE NON-QUALIFIED STOCK OPTION PLAN

A. PURPOSE.

The purpose of this Employee Non-Qualified Stock Option Plan ("Plan") is to further the growth and general prosperity of Best Buy Co., Inc. and its directly and indirectly wholly-owned subsidiaries (collectively, the "Company") by enabling current key employees of the Company, who have been or will be given responsibility for the administration of the affairs of the Company and upon whose judgment, initiative and effort the Company was or is largely dependent for the successful conduct of its business, to acquire shares of the common stock of the Company under the terms and conditions and in the manner contemplated by this Plan, thereby increasing their personal involvement in the Company and enabling the Company to obtain and retain the services of such employees. Options granted under the Plan are intended to be options which do not meet the requirements of Section 422A of the Internal Revenue Code of 1986, as amended.

B. ADMINISTRATION.

This Plan shall be administered by the Compensation Committee of the Company's Board of Directors (the "Committee"). Options may not be granted to any person while serving on the Committee unless approved by a majority of the disinterested members of the Board of Directors. Subject to such orders and resolutions not inconsistent with the provisions of this Plan as may from time to time be issued or adopted by the Board of Directors, the Committee shall have full power and authority to interpret the Plan and, to the extent contemplated herein, shall exercise the discretion granted to it regarding participation in the Plan and the number of shares to be optioned and sold to each participant.

All decisions, determinations and selections made by the Committee pursuant to the provisions of the Plan and applicable orders and resolutions of the Board of Directors shall be final. Each option granted shall be evidenced by a written agreement containing such terms and conditions as may be approved by the Committee and which shall not be inconsistent with the Plan and the orders and resolutions of the Board of Directors with respect thereto.

C. ELIGIBILITY AND PARTICIPATION.

Options may be granted under the Plan to (i) key executive personnel, including officers, senior management employees and members of the Board of Directors who are employees of the Company; (ii) staff management employees, including managers, supervisors, and their functional equivalents for:
warehousing, service, merchandising, leaseholds, installation, and finance and administration; (iii) line management employees, including retail store and field managers, supervisors and their functional equivalents; and (iv) any employee having served the Company continuously for a period of not less than ten (10) years. The Committee shall grant to such participants options to purchase shares in such amounts as the Committee shall from time to time determine.

D. SHARES SUBJECT TO THE PLAN.

Subject to adjustment as provided in Section E. herein, an aggregate of 7,250,000 shares of $0.10 par value common stock of the Company shall be subject to this Plan from authorized but unissued shares of the Company. Such number and kind of shares shall be appropriately adjusted in the event of any one or more stock splits, reverse stock splits or stock dividends hereafter paid or declared with respect to such stock. If, prior to the termination of the Plan, shares issued pursuant hereto shall have been repurchased by the Company pursuant to this Plan, such repurchased shares shall again become available for issuance under the Plan.

Any shares which, after the effective date of this Plan, shall become subject to valid outstanding options under this Plan may, to the extent of the release of any such shares from option by termination or expiration of option(s) without valid exercise, be made the subject of additional options under this Plan.

E. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION.

In the event of a merger, consolidation, reorganization, stock dividend, stock split, or other change in corporate structure or capitalization affecting the common shares of the Company, an appropriate adjustment shall be made in the maximum number of shares available to any one individual and in the number, kind, exercise price, etc., of shares subject to options granted under the Plan as may be determined by the Committee.

F. TERMS AND CONDITIONS OF OPTIONS.

The Committee shall have the power, subject to the limitations contained in this Plan, to prescribe any terms and conditions in respect of the granting or exercise of any option under this Plan and, in particular, shall prescribe the following terms and conditions:

1) Each option shall state the number of shares to which it pertains.

2) The Committee shall determine the price at which shares shall be sold to participants hereunder (the "Exercise Price"), provided however that in no event shall the Exercise Price be less than the fair market value of the stock as of the date of grant. Payment of the Exercise Price shall be made at the time the shares are sold hereunder by certified or cashier's check payable to the Company.

3) An option shall be exercisable in whole or in part (but not as to less than twenty-five percent of the original aggregate amount of shares of common stock made subject to the option) with respect to the shares included therein until the earlier of (a) the close of business on the tenth day prior to the proposed effective date of (i) any merger or consolidation of the Company with any other corporation or entity as a result of which the holders of the common stock of the Company will own less than a majority voting control of the surviving corporation; (ii) any sale of substantially all of the assets of the Company or (iii) any sale of common stock of the Company to a person not a stockholder on the date of issuance of the option who thereby acquires majority voting control of the Company, subject to any such transaction actually being consummated, or (b) 4:00 p.m., local standard time, in Minneapolis, Minnesota, on the date five (5) years after the date the option was granted. The Company shall give written notice to the optionee not less than 30 days prior to the proposed effective date of any of the transactions described in (a) above.

4) Except in the event of death, an option shall be exercisable with respect to the shares included therein not earlier than the date one (1) year following the date of grant of the option, nor later than the date five (5) years following the date of grant of the option, and, during each year that the option may be exercised, the optionee may exercise such optionee's right to acquire only twenty-five percent (25%) of the shares subject to such option together with any shares that the optionee had previously been able to exercise.

5) Except as in the event of death, an option may be exercised only by the optionee while such optionee is, and has continually been, since the date of the grant of the option, an employee of the Company. If the continuous employment of an optionee terminates by reason of death, an option granted hereunder held by the deceased employee may be exercised to the extent of all shares subject to the option within one (1) year following the date of death, but in no event later than five (5) years after the date of grant of such option, by the person or persons to whom the participant's rights under such option shall have passed by will or by the applicable laws of descent and distribution.

6) An option shall be exercised when written notice of such exercise has been given to the Company at its principal business office by the person entitled to exercise the option and full payment for the shares with respect to which the option is exercised has been received by the Company. Until the stock certificates are issued, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to optioned shares, notwithstanding the exercise of the option.

G. OPTIONS NOT TRANSFERRABLE.

Options under the Plan may not be sold, pledged, assigned or transferred in any manner, whether by operation of law or otherwise except by will or the laws of descent, and may be exercised during the lifetime of an optionee only by such optionee.

H. AMENDMENT OR TERMINATION OF THE PLAN.

The Board of Directors of the Company may amend this Plan from time to time as it may deem advisable and may at any time terminate the Plan, provided that any such termination of the Plan shall not adversely affect options already granted and such options shall remain in full force and effect as if the Plan had not been terminated.

I. AGREEMENT AND REPRESENTATIONS OF PARTICIPANTS.

As a condition precedent to the exercise of any option or portion thereof, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required under the Securities Act of 1933 or any other applicable law, regulation or rule of any governmental agency.

In the event legal counsel to the Company renders an opinion to the Company that shares for options exercised pursuant to this Plan cannot be issued to the optionee because such action would violate any applicable federal or state securities laws, then in that event the optionee agrees that the Company shall not be required to issue said shares to the optionee and shall have no liability to the optionee other than the return to optionee of amounts tendered to the Company upon exercise of the option.

J. EFFECTIVE DATE AND TERMINATION OF THE PLAN.

The Plan shall become effective as of May 1, 1987 if approved thereafter by the Stockholders of the Company. The Plan shall terminate on the earliest of:

1) The date when all the common shares available under the Plan shall have been acquired through the exercise of options granted under the Plan; or

2) Ten (10) years after the date of approval of the Plan by the Stockholders of the Company; or

3) Such other earlier date as the Board of Directors of the Company may determine.

K. FORM OF OPTION.

Options shall be issued in substantially the same form as Exhibit "A" attached hereto or in such other form as the Compensation Committee or the board may approve.

Exhibit 10.3

BEST BUY CO., INC.

FULL-TIME EMPLOYEE NON-QUALIFIED STOCK OPTION PLAN

A. PURPOSE.

The purpose of this Full-Time Employee Non-Qualified Stock Option Plan ("Plan") is to further the growth and general prosperity of Best Buy Co., Inc. and its directly and indirectly wholly-owned subsidiaries (collectively, the "Company") by enabling full-time employees of the Company to acquire shares of the common stock of the Company under the terms and conditions and in the manner contemplated by this Plan, thereby increasing their personal interest in the success of the Company and enabling the Company to obtain and retain the services of such employees. Options granted under the Plan are intended to be options which do not meet the requirements of Section 422A of the Internal Revenue Code of 1986, as amended.

B. ADMINISTRATION.

This Plan shall be administered by the Compensation Committee of the Company's Board of Directors (the "Committee"). Options may not be granted to any person while serving on the Committee unless approved by a majority of the disinterested members of the Board of Directors. Subject to such orders and resolutions not inconsistent with the provisions of this Plan as may from time to time be issued or adopted by the Board of Directors, the Committee shall have full power and authority to interpret the Plan and, to the extent contemplated herein, shall exercise the discretion granted to it regarding participation in the Plan and the number of shares to be optioned and sold to each participant.

All decisions, determinations and selections made by the Committee pursuant to the provisions of the Plan and applicable orders and resolutions of the Board of Directors shall be final. Each option granted shall be evidenced by a written agreement containing such terms and conditions as may be approved by the Committee and which shall not be inconsistent with the Plan and the orders and resolutions of the Board of Directors with respect thereto.

C. ELIGIBILITY AND PARTICIPATION.

Options may be granted under the Plan to any full-time employee of the Company who is not an officer of the Company. The Committee shall grant to such participants options to purchase shares in such amounts as the Committee shall from time to time determine.

D. SHARES SUBJECT TO THE PLAN.

Subject to adjustment as provided in Section E. herein, an aggregate of 1,500,000 shares of $0.10 par value common stock of the Company shall be subject to this Plan from authorized but unissued shares of the Company. Such number and kind of shares shall be appropriately adjusted in the event of any one or more stock splits, reverse stock splits or stock dividends hereafter paid or declared with respect to such stock. If, prior to the termination of the Plan, shares issued pursuant hereto shall have been repurchased by the Company pursuant to this Plan, such repurchased shares shall again become available for issuance under the Plan.

Any shares which, after the effective date of this Plan, shall become subject to valid outstanding options under this Plan may, to the extent of the release of any such shares from option by termination or expiration of option(s) without valid exercise, be made the subject of additional options under this Plan.

E. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION.

In the event of a merger, consolidation, reorganization, stock dividend, stock split, or other change in corporate structure or capitalization affecting the common shares of the Company, an appropriate adjustment shall be made in the maximum number of shares available to any one individual and in the number, kind, exercise price, etc., of shares subject to options granted under the Plan as may be determined by the Committee.

F. TERMS AND CONDITIONS OF OPTIONS.

The Committee shall have the power, subject to the limitations contained in this Plan, to prescribe any terms and conditions in respect of the granting or exercise of any option under this Plan and, in particular, shall prescribe the following terms and conditions:

1) Each option shall state the number of shares to which it pertains.

2) The Committee shall determine the price at which shares shall be sold to participants hereunder (the "Exercise Price"), provided however that in no event shall the Exercise Price be less than the fair market value of the stock as of the date of grant. Payment of the Exercise Price shall be made at the time the shares are sold hereunder by cash or check payable to the Company.

3) An option shall be exercisable in whole or in part (but not as to less than twenty-five percent of the original aggregate amount of shares of common stock made subject to the option) with respect to the shares included therein until the earlier of (a) the close of business on the tenth day prior to the proposed effective date of (i) any merger or consolidation of the Company with any other corporation or entity as a result of which the holders of the common stock of the Company will own less than a majority voting control of the surviving corporation; (ii) any sale of substantially all of the assets of the Company or (iii) any sale of common stock

of the Company to a person not a stockholder on the date of issuance of the option who thereby acquires majority voting control of the Company, subject to any such transaction actually being consummated, or (b) 4:00 p.m., local standard time, in Minneapolis, Minnesota, on the date four (4) years after the date the option was granted. The Company shall give written notice to the optionee not less than 30 days prior to the proposed effective date of any of the transactions described in (a) above.

4) Except in the event of death, an option shall be exercisable with respect to the shares included therein not earlier than the date one (1) year following the date of grant of the option, nor later than the date four (4) years following the date of grant of the option, and, during the first year that the option may be exercised, the optionee may exercise such optionee's right only to the extent of fifty percent (50%) of the shares subject to such option.

5) Except in the event of death, an option may be exercised only by the optionee while such optionee is, and has continually been, since the date of the grant of the option, an employee of the Company. If the continuous employment of an optionee terminates by reason of death, an option granted hereunder held by the deceased employee may be exercised to the extent of all shares subject to the option within one (1) year following the date of death, but in no event later than four (4) years after the date of grant of such option, by the person or persons to whom the participant's rights under such option shall have passed by will or by the applicable laws of descent and distribution.

6) An option shall be exercised when written notice of such exercise has been given to the Company at its principal business office by the person entitled to exercise the option and full payment for the shares with respect to which the option is exercised has been received by the Company. Until the stock certificates are issued, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to optioned shares, notwithstanding the exercise of the option.

G. OPTIONS NOT TRANSFERRABLE.

Options under the Plan may not be sold, pledged, assigned or transferred in any manner, whether by operation of law or otherwise except by will or the laws of descent, and may be exercised during the lifetime of an optionee only by such optionee.

H. AMENDMENT OR TERMINATION OF THE PLAN.

The Board of Directors of the Company may amend this Plan from time to time as it may deem advisable and may at any time terminate the Plan, provided that any such termination of the Plan shall not adversely affect options already granted and such options shall remain in full force and effect as if the Plan had not been terminated.

I. AGREEMENT AND REPRESENTATIONS OF PARTICIPANTS.

As a condition precedent to the exercise of any option or portion thereof, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required under the Securities Act of 1933 or any other applicable law, regulation or rule of any governmental agency.

In the event legal counsel to the Company renders an opinion to the Company that shares for options exercised pursuant to this Plan cannot be issued to the optionee because such action would violate any applicable federal or state securities laws, then in that event the optionee agrees that the Company shall not be required to issue said shares to the optionee and shall have no liability to the optionee other than the return to optionee of amounts tendered to the Company upon exercise of the option.

J. EFFECTIVE DATE AND TERMINATION OF THE PLAN.

The Plan shall be effective as of April 4, 1994 if approved thereafter by the Shareholders of the Company. The Plan shall terminate on the earliest of:

1) The date when all the common shares available under the Plan shall have been acquired through the exercise of options granted under the Plan; or

2) Ten (10) years after the date of approval of the Plan by the Shareholders of the Company; or

3) Such other earlier date as the Board of Directors of the Company may determine.

K. FORM OF OPTION.

Options shall be issued in substantially the form as the Compensation Committee or the Board may approve.

EXHIBIT 10.4

CERTIFICATE OF RESOLUTIONS

I, Joseph M. Joyce, the Assistant Secretary to Best Buy Co., Inc., a Minnesota corporation, do hereby certify that the following resolution was duly adopted by the Directors of this corporation at a meeting held April 19, 1996, and that said resolution is still in full force and effect:

RESOLVED:

The bonuses payable pursuant to the bonus program for senior officers, as amended, in respect of fiscal 1997 shall be in amounts equal to the percentage of the base salary of the respective officers designated in the columns below which is set forth opposite the level of actual net income for fiscal 1997; provided, however, that the Chief Executive Officer and the President, acting unanimously, shall be authorized in their discretion to reduce the bonus payable to a senior officer to the extent of 50% of the amount thereof for the failure of such officer to achieve his or her individual goals for fiscal 1997:

	% OF BASE SALARY			
ACTUAL NET INCOME	CEO	PRESIDENT	EXEC. VP	ALL OTHER SENIOR OFFICERS
At least Budget	60.0%	50.0%	45.0%	30.0%
At least 105% of Budget	66.0%	55.0%	49.5%	33.0%
At least 110% of Budget	72.0%	60.0%	54.0%	36.0%
At least 115% of Budget	78.0%	65.0%	58.5%	39.0%
At least 120% of Budget	84.0%	70.0%	63.0%	42.0%
At least 125% of Budget	90.0%	75.0%	67.5%	45.0%
At least 130% of Budget	96.0%	80.0%	72.0%	48.0%
At least 135% of Budget	102.0%	85.0%	76.5%	51.0%
At least 140% of Budget	108.0%	90.0%	81.0%	54.0%
At least 145% of Budget	114.0%	95.0%	85.5%	57.0%
At least 150% of Budget	120.0%	100.0%	90.0%	60.0%

Dated: May 29, 1996.

/s/ Joseph M. Joyce

Joseph M. Joyce

Assistant Secretary

EXHIBIT 11.1

BEST BUY CO., INC.

COMPUTATION OF NET EARNINGS PER COMMON SHARE

For the years ended:	March 2, 1996	February 25, 1995	February 26, 1994
Earnings:			
Earnings before cumulative effect of change in accounting principle available to common shares	$48,019,000	$57,651,000	$41,710,000
Cumulative effect of change in accounting for income taxes			(425,000)
Net earnings available to common shares	$48,019,000	$57,651,000	$41,285,000
Shares:			
Weighted average common shares outstanding	42,620,000	42,013,000	40,036,000
Adjustments:			
Assumed issuance of shares purchased under stock option plans	1,020,000	1,458,000	1,300,000
Total common equivalent shares	43,640,000	43,471,000	41,336,000
Earnings per share:			
Earnings before cumulative effect of change in accounting principle	$ 1.10	$ 1.33	$ 1.01
Cumulative effect of change in accounting for income taxes			(.01)
Net earnings per common share	$ 1.10	$ 1.33	$ 1.00

Note: The computation of earnings per common share assuming full dilution is substantially the same as set forth above or in anti-dilutive.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA
($ in thousands, except per share amounts)

FISCAL PERIOD	1996(1)	1995	1994(2)	1993	1992
STATEMENT OF EARNINGS DATA					
Revenues	$7,217,448	$5,079,557	$3,006,534	$1,619,978	$ 929,692
Gross profit	936,571	690,393	456,925	284,034	181,062
Selling, general and administrative expenses	813,988	568,466	379,747	248,126	162,286
Operating income	122,583	121,927	77,178	35,908	18,776
Earnings before cumulative effect of accounting change	48,019	57,651	41,710	19,855	9,601
Net earnings	48,019	57,651	41,285	19,855	9,601
PER SHARE DATA					
Earnings before cumulative effect of accounting change	$ 1.10	$ 1.33	$ 1.01	$ .57	$ .33
Net earnings	1.10	1.33	1.00	.57	.33
Common stock price: High	29 5/8	45 1/4	31 7/16	15 23/32	11 25/32
Low	12 3/4	22 1/8	10 27/32	4 23/32	2 21/32
Weighted average shares outstanding (000s)	43,640	43,471	41,336	34,776	28,848
OPERATING AND OTHER DATA					
Comparable store sales increase(3)	5.5%	19.9%	26.9%	19.4%	14.0%
Number of stores (end of period)	251	204	151	111	73
Average revenues per store(4)	$ 31,100	$ 28,400	$ 22,600	$ 17,600	$ 14,300
Gross profit percentage	13.0%	13.6%	15.2%	17.5%	19.5%
Selling, general and administrative expense percentage	11.3%	11.2%	12.6%	15.3%	17.5%
Operating income percentage	1.7%	2.4%	2.6%	2.2%	2.0%
Inventory turns(5)	4.8x	4.7x	5.0x	4.8x	5.1x
BALANCE SHEET DATA (at period end)					
Working capital	$ 585,855	$ 609,049	$ 362,582	$ 118,921	$ 126,817
Total assets	1,890,832	1,507,125	952,494	439,142	337,218
Long-term debt, including current portion	229,855	240,965	219,710	53,870	52,980
Convertible preferred securities	230,000	230,000			
Shareholders' equity	431,614	376,122	311,444	182,283	157,568

This table should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and Notes thereto.

(1) Fiscal 1996 contained 53 weeks. All other periods presented contained 52 weeks.

(2) During fiscal 1994, the Company adopted FAS 109, resulting in a cumulative effect adjustment of ($425) or ($.01) per share.

(3) Comparable stores are stores open at least 14 full months.

(4) Average revenues per store are based upon total revenues for the period divided by the weighted average number of stores open during such period.

(5) Inventory turns are calculated based upon a rolling 12 month average of inventory balances.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The addition of 100 new stores in the past two years and the expansion or relocation of another 46, resulted in the Company becoming the nation's leading volume specialty retailer in the combined product categories it represents in fiscal 1996. During fiscal 1996 the Company entered two new major markets and increased its presence in the major markets entered in fiscal 1995. The Company was able to maintain or increase market share in the face of an increasingly competitive and challenging retailing environment. The Company's 251 stores at the end of the fiscal year represents an increase of 23% over the prior year. The 47 new stores opened, combined with the revenues from the 53 stores opened in the prior year and a comparable store sales increase of 6% for the year, led to a 42% increase in revenues to $7.217 billion. The $5.080 billion in revenues in fiscal 1995 was a 69% increase compared to the $3.007 billion in fiscal 1994 and was driven by the addition of 53 new stores in fiscal 1995 and a comparable store sales increase of 20%.

Earnings of $48.0 million in fiscal 1996 were 17% lower than the $57.7 million reported in fiscal 1995. A slowing economy in the latter half of the year resulted in a higher level of price competition and promotional activity aimed at stimulating consumer spending. The Company was able to maintain a level of operating income comparable to the prior year as a result of the increased revenues. Higher interest expense on financing used to support property development and increased inventory levels also impacted earnings in fiscal 1996. Fiscal 1995 earnings increased 38% over the $41.7 million reported in fiscal 1994. Fiscal 1994 earnings are before a change in accounting for income taxes which reduced net earnings by $425,000, or $.01 per share. Earnings per share were $1.10 in fiscal 1996, $1.33 in fiscal 1995 and $1.01 in fiscal 1994.

REVENUES

The following table presents selected revenue data for each of the last three fiscal years. ($ in thousands)

	1996	1995	1994
Revenues	$7,217,448	$5,079,557	$3,006,534
Percentage increase in revenues	42%	69%	86%
Comparable store sales increase	6%	20%	27%
Average revenues per store	$ 31,100	$ 28,400	$ 22,600

The year-over-year growth in revenues experienced over the last several years continued to moderate in fiscal 1996 as the Company's store base has increased and comparable store revenue growth has slowed. In the past three years, Best Buy has entered seven major metropolitan markets, and now has a presence in 13 of the top 20 retail markets. In fiscal 1996, the Company opened seven new stores with its initial entry into Miami, Florida and three new stores in the new market of Cincinnati, Ohio. Best Buy also continued to increase its presence in markets entered in fiscal 1995 with the addition of 12 stores in the Los Angeles area and five stores in the Baltimore/Washington, D.C. area and other new markets in the southeastern United States. In addition to the number of new stores opened, the Company remodeled or relocated 16 stores to accommodate its larger store format introduced in fiscal 1995, increasing the average store size by 30% since fiscal 1994.

The following table indicates the number of stores, by prototype, operated by the Company at the end of the last three fiscal years.

STORE PROTOTYPE	1996	1995	1994
28,000 square feet	61	67	91
36,000 square feet	36	48	41
45,000 square feet	112	75	18
58,000 square feet	42	14	1
Total number of stores at year end	251	204	151
Average store size (in square feet)	41,400	37,700	31,800

A slowdown in consumer spending in the latter half of the year and difficult comparisons with the strong comparable store sales in fiscal 1995 contributed to the slowing comparable store sales growth in fiscal 1996. An increase in the channels of distribution for personal computers, combined with an overall slowing in the rate of sales growth for those products, impacted the Company's total comparable store sales increases during the year. Comparable store sales of personal computers were 18% in fiscal 1996 compared to 33% in fiscal 1995, and the home office category, which includes personal computers, grew by over $1 billion to $3.0 billion, or 41% of total sales in fiscal 1996. The entertainment software category, which includes compact discs, computer software and prerecorded cassettes and video tapes, increased by 47% to $1.1 billion and represented 15% of total Company sales in fiscal 1996. The absence of significant new products in the consumer electronics category resulted in essentially flat comparable store sales for this category. Despite the loss of a significant appliance vendor late in fiscal 1995, the contribution of appliances in fiscal 1996 was comparable to fiscal 1995.

The 69% increase in revenues in fiscal 1995 over fiscal 1994 was due to the addition of 53 new stores, including entries into Cleveland, Los Angeles and Baltimore/Washington, D.C., a full year of operations at the 40 stores opened in fiscal 1994 and a comparable store sales increase of 20%. Comparable store sales increases in fiscal 1995 were driven by the continued growth of personal computer sales.

The following table sets forth the Company's retail store sales mix by major product category for the past three fiscal years.

	1996	1995	1994
Home Office	41%	37%	35%
Consumer Electronics - Video	18%	20%	23%
Consumer Electronics - Audio	13%	14%	15%
Entertainment Software	15%	14%	12%
Appliances	7%	8%	9%
Other	6%	7%	6%
Total	100%	100%	100%

In the fourth quarter of fiscal 1996 the Company began using an unrelated third party to insure its extended service plans. The Company's extended service plan program will be administered by AI WarrantyGuard, an affiliate of American International Group (AIG). AI WarrantyGuard will insure the warranty obligations through an insurance subsidiary of AIG, which is rated A++ by A.M. Best Company. Similar to most other retailers offering such plans, the Company will recognize commission revenue on the sale of extended service plans at the time the plans are sold. Profit margins on extended service plans are generally higher than margins on other products that the Company sells. Revenues from extended service plans were less than 1% of total revenues in all three fiscal years. Management intends to increase the Company's focus on the sale of these plans and expects that extended service plans will become a larger component of the Company's overall sales mix.

The Company has announced plans to moderate the rate of expansion in fiscal 1997 in light of an expected continuation of slow consumer spending. The Company plans to open 20 to 25 new stores during the year, including entry into the major markets of Philadelphia, Pennsylvania in May and Tampa, Florida in the third quarter. This slower rate of expansion will enable the Company to finance the growth with internally generated funds. The Company has significantly increased its selection and assortment of products in the appliance category with the introduction of the Maytag products to all stores late in fiscal 1996 and the addition of Amana, General Electric, Hotpoint, GE Profile and Tappan appliances in May 1996. The increased size of the Company's stores will allow for increased assortment in this category without sacrificing space dedicated to the other major categories. In addition, the Company is enhancing the appeal of the appliance department through the introduction of high-end small electrics, gourmet products and upscale housewares. Management believes that these products, while not expected to be significant revenue sources, will generate increased traffic in the appliance department. Overall, sales in fiscal 1997 are expected to be impacted by general economic conditions such as levels and availability of consumer debt, interest rates and consumers' outlook on the economy. Management believes that comparable store sales increases in fiscal 1997 could be flat. The home office category could experience decreases in comparable store sales mainly offset by an increase in appliance sales.

The Company believes that its ability to offer consumers attractive financing alternatives such as the Company's private label credit card program, which offers no interest and deferred payment options, has been instrumental in stimulating sales. Receivables from sales on the Best Buy credit card are sold without recourse to unaffiliated third party financial institutions. The Company does not carry any risk of loss due to possible default on the receivables. At March 2, 1996, there were approximately three million Best Buy credit card holders. The continued availability of this type of financing program is important to the Company's ability to provide consumers with an incentive to buy.

COMPONENTS OF OPERATING INCOME

The following table sets forth selected operating ratios for the last three fiscal years.

	1996	1995	1994
Gross profit	13.0%	13.6%	15.2%
Selling, general and administrative expenses	11.3%	11.2%	12.6%
Operating income	1.7%	2.4%	2.6%
Earnings before accounting change	.7%	1.1%	1.4%

Promotional activities in an effort to maintain or grow market share and the increasing mix of personal computers in the total sales mix has contributed to the change in gross margin over the past two years. Promotions offered by the Company, as well as other computer retailers, have included deferred financing plans, free peripheral equipment such as monitors or printers, and cash rebates. Technological advancements in the computer category have placed additional pressure on margins due to the frequent changeover of models and features. The entertainment software category is also very competitive, and the Company believes that its combination of low price and extensive selection affords the opportunity to gain market share and increase customer traffic. Competition in most of the markets in which the Company operates continues to increase as the number of channels of distribution increase.

Management expects that price competition and promotional offers to stimulate spending will continue, particularly in personal computers. While competition and promotions may limit the Company's ability to increase margins, the Company believes that increased contributions from appliances and extended service plans, both of which carry profit margins higher than the Company average, provide an opportunity to increase overall margins in fiscal 1997. Management also believes that its market share position will allow the Company to improve its product acquisition cost.

Selling, general and administrative expenses in fiscal 1996 were 11.3% of sales, compared to 11.2% and 12.6% in 1995 and 1994, respectively. The improvement in this ratio experienced in the prior several years was the result of a high rate of sales increase and increasing leverage on the Company's fixed cost of operations. As the rate of growth, in terms of comparable store sales growth and number of stores relative to the prior year, slowed in fiscal 1996, SG&A expenses as a percentage of sales have leveled off. Additionally, the size of the stores and related higher cost of operations in the markets entered in the past two years have limited the Company's ability to significantly improve its SG&A ratio. Higher advertising costs due to the promotional environment also contributed to increased SG&A expenses. With comparable store sales growth slowing and higher operating costs in new markets, management expects that the Company's SG&A ratio in the coming year will be higher.

Interest expense in fiscal 1996 increased over fiscal 1995 and fiscal 1994 as a result of financing used to expand the business over the past two years. Fiscal 1996 included a full year of interest related to the $230 million of convertible preferred securities issued in November 1994. Interest on bank borrowings also increased due to higher borrowings used to support store development and higher inventory levels. Interest expense in fiscal 1995 increased due to a full year of interest on the $150 million of senior subordinated notes issued in October 1993.

The Company's effective tax rate of 39.2% in fiscal 1996 increased from 38.7% in fiscal 1995, principally as a result of the expiration of the jobs tax credit in December 1994. The effective tax rate in fiscal 1995 benefited from this tax credit due to the number of people hired during that year. Changes in the states in which the Company does business and the level of income taxed in those states has impacted and will continue to impact the Company's overall effective income tax rate. The Company adopted the provisions of FAS 109 "Accounting for Income Taxes," effective as of the beginning of fiscal 1994, resulting in a charge to earnings of $425,000 or $.01 per share. At March 2, 1996, the Company had net deferred tax assets of $27.4 million which are expected to be recovered through future taxable income.

LIQUIDITY AND CAPITAL RESOURCES

The Company has funded the retail growth and the increase in distribution capacity in the last two years through a combination of long-term financing, working capital and cash flow from operations. In fiscal 1995, the Company issued $230 million of 6 1/2% monthly income convertible preferred securities which mature in November 2024. The Company also entered into a master lease facility which has provided over $125 million in financing for retail store and distribution center development in fiscal 1995 and 1996. The funds from these two long-term financings and the increase in the Company's credit facility to $550 million in fiscal 1996, have supported the Company's growth. The proceeds from the $150 million note offering in October 1993 were also used to support much of the Company's expansion and growth in fiscal 1995. In fiscal 1994, the $86 million in proceeds from a Common Stock offering and the proceeds of the 1993 note offering were used to provide the financing necessary for business expansion that year. Cash flow from operations, before changes in working capital, improved to over $100 million in fiscal 1996, an increase from the $97 million in fiscal 1995 and $65 million in fiscal 1994.

Over the past two fiscal years, the Company has developed 50 new and relocated stores in order to secure the desired store locations and assure timely completion of the stores. The Company also built two of the brown goods distribution centers opened in the last two years, including the Company's newest 780,000 square foot distribution center in Findlay, Ohio, opened in September 1995. Interim financing for these properties was provided either through working capital or the Company's master lease agreement. The Company's practice is to lease rather than own real estate, and for those sites developed using working capital, it is the Company's intention to enter into sale/leaseback transactions and recover the cost of development. The costs of this development are classified in the balance sheet as recoverable costs from developed properties. Proceeds from the sale of properties were nearly $90 million in fiscal 1996 and $43 million in fiscal 1995. In fiscal 1994, the Company sold 17 store locations for an aggregate of $44 million in a single sale/leaseback transaction. At fiscal 1996 year end, the Company had approximately $125 million in recoverable costs related to developed properties. A difficult credit market for retail real estate has delayed the sale of certain of these properties, the majority of which were opened late in fiscal 1996. These properties are expected to be sold and leased back during fiscal 1997.

Current assets increased to $1.6 billion at March 2, 1996 compared to $1.2 billion at February 25, 1995, primarily as a result of the increased inventory levels necessary to support the larger stores and higher sales volumes. The 47 new stores added approximately $160 million in inventory. Inventory turns were 4.8 times in fiscal 1996, comparable to the prior year. Increases in trade payables and secured inventory financing arrangements at year end supported most of the increase in inventory. Higher business volumes in February 1996 as compared to February 1995 resulted in higher year-end receivables. The Company sells the receivables from sales on the Company's private label credit card, without recourse, to an unrelated third party. An increase in recoverable costs from developed properties also contributed to the increase in current assets.

The Company's revolving credit facility provides for borrowings of $250 million throughout the year and an increase to $550 million on a seasonal basis from July through December. Borrowings under the facility are unsecured and are limited to certain percentages of inventories. The underlying agreement requires that the maximum balance outstanding be reduced to $50 million for a period of 45 days, following the holiday season. This facility expires in June 1998. The Company also has $185 million available, increasing to $310 million on a seasonal basis, under an inventory financing facility provided by a commercial credit corporation.

The Company's expansion plans for fiscal 1997 reflect management's expectations for a slowing economy and the Company's desire to fund growth with internally generated funds. The Company plans to open approximately 20 to 25 new stores, including entry into the new major markets of Philadelphia, Pennsylvania in May and Tampa, Florida in the third quarter. The remainder of the new stores opened will be in existing markets. The Company also intends to remodel or relocate ten stores to larger facilities during fiscal 1997. Only six of the new and relocated stores are expected to be developed by the Company. Management believes the Company's existing distribution facilities are adequate to support the planned expansion and operations in fiscal 1997.

Each new store requires approximately $3.0 to $4.0 million in working capital for merchandise inventory (net of vendor financing), fixtures and leasehold improvements. Management expects that there will be adequate funds available, including funds generated from the sale of developed property owned at the end of fiscal 1996, to finance the $80 million in planned capital expenditures in addition to the anticipated property development in fiscal 1997.

Management believes that funds available from the Company's revolving credit facility, inventory financing programs and expected vendor terms, along with cash on hand and anticipated cash flow from operations, will be sufficient to support planned store expansion and the increased assortment in the appliance category in the coming year.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

QUARTERLY RESULTS AND SEASONALITY

Similar to most retailers, the Company's business is seasonal. Revenues and earnings are lower during the first half of each fiscal year and are greater during the second half, which includes the year-end holiday selling season. The timing of new store openings and general economic conditions may affect future quarterly results of the Company.

The following table sets forth the Company's unaudited quarterly operating results for each quarter of fiscal 1996 and 1995. Results for the quarter ended March 2, 1996 include the benefit from the Company's change to a third party to insure its extended service plans. ($ in thousands, except per share amounts)

FISCAL 1996

	MAY 27 1995	AUGUST 26 1995	NOV. 25 1995	MARCH 2 1996
Revenues	$1,274,696	$1,437,911	$1,929,277	$2,575,564
Gross profit	182,288	196,621	242,883	314,779
Operating income	16,363	19,203	42,588	44,429
Net earnings	4,672	5,714	17,802	19,831
Net earnings per share	.11	.13	.41	.46

FISCAL 1995

	May 28 1994	August 27 1994	Nov. 26 1994	February 25 1995
Revenues	$849,403	$933,172	$1,349,871	$1,947,111
Gross profit	118,952	132,184	183,709	255,548
Operating income	11,686	17,659	38,013	54,569
Net earnings	4,241	7,600	17,702	28,108
Net earnings per share	.10	.18	.41	.63

COMMON STOCK PRICES

QUARTER	1ST	2ND	3RD	4TH
FISCAL 1996				
High	$27 3/8	$29	$29 5/8	$22 3/8
Low	20 1/4	22 3/4	20 3/4	12 3/4
Fiscal 1995				
High	$37 1/2	$36 5/8	$45	$45 1/4
Low	25 3/4	22 1/8	34 1/2	23 1/8

Best Buy's Common Stock is traded on the New York Stock Exchange, symbol BBY. As of March 31, 1996, there were 2,713 holders of record of Best Buy Common Stock. The Company has not paid cash dividends on its Common Stock and does not presently intend to pay any dividends on its Common Stock for the foreseeable future.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about their companies. With the exception of historical information, the matters discussed in the Annual Report are forward-looking statements that involve risks and uncertainties. Reference is made to the Company's Current Report on Form 8-K wherein the Company has identified important factors that could cause actual results to differ materially from those contemplated by the statements made herein.

CONSOLIDATED BALANCE SHEETS
($ in thousands, except per share amounts)

ASSETS

	MARCH 2 1996	February 25 1995
CURRENT ASSETS		
Cash and cash equivalents	$ 86,445	$ 144,700
Receivables	121,438	84,440
Recoverable costs from developed properties	126,237	86,222
Merchandise inventories	1,201,142	907,677
Deferred income taxes	20,165	15,022
Prepaid expenses	5,116	2,606
Total current assets	1,560,543	1,240,667

PROPERTY AND EQUIPMENT

Land and buildings	16,423	13,524
Leasehold improvements	131,289	93,889
Furniture, fixtures and equipment	266,582	191,084
Property under capital leases	29,421	27,096
	443,715	325,593
Less accumulated depreciation and amortization	132,676	88,116
Net property and equipment	311,039	237,477
OTHER ASSETS		
Deferred income taxes	7,204	9,223
Other assets	12,046	19,758
Total other assets	19,250	28,981
TOTAL ASSETS	$ 1,890,832	$ 1,507,125

LIABILITIES AND SHAREHOLDERS' EQUITY

	MARCH 2 1996	February 25 1995
CURRENT LIABILITIES		
Accounts payable	$ 673,852	$ 395,337
Obligations under financing arrangements	93,951	81,755
Accrued salaries and related expenses	26,890	23,785
Accrued liabilities	125,582	77,102
Deferred service plan revenue and warranty reserve	30,845	24,942
Accrued income taxes		14,979
Current portion of long-term debt	23,568	13,718
Total current liabilities	974,688	631,618
Deferred Service Plan Revenue and Warranty Reserve, Long-Term	48,243	42,138
Long-Term Debt	206,287	227,247
Convertible Preferred Securities of Subsidiary	230,000	230,000

Shareholders' Equity		
Preferred stock, $1.00 par value:		
Authorized - 400,000 shares;		
Issued and outstanding - none		
Common stock, $.10 par value:		
Authorized - 120,000,000 shares;		
Issued and outstanding 42,842,000 and 42,216,000 shares, respectively	4,284	4,221
Additional paid-in capital	236,392	228,982
Retained earnings	190,938	142,919
Total shareholders' equity	431,614	376,122
Total Liabilities and Shareholders' Equity	$ 1,890,832	$ 1,507,125

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS
($ in thousands, except per share amounts)

FOR THE FISCAL YEARS ENDED	MARCH 2 1996	February 25 1995	February 26 1994
Revenues	$ 7,217,448	$ 5,079,557	$ 3,006,534
Cost of goods sold	6,280,877	4,389,164	2,549,609
Gross profit	936,571	690,393	456,925
Selling, general and administrative expenses	813,988	568,466	379,747
Operating income	122,583	121,927	77,178
Interest expense, net	43,594	27,876	8,800
Earnings before income taxes and cumulative effect of change in accounting principle	78,989	94,051	68,378
Income taxes	30,970	36,400	26,668
Earnings before cumulative effect of change in accounting principle	48,019	57,651	41,710
Cumulative effect of change in accounting for income taxes			(425)
NET EARNINGS	$ 48,019	$ 57,651	$ 41,285
EARNINGS PER SHARE			
Earnings before cumulative effect of change in accounting principle	$ 1.10	$ 1.33	$ 1.01
Cumulative effect of change in accounting for income taxes			(.01)
NET EARNINGS PER SHARE	$ 1.10	$ 1.33	$ 1.00
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (000)	43,640	43,471	41,336

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
($ in thousands)

FOR THE FISCAL YEARS ENDED	MARCH 2 1996	February 25 1995	February 26 1994
OPERATING ACTIVITIES			
Net earnings	$ 48,019	$ 57,651	$ 41,285
Charges to earnings not affecting cash:			
Depreciation and amortization	54,862	38,570	22,412
Loss on disposal of property and equipment	1,267	760	719
Cumulative effect of change in accounting for income taxes			425
	104,148	96,981	64,841
Changes in operating assets and liabilities:			
Receivables	(36,998)	(31,496)	(14,976)
Merchandise inventories	(293,465)	(269,727)	(387,959)
Deferred income taxes and prepaid expenses	(5,634)	(5,929)	(5,234)
Accounts payable	278,515	106,920	175,722
Other current liabilities	40,946	46,117	33,014
Deferred service plan revenue and warranty reserve	12,008	19,723	8,393
Total cash provided by/(used in) operating activities	99,520	(37,411)	(126,199)
INVESTING ACTIVITIES			
Additions to property and equipment	(126,201)	(118,118)	(101,412)
Recoverable costs from developed properties	(40,015)	(86,222)	
Decrease (increase) in other assets	7,712	(11,676)	(6,592)
Proceeds from sale/leasebacks		24,060	44,506
Total cash used in investing activities	(158,504)	(191,956)	(63,498)
FINANCING ACTIVITIES			
Long-term debt payments	(14,600)	(10,199)	(6,977)
Increase in obligations under financing arrangements	12,196	70,599	6,285
Common stock issued	3,133	2,366	86,513
Proceeds from issuance of convertible preferred securities		230,000	
Long-term debt borrowings		21,429	160,310
Payments on revolving credit line, net			(3,700)
Total cash provided by financing activities	729	314,195	242,431
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(58,255)	84,828	52,734
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	144,700	59,872	7,138
CASH & CASH EQUIVALENTS AT END OF PERIOD	$ 86,445	$ 144,700	$ 59,872

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
($ in thousands)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS
BALANCES AT FEBRUARY 27, 1993	$ 1,149	$ 137,151	$ 43,983
Sale of common stock	234	85,294	
Stock options exercised	10	977	
Tax benefit from stock options exercised		1,363	
Effect of 3-for-2 stock split	694	(696)	
Net earnings			41,285
BALANCES AT FEBRUARY 26, 1994	2,087	224,089	85,268
Stock options exercised	45	2,321	
Tax benefit from stock options exercised		4,661	
Effect of 2-for-1 stock split	2,089	(2,089)	
Net earnings			57,651
BALANCES AT FEBRUARY 25, 1995	4,221	228,982	142,919
Stock options exercised	63	3,070	
Tax benefit from stock options exercised		4,340	
Net earnings			48,019
BALANCES AT MARCH 2, 1996	$ 4,284	$ 236,392	$ 190,938

See notes to consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Shareholders and Board of Directors
Best Buy Co., Inc.

We have audited the accompanying consolidated balance sheets of Best Buy Co., Inc. as of March 2, 1996, and February 25, 1995, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Best Buy Co., Inc. for the year ended February 26, 1994, were audited by other auditors whose report dated April 13, 1994, expressed an unqualified opinion on those statements, and included an explanatory paragraph that described the accounting change discussed in Note 8 to the consolidated financial statements.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 1996 and 1995 financial statements present fairly, in all material respects, the consolidated financial position of Best Buy Co., Inc. at March 2, 1996, and February 25, 1995, and the consolidated results of its operations and its cash flows for each of the years then ended, in conformity with generally accepted accounting principles.

As discussed in Note 8 to the consolidated financial statements, the Company changed its method of accounting for income taxes during the year ended February 26, 1994.

/s/ Ernst & Young LLP

Minneapolis, Minnesota
April 15, 1996

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
($ in thousands, except per share amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS:
The Company sells personal computers and other home office products, consumer electronics, entertainment software, major appliances and related accessories through its retail stores.

BASIS OF PRESENTATION:
The consolidated financial statements include the accounts of Best Buy Co., Inc. and its subsidiaries. Significant intercompany accounts and transactions have been eliminated.

CASH AND CASH EQUIVALENTS:
The Company considers all short-term investments with a maturity of three months or less when purchased to be cash equivalents.

RECOVERABLE COSTS FROM DEVELOPED PROPERTIES:
The costs of acquisition and development of properties which the Company intends to sell and lease back or recover from landlords within one year are included in current assets.

MERCHANDISE INVENTORIES:
Merchandise inventories are recorded at the lower of average cost or market.

PROPERTY AND EQUIPMENT:
Property and equipment are recorded at cost. Depreciation, including amortization of property under capital leases, is computed on the straight-line method over the estimated useful lives of the assets or, in the case of leasehold improvements, over the shorter of the estimated useful lives or lease terms.

The Company has adopted SFAS 121 "Accounting for the Impairment of Long-Lived Assets," which requires losses on impairment of long-lived assets used in operations to be recorded when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. The adoption had no impact on the financial statements.

PRE-OPENING COSTS:
Costs incurred in connection with the opening of new stores are expensed in the year the store is opened. Pre-opening costs were $10,738, $13,971 and $7,335 in fiscal 1996, 1995 and 1994, respectively.

DEFERRED SERVICE PLAN REVENUE AND WARRANTY RESERVE:
Beginning in the fourth quarter of fiscal 1996, the Company began selling extended service plans on behalf of an unrelated third-party. The Company recognizes commission revenue on the sale of the plans at the time of sale. Revenue from the sale of the plans sold prior to November 26, 1995, net of direct selling expenses, is recognized straight-line over the life of the plan. Costs related to servicing the plans are expensed as incurred. Estimated costs of promotional contracts, included with products at no cost to the consumer, are accrued as warranty reserve at the time of product sale.

EARNINGS PER SHARE:
Earnings per share is computed based on the weighted average number of common shares outstanding during each period, adjusted for 1,020,000, 1,458,000 and 1,300,000 incremental shares assumed issued on the exercise of stock options in fiscal 1996, 1995 and 1994, respectively. All common share and per share information has been adjusted for the three-for-two stock split in September 1993 and the two-for-one stock split in April 1994. Fully diluted earnings per share assumes that the convertible preferred securities were converted into common stock and the interest expense thereon, net of related taxes, is added back to net income. References to earnings per share relate to fully diluted earnings per share.

STOCK OPTIONS:
In October 1995, SFAS 123 "Accounting for Stock-Based Compensation" was issued, which is effective for fiscal years beginning after December 15, 1995. The new standard encourages companies to adopt a fair value based method of accounting for employee stock options, but allows companies to continue to account for those plans using the accounting prescribed by APB Opinion 25, "Accounting for Stock Issued to Employees." The Company will adopt the disclosure requirements of the standard in fiscal 1997 and plans to continue accounting for stock compensation using APB 25, making pro forma disclosures of net income and earnings per share as if the fair value based method had been applied.

($ in thousands, except per share amounts)

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS:
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the balance sheet and statement of earnings, as well as the disclosure of contingent liabilities. Actual results could differ from these estimates.

FISCAL YEAR:
The Company's fiscal year ends on the Saturday nearest the end of February. Fiscal 1996 contained 53 weeks, and fiscal 1995 and 1994 contained 52 weeks.

RECLASSIFICATIONS:
Certain prior year amounts have been reclassified to conform to current year presentation.

2. OBLIGATIONS UNDER FINANCING ARRANGEMENTS

The Company has a $185,000 inventory financing credit line, which increases to $310,000 on a seasonal basis. Borrowings are collateralized by a security interest in certain merchandise inventories approximating the outstanding borrowings. The line has provisions that give the financing source a portion of the cash discounts provided by the manufacturers.

3. BORROWINGS

	MARCH 2 1996	February 25 1995
Senior subordinated notes	$ 150,000	$ 150,000
Subordinated notes	21,904	21,904
Equipment financing loans	29,982	39,622
Obligations under capital leases	19,269	20,739
Contract for deed	8,700	8,700
	229,855	240,965
Current portion of long-term debt	23,568	13,718
	$ 206,287	$ 227,247

CREDIT AGREEMENT:
The Company has a credit agreement (the "Agreement") that contains a revolving credit facility under which the Company can borrow up to $550,000.

The Agreement provides that up to $250,000 of the facility is available at all times, and an additional $300,000 is available from July 1 to December 31. The Agreement expires in June 1998.

Borrowings under the facility are unsecured. Interest on borrowings is at rates specified in the Agreement, as elected by the Company. The Company also pays certain commitment and agent fees.

The Agreement contains covenants that require maintenance of certain financial ratios and place limits on owned real estate and capital expenditures. The Agreement also provides that once a year, the Company must repay any amounts outstanding, and for a period of not less than 45 days thereafter, the aggregate principal amount outstanding is limited to $50,000. There were no balances outstanding under the facility at March 2, 1996 or February 25, 1995. The weighted average interest rate under the Company's current and prior credit agreements was 7.11%, 6.21% and 4.44% for the fiscal years ended 1996, 1995 and 1994, respectively.

SENIOR SUBORDINATED NOTES:
In October 1993, the Company issued $150,000 of senior subordinated notes. The notes mature on October 1, 2000, and bear interest at 8.63%. The Company may, at its option, redeem the notes prior to maturity at 102.50% and 101.25% of par in 1998 and 1999, respectively. The Company may be required to offer early redemption in the event of a change in control, as defined.

The notes are unsecured and subordinate to the prior payment of all senior debt, which approximates $198,000 at March 2, 1996. The indenture also contains provisions, which limit the amount of additional borrowings the Company may incur and limit the Company's ability to pay dividends and make other restricted payments.

SUBORDINATED NOTES:
The Company has an $18,000 unsecured, subordinated note outstanding which bears interest at 9.95% and matures on July 30, 1999. In

addition, the Company has $3,904 of unsecured, subordinated notes due June 15, 1997 which bear interest at 9.00%.

EQUIPMENT FINANCING LOANS:
The equipment financing loans require monthly or quarterly payments and

($ in thousands, except per share amounts)

have maturity dates between June 1996 and December 1999. Interest rates on these loans range from 5.15% to 11.5%. Furniture and fixtures with a book value of $25,168 are pledged against these loans.

OBLIGATIONS UNDER CAPITAL LEASES:
The present value of future minimum lease payments relating to certain equipment and a distribution center has been capitalized. The capitalized cost is $29,421 and $27,096 at March 2, 1996 and February 25, 1995, respectively. The net book value of assets under capital leases was $18,446 and $20,176 at March 2, 1996 and February 25, 1995, respectively.

CONTRACT FOR DEED:
The Company purchased its corporate office building on a contract for deed. The contract for deed calls for semiannual interest payments of $430 with payment of the contract balance due on June 12, 1996.

FUTURE MATURITIES OF DEBT:

FISCAL YEAR	CAPITAL LEASES	OTHER DEBT
1997	$ 5,792	$ 18,501
1998	4,616	13,154
1999	1,959	6,459
2000	514	22,472
2001	7,559	150,000
	20,440	$ 210,586
Less amount representing interest	1,171	
Minimum lease payments	$ 19,269	

During fiscal 1996, 1995 and 1994 interest paid (net of amounts capitalized) totaled $44,808, $25,708 and $5,360, respectively. Assets acquired under capital leases were $3,490, $10,025 and $3,807 in fiscal 1996, 1995 and 1994, respectively. The fair value of the Company's senior subordinated notes was $149,250 at March 2, 1996 based on quoted market prices. The fair value of all other financial instruments, including those with quoted market prices, approximates carrying value.

4. CONVERTIBLE PREFERRED SECURITIES OF SUBSIDIARY In November 1994, the Company and Best Buy Capital, L.P. (Best Buy Capital), a special purpose limited partnership in which the Company is the sole general partner, completed the public offering of 4,600,000 convertible monthly income preferred securities with a liquidation preference of $50 per security. The underwriting discount and expenses of the offering aggregated $7,680. The proceeds of the offering were loaned to the Company in exchange for a subordinated debenture with payment terms substantially similar to the preferred securities. Distributions on the securities are payable monthly at the annual rate of 6.50% of the liquidation preference and are included in interest expense in the consolidated financial statements.

The securities are convertible into shares of the Company's Common Stock at the rate of 1.111 shares per security (equivalent to a conversion price of $45 per share). The preferred securities are subject to mandatory redemption in November 2024 at the liquidation preference price. The Company has the option to defer distributions on the securities for up to 60 months. A deferral of distributions may result in the conversion of the preferred securities into Series A Preferred Stock of the Company. The Company has the right to cause the conversion rights to expire any time after three years from the date of issuance in the event the Company's Common Stock price exceeds $54 per share for 20 out of 30 consecutive trading days.

5. SHAREHOLDERS' EQUITY

PUBLIC OFFERING:
In June 1993, the Company completed a public offering of 7,020,000 shares of Common Stock, including the underwriters' over allotment, at $12.83 per share. Net proceeds of the offering were $85,528 after deducting the underwriting discount and offering expenses of $4,562.

STOCK OPTIONS:
The Company sponsors two non-qualified stock option plans for employees and one non-qualified plan for directors. These plans provide for the issuance of up to 9,650,000 shares. Options may be granted only to employees or directors at option prices not less than the fair market value of the Company's Common Stock on the date of the grant. At March 2, 1996, options to purchase 4,244,000 shares are outstanding under these plans. In addition, at March 2, 1996, an option to purchase 26,000 shares is outstanding to an officer, not pursuant to a plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
($ in thousands, except per share amounts)

Option activity for the last three years is as follows:

	SHARES	OPTION PRICE PER SHARE
OUTSTANDING FEBRUARY 27, 1993	2,121,000	$ 2.21 - 10.31
Granted	1,391,000	11.23 - 13.58
Exercised	(240,000)	2.21 - 10.31
Cancelled	(102,000)	2.21 - 12.00
OUTSTANDING FEBRUARY 26, 1994	3,170,000	2.21 - 13.58
Granted	1,316,000	27.68 - 38.19
Exercised	(472,000)	2.21 - 12.00
Cancelled	(244,000)	2.21 - 32.40
OUTSTANDING FEBRUARY 25, 1995	3,770,000	2.50 - 38.19
Granted	1,472,000	15.81 - 27.12
Exercised	(625,000)	2.50 - 12.46
Cancelled	(347,000)	6.29 - 38.19
OUTSTANDING MARCH 2, 1996	4,270,000	3.50 - 38.19
EXERCISABLE MARCH 2, 1996	2,326,126	$ 3.50 - 38.19

6. OPERATING LEASE COMMITMENTS & RELATED PARTY TRANSACTIONS

The Company conducts the majority of its retail and distribution operations from leased locations. Transaction costs associated with the sale and leaseback of properties and any gain or loss are recognized over the term of the lease agreement. Proceeds from the sale/leaseback of stores owned at February 26, 1994 are shown as such in the accompanying fiscal 1995 statement of cash flows. Proceeds from the sale/leaseback of properties developed in fiscal 1996 and 1995 are included in the net change in recoverable costs from developed properties. The Company also leases various equipment under operating leases and, prior to January 1994, its corporate headquarters was located in a leased facility. In addition, the Company leases 18 stores and a distribution center, along with the related fixtures and equipment under a master lease agreement. The initial terms of the leases under this agreement range from one to five years, and rent is variable based on interest rate options as selected by the Company. The leases require payment of real estate taxes, insurance and common area maintenance. Most of the leases contain renewal options and escalation clauses, and several require contingent rents based on specified percentages of sales. Certain leases also contain covenants related to maintenance of financial ratios.

Future minimum lease obligations by year (not including percentage rentals) for all operating leases at March 2, 1996, are as follows:

FISCAL YEAR	
1997	$114,700
1998	112,921
1999	108,465
2000	107,389
2001	105,139
Later years	929,202

The composition of the total rental expenses for all operating leases during the last three fiscal years, including leases of buildings and equipment, is as follows:

	1996	1995	1994
Minimum rentals	$105,349	$64,716	$37,673
Percentage rentals	537	795	439
	$105,886	$65,511	$38,112

Four stores are currently leased from the Company's CEO and principal shareholder, his spouse, or partnerships in which he is a partner. Rent expense under these leases during the last three fiscal years and one store, for which the lease expired in January, 1996, was as follows:

	1996	1995	1994

Minimum rentals	$1,122	$1,120	$1,049
Percentage rentals	388	470	423
	$1,510	$1,590	$1,472

7. RETIREMENT SAVINGS PLAN

The Company has a retirement savings plan for employees meeting certain age and service requirements. The plan provides for a Company matching contribution which is subject to annual approval. This matching contribution was $1,701, $1,376 and $906 during fiscal 1996, 1995 and 1994, respectively.

($ in thousands, except per share amounts)

8. INCOME TAXES

In fiscal 1994, the Company adopted FASB Statement No. 109 "Accounting for Income Taxes" (FAS 109) and changed its method of accounting for income taxes from the deferred method to the liability method required by FAS 109. The cumulative effect of the change as of February 28, 1993 was a charge to earnings of $425.

Following is a reconciliation of the provision for income taxes to the Federal statutory rate:

	1996	1995	1994
Federal income tax at the statutory rate	$27,646	$32,918	$23,932
State income taxes, net of federal benefit	3,717	4,759	3,320
Jobs tax credit	(574)	(1,402)	(293)
Tax exempt investment income	(38)	(70)	(341)
Other	219	195	359
Effect of tax rate change on deferred taxes			(309)
Provision for income taxes	$30,970	$36,400	$26,668
Effective tax rate	39.2%	38.7%	39.0%

The provision for income taxes consists of the following:

		1996	1995	1994
Current:	Federal	$27,401	$32,435	$25,909
	State	6,693	8,044	5,882
		34,094	40,479	31,791
Deferred:	Federal	(2,904)	(3,495)	(4,620)
	State	(220)	(584)	(503)
		(3,124)	(4,079)	(5,123)
Provision for income taxes		$30,970	$36,400	$26,668

Deferred taxes are the result of differences between the basis of assets and liabilities for financial reporting and income tax purposes. Significant deferred tax assets and liabilities consist of the following:

	MARCH 2 1996	February 1995
Deferred service plan revenue and warranty reserve	$30,954	$26,396
Inventory	4,108	2,332
Accrued expenses	3,885	919
Compensation and benefits	2,751	2,218
Other-net	505	370
Total deferred tax assets	42,203	32,235
Property and equipment	13,695	7,287
Other-net	1,139	703
Total deferred tax liabilities	14,834	7,990
Net deferred tax assets	$27,369	$24,245

The Company believes that the interest on the subordinated note referred to in Note 4 is deductible and that Best Buy Capital will be treated as a partnership for income tax purposes. Income taxes paid were $45,888, $32,899 and $25,442 in fiscal 1996, 1995 and 1994, respectively.

9. LEGAL PROCEEDINGS

The Company is involved in various legal proceedings arising during the normal course of conducting business. Management believes that the resolution of these proceedings will not have any material adverse impact on the Company's financial statements.

EXHIBIT 21.1

BEST BUY CO., INC.

SUBSIDIARIES OF THE REGISTRANT

BBC Property Co.

BBC Investment Co.

Best Buy Concepts, Inc.

Best Buy Stores, L.P.

Best Buy Capital, L.P.

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements on Form S-8 pertaining to the 1987 Employee Non-Qualified Stock Option Plan (Form 33-54871), the 1994 Full-Time Employee Non-Qualified Stock Option Plan (Form 33- 54875), and the 1987 Directors' Non-Qualified Stock Option Plan (Form 33-54873) of Best Buy Co., Inc. of our report dated April 15, 1996, with respect to the consolidated financial statements of Best Buy Co., Inc. incorporated by reference in the Annual Report (Form 10-K) for the year ended March 2, 1996.

Ernst & Young LLP
Minneapolis, Minnesota

May 28, 1996

Exhibit 23.2

INDEPENDENT AUDITORS' CONSENT

Best Buy Co., Inc.
Minneapolis, Minnesota

We consent to the incorporation by reference in the Registration Statement of Best Buy Co., Inc. on Form S-8 of our report dated April 13, 1994 on the financial statements for the year ended February 26, 1994, appearing in the Annual Report on Form 10-K of Best Buy Co., Inc. for the year ended March 2, 1996. Such report expresses an unqualified opinion and includes an explanatory paragraph regarding a change in the accounting method for income taxes during the year ended February 26, 1994.

Deloitte & Touche LLP
Minneapolis, Minnesota

May 28, 1996

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS INDICATED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	12 MOS
FISCAL YEAR END	MAR 02 1996
PERIOD START	FEB 26 1995
PERIOD END	MAR 02 1996
CASH	86,445
SECURITIES	0
RECEIVABLES	121,438
ALLOWANCES	0
INVENTORY	1,201,142
CURRENT ASSETS	1,560,543
PP&E	443,715
DEPRECIATION	132,676
TOTAL ASSETS	1,890,832
CURRENT LIABILITIES	974,688
BONDS	206,287
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	4,284
OTHER SE	427,330
TOTAL LIABILITY AND EQUITY	1,890,832
SALES	7,217,448
TOTAL REVENUES	7,217,448
CGS	6,280,877
TOTAL COSTS	6,280,877
OTHER EXPENSES	813,988
LOSS PROVISION	0
INTEREST EXPENSE	43,594
INCOME PRETAX	78,989
INCOME TAX	30,970
INCOME CONTINUING	48,019
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	48,019
EPS PRIMARY	1.10
EPS DILUTED	1.10

End of Filing