



Microsoft Corporation
One Microsoft Way
Redmond, Washington 98052, U.S.A.

**MICROSOFT CORPORATION 2003 EMPLOYEE STOCK PURCHASE PLAN,
AS AMENDED, EFFECTIVE JULY 1, 2004**

**MICROSOFT CORPORATION 2001 STOCK PLAN,
AS AMENDED AND RESTATED AS OF AUGUST 18, 2009**

**Prospectus for the employees of certain European Economic Area (“EEA”) subsidiaries
of Microsoft Corporation, subject to the applicable legislation in each country**



Pursuant to articles L. 412-1 and L. 621-8 of the *Code Monétaire et Financier* and its General Regulation, in particular articles 211-1 to 216-1 thereof, the *Autorité des marchés financiers* has attached visa number 11-260 dated June 24, 2011 onto this prospectus. This prospectus was established by the issuer and incurs the responsibility of its signatories. The visa, pursuant to the provisions of Article L. 621-8-1-I of the *Code Monétaire et Financier*, was granted after the AMF has verified that the document is complete and comprehensible, and that the information it contains is consistent. The visa represents neither the approval of the worthiness of the operation nor the authentication of the financial and accounting information presented.

This prospectus will be made available to employees of the EEA subsidiaries of Microsoft Corporation based in states in which offerings under the countries listed above are considered public offerings, subject to the applicable legislation in each country, at the respective head offices of their employers. In addition, this prospectus along with summary translations (as applicable) will be posted on Microsoft Corporation’s intranet, and free copies will be available to the employees upon request by contacting the human resources department of their employer. This prospectus will also be available on the website of the AMF, www.amf-france.org.

NOTE TO THE PROSPECTUS

This prospectus, which contains material information concerning Microsoft Corporation, was established pursuant to articles 211-1 to 216-1 of the AMF General Regulation. Pursuant to Article 25 of Commission Regulation (EC) No 809/2004 of 29 April 2004 (the “Prospectus Regulation”), this prospectus is composed of the following parts in the following order:

- (1) a table of contents,
- (2) the summary provided for in Article 5(2) of Directive 2003/71/EC (Chapters A through C constitute the prospectus summary),
- (3) the risk factors linked to the issuer and the type of security covered by the issue, and
- (4) excerpts from Annexes I and III of the Prospectus Regulation which, by application of Articles 3, 4, and 6 of the Prospectus Regulation and question 71 of the Committee of European Securities Regulators (“CESR”) Q&A,¹ are required for this offering of equity securities to employees of Microsoft Corporation and its affiliates.

This prospectus also contains supplemental information concerning the Microsoft Corporation 2003 Employee Stock Purchase Plan, as amended, effective July 1, 2004 and the Microsoft Corporation 2001 Stock Plan, as amended and restated as of August 18, 2009, as well as the following documents (Exhibits):

- Microsoft Corporation 2003 Employee Stock Purchase Plan, as amended, effective July 1, 2004;
- Microsoft Corporation 2001 Stock Plan, as amended and restated as of August 18, 2009;
- Current Report on Form 8-K furnished by Microsoft Corporation to the U.S. Securities and Exchange Commission (the “SEC”) on April 28, 2011; and
- Current Report on Form 8-K filed by Microsoft Corporation with the SEC on May 10, 2011.

¹ Frequently asked questions regarding prospectuses: Common positions agreed upon by CESR Members, 12th Updated Version – November 2010 (CESR/10-1337).

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COMPANY REPRESENTATIVE FOR PROSPECTUS

- 1.1** Peter S. Klein, Chief Financial Officer, acting for and on behalf of Microsoft Corporation.
- 1.2** To my knowledge, after having taken all reasonable measures for this purpose, the information contained in this prospectus fairly reflects the current situation and no material omission has been made.
- 1.3** Microsoft Corporation has obtained a letter from its independent registered public accounting firm in relation to this prospectus. The independent registered public accounting firm has, in accordance with the professional standards and interpretations applicable in the United States of America pursuant to PCAOB Interim Auditing Standard, AU Section 550 – *Other Information in Documents Containing Audited Financial Statements*, read the prospectus, including the information pertaining to the financial position and consolidated financial statements of Microsoft Corporation contained in this prospectus.

/s/ Peter S. Klein
Peter S. Klein
Chief Financial Officer of Microsoft Corporation

Redmond, Washington, U.S.A., June 23, 2011

NOTE TO THE PROSPECTUS SUMMARY

VISA NUMBER 11-260 DATED JUNE 24, 2011 OF THE AMF

Note to the reader

This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the European Community or States party to the European Economic Area Agreement, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have presented the summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus.

CHAPTER A :
THE MICROSOFT CORPORATION 2003 EMPLOYEE STOCK PURCHASE PLAN,
AS AMENDED, EFFECTIVE JULY 1, 2004,
AND THE MICROSOFT CORPORATION 2001 STOCK PLAN,
AS AMENDED AND RESTATED AS OF AUGUST 18, 2009
FOR THE EMPLOYEES OF CERTAIN EEA SUBSIDIARIES OF MICROSOFT CORPORATION

MICROSOFT CORPORATION (the “Company” or “Microsoft”), a Washington corporation with its headquarters at One Microsoft Way, Redmond, Washington 98052-6399, U.S.A., is offering eligible employees of Microsoft and its participating subsidiaries (“Participating Subsidiaries”) the right to purchase its shares of common stock (“Microsoft Shares”) under the Microsoft Corporation 2003 Employee Stock Purchase Plan (the “ESPP”) and/or the right to receive Stock Awards (“SAs”) consisting of Microsoft Shares under the Microsoft Corporation 2001 Stock Plan (“Stock Plan”, and together with the ESPP, the “Plans”). The ESPP and Stock Plan are separate employee equity plans and are offered independently of each other. Microsoft Shares are listed on Nasdaq Global Select Market (“Nasdaq”). When used in this prospectus, the terms “we,” “us,” “our” and “the Company” mean Microsoft Corporation and its subsidiaries.

The offering of the ESPP and/or Stock Plan may be considered a public offering of securities to the public pursuant to Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (the “Prospectus Directive”) in the following EEA countries: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Romania, Sweden and the United Kingdom. The offering of the Plans also may be made in the following EEA countries: Bulgaria, Cyprus, Estonia, Latvia, Lithuania, Luxembourg, Malta, Slovakia, Slovenia and Spain. However, such offering is not considered a public offering of securities and/or the obligation to publish a prospectus does not apply to the offering under the legislation implementing the Prospectus Directive in such countries. The total amount of the offering of the Plans in the EEA is more than €2.5 million over a 12-month period.

This prospectus will be made available to employees of the subsidiaries of Microsoft based in the above-named countries where the offering of the Plans may be considered a public offering of securities at the respective head offices of their employers.

I. THE ESPP

The ESPP is administered by the Company’s Board of Directors (the “Board”) or a committee appointed by the Board (the “Committee”). The ESPP is offered to eligible employees of the companies that are, directly or indirectly, subsidiaries of Microsoft, some of which are located in the EEA (“Designated EEA Subsidiaries”). Employees who are in the employ of any Participating Subsidiary (including the Designated EEA Subsidiaries) on the last business day preceding an Offering Date (as defined below) and whose customary employment is for more than five months in any calendar year shall be eligible to participate in that offering under the ESPP, provided that the employee does not, after the first date of each month, own 5% or more of the total combined voting power or value of all classes of stock of Microsoft or of a subsidiary within its group. Participation is limited to (i) US \$25,000 of the Fair Market Value of Microsoft Shares (at the time of the Offering Date) per calendar year in which rights under the ESPP are outstanding and (ii) 5% of Microsoft voting or capital shares.

Eligible employees are offered participation in the ESPP and may decide to enroll in the ESPP (“Participating Employees”). Once enrolled, Participating Employees may purchase Microsoft Shares at a discount during successive purchase periods. The ESPP operates with four three-month offerings per calendar year (“Purchase Periods”), which commence on January 1, April 1, July 1 and October 1

("Offering Date") and expire on March 31, June 30, September 30 and December 31. Microsoft Shares are purchased on the last regular business day of each Purchase Period. Participation in the ESPP is valid during the current Purchase Period and during the subsequent Purchase Periods. No Participating Employee may purchase more than 2,000 Microsoft Shares during any single Purchase Period.

During each three-month Purchase Period, Participating Employees contribute to the ESPP by payroll deductions of up to 15% of their salary (i.e., the employer automatically deducts this amount from the employee's salary). The accumulated payroll deductions are used to purchase the Microsoft Shares on the last regular business day of each Purchase Period ("Date of Exercise"). The purchase price per Microsoft Share is 90% of the Fair Market Value of a Microsoft Share on the Date of Exercise ("Purchase Price"). "Fair Market Value" means the closing bid price as reported on Nasdaq.

Eligible employees who wish to participate in the ESPP complete an enrollment agreement (the "Form") provided by Microsoft and submit it to Microsoft, or to such other entity designated by Microsoft for this purpose, prior to the commencement of the relevant Purchase Period, to contribute to the ESPP. In order to participate in the Purchase Period beginning July 1, 2011, eligible employees must enroll by June 30, and in order to participate in the Purchase Period beginning October 1, 2011, eligible employees must enroll by September 30. Employees may authorize payroll deductions in an amount between 1% and 15% of their compensation for participation in the ESPP. The Participating Employee specifies in the Form the percentage (in whole percentages) which he/she authorizes for deductions from his/her compensation for the ESPP. The Participating Employee may at any time during a Purchase Period change the percentage of authorized deductions, but only with respect to the next Purchase Period.

There is no charge to Participating Employees for the acquisition or holding of the Microsoft Shares under the ESPP. Commissions related to the sale of Microsoft Shares are described in Section 4.3 of Chapter E of this prospectus. Participating Employees assume the risk of any currency fluctuations at the time of (i) their contribution to the ESPP by payroll deductions and (ii) the selling of their Microsoft Shares.

No Participating Employee has any voting, dividend, or other shareholder rights with respect to Microsoft Shares subject to any offering under the ESPP until the Microsoft Shares have been purchased and delivered to the Participating Employee. Following delivery of the Microsoft Shares, the Participating Employee will have all of the rights and privileges of a shareholder of Microsoft with respect to Microsoft Shares purchased under the ESPP. Rights under the ESPP may not be transferred in any way by Participating Employees other than by will or the laws of descent and distribution.

As of June 1, 2011, there were 47,781,293 Microsoft Shares remaining available for issuance under the ESPP on a worldwide basis (out of a maximum of 200,000,000 Microsoft Shares authorized for the duration of the ESPP). Based on the assumptions set out in Section 6.1 of Chapter E of this prospectus, during the next 12 months, a maximum of 25,379,328 Microsoft Shares will be offered under the ESPP to 12,896 eligible employees, as of April 26, 2011, in the EEA countries referred to above where such offering may be considered a public offering of securities to the public pursuant to the Prospectus Directive.²

II. THE STOCK PLAN

An SA grant represents Microsoft's unsecured promise to issue free of charge Microsoft Shares to eligible employees as defined in the Stock Plan (including employees of Designated EEA Subsidiaries) ("Awardees") at a later time, pursuant to a vesting schedule (i.e., the imposition of a sole restriction, described below, which lapses over a period of time). The number of such eligible employees is similar to the number of employees eligible to participate in the ESPP. Microsoft determines the vesting and the number of Microsoft Shares Awardee will be entitled to receive when Microsoft grants the SAs. Microsoft

² The maximum of 25,379,328 Microsoft Shares to be offered is based on the Fair Market Value of Microsoft Shares of \$25.39 on March 31, 2011, the most recent Date of Exercise. On June 1, 2011, the Fair Market Value of Microsoft Shares was \$24.43.

determines in its discretion when SAs are granted and to whom. If an Awardee is granted SAs, the Awardee will promptly receive an SA agreement sent by Microsoft which contains the terms of the award (e.g., the vesting schedule, how many SAs he/she will receive, etc.) There is no subscription period for SAs. There were 578,390,603 Microsoft Shares available for issuance under the Stock Plan as of June 1, 2011 (out of 4,266,532,732 Microsoft Shares authorized as of the beginning of the Stock Plan, including a predecessor plan). Microsoft issues new Microsoft Shares to satisfy exercises and vestings of awards granted under all of its stock plans.

The Awardee must remain continuously employed by an entity of the Microsoft group until the respective vesting date at which time the SA will vest and Microsoft Shares will automatically be issued to the Awardee. The Awardee does not pay any cash consideration to receive the SAs or the Microsoft Shares at vesting. If the Awardee terminates employment before the SAs are fully vested, the unvested portion of the award is forfeited and cancelled (i.e., the Awardee will never receive the shares corresponding to the unvested SAs) except in the case of death or disability as described under the Stock Plan.³ At vesting, the Microsoft Shares are issued without further restrictions and the Awardee is free to sell the Microsoft Shares at any time. The value of Microsoft Shares underlying the SAs is equal to the fair market value of the Microsoft Shares as quoted on the Nasdaq on that date. SAs are not assignable or transferable by the Awardee other than by will, laws of descent and distribution, or as otherwise determined by the Board.

FOR A COMPLETE DESCRIPTION OF THE ESPP AND STOCK PLAN, THE READER IS ENCOURAGED TO REVIEW THE PLANS ATTACHED IN EXHIBIT I AND EXHIBIT II OF THIS PROSPECTUS.

³ Such exception was approved by Microsoft's Compensation Committee on August 18, 2009 as part of the amendments to the Stock Plan. It is the only amendment to the Stock Plan approved on such date that affects the SAs covered by this prospectus.

**CHAPTER B :
ORGANIZATION AND ACTIVITIES CONCERNING MICROSOFT CORPORATION**

I. GENERAL DESCRIPTION OF MICROSOFT

Microsoft generates revenue by developing, manufacturing, licensing, and supporting a wide range of software products and services for many different types of computing devices. Its software products and services include operating systems for personal computers, servers, and intelligent devices; server applications for distributed computing environments; information worker productivity applications; business solutions applications; high-performance computing applications; software development tools; and video games. Microsoft provides consulting and product and solution support services, and Microsoft trains and certifies computer system integrators and developers. Microsoft also designs and sells hardware, including the Xbox 360 console, the Kinect for Xbox 360, and accessories, Windows Phone, and Microsoft PC hardware products. Online offerings and information are delivered to consumers through Bing, Windows Live, Xbox LIVE, Microsoft Office Web Apps, its MSN portals and channels, and to businesses through Microsoft Online Services offerings, such as Microsoft Dynamics CRM Online, Exchange Online, and SharePoint Online, and through Windows Azure and SQL Azure. Microsoft enables the delivery of online advertising across its broad range of digital media properties and on Bing through its proprietary adCenter platform.

The following table sets forth segment revenue for the fiscal years ended June 30, 2010, 2009 and 2008:

(In millions)				
Year Ended June 30,		2010	2009	2008
Revenue				
Windows & Windows Live Division	\$	17,788	\$ 14,690	\$ 16,815
Server and Tools		14,878	14,276	13,217
Online Services Division		2,198	2,110	2,164
Microsoft Business Division		18,909	18,864	18,904
Entertainment and Devices Division		8,114	8,035	8,502
Unallocated and other		597	462	818
Consolidated	\$	62,484	\$ 58,437	\$ 60,420

II. GENERAL INFORMATION CONCERNING MICROSOFT'S SHARE CAPITAL

As of March 31, 2011, Microsoft was authorized to issue 24,000,000,000 Microsoft Shares, par value \$0.00000625 per share. As of April 21, 2011, there were 8,432,767,307 Microsoft Shares issued and outstanding. There have been no material changes in the number of Microsoft Shares issued and outstanding since that date.

The following table shows, as of December 31, 2010, stockholders known to Microsoft who beneficially own more than 5% of the outstanding Microsoft Shares. Beneficial ownership represents sole voting power and investment power. Each of Microsoft's stockholders is entitled to one vote for Microsoft Share held by such stockholder.

Name	Amount and Nature of Beneficial Ownership	Percent of Class
William H. Gates III c/o Microsoft Corporation One Microsoft Way Redmond, Washington 98052-6399, USA	600,974,696 ²	7.0%

Based on the assumptions set out in Section 6.1 of Chapter E of this prospectus, a maximum of 25,379,328 Microsoft Shares will be offered pursuant to the ESPP under this prospectus. The maximum dilution as a result of the offer would be approximately 0.003%, and the net proceeds of Microsoft in connection with the offer would be approximately \$579,662,644.80.

III. RISK FACTORS

Set forth below are summaries of certain of the risks, uncertainties and other factors that may affect Microsoft's future results. The full description of these and other risk factors is included in Chapter D of this prospectus. The risk factors set forth below should be read in conjunction with the other risk factors in Chapter D.

- Challenges to Microsoft's business model may reduce its revenues and operating margins.
- Microsoft faces intense competition.
- Security vulnerabilities in Microsoft's products and services could lead to reduced revenues or to liability claims.
- Microsoft is subject to government litigation and regulatory activity that affects how Microsoft designs and markets its products.
- Microsoft makes significant investments in new products and services that may not be profitable.
- Microsoft operates a global business that exposes it to additional risks.
- Catastrophic events or geo-political conditions may disrupt Microsoft's business.

IV. RECENT DEVELOPMENTS

On April 28, 2011, Microsoft announced third-quarter revenue of \$16.43 billion for the quarter ended March 31, 2011, a 13% increase from the same period of the prior year. Operating income, net income, and diluted earnings per share for the quarter were \$5.71 billion, \$5.23 billion and \$0.61 per share, which represented increases of 10%, 31% and 36%, respectively, when compared with the prior year period. Diluted earnings per share included a \$0.05 tax benefit primarily related to an agreement with the U.S. Internal Revenue Service to settle a portion of their audit of tax years 2004 to 2006. For further information, see Exhibit III.

On February 11, 2011, Microsoft and Nokia announced a strategic alliance to jointly create new mobile products and services and to extend established products and services to new markets. On April 21, 2011, the parties entered into definitive agreements to formalize this alliance.

² Based on a Schedule 13G/A filed by Mr. Gates with the SEC on February 14, 2011.

Microsoft will license to Nokia and Nokia will adopt Windows Phone as Nokia's primary smartphone platform. Microsoft will receive a running royalty at a competitive rate from Nokia for the Windows Phone platform, with minimum commitments reflecting the large volumes Nokia expects to ship. Microsoft will also provide Nokia with developer tools to accelerate developer support for Windows and Windows-related platforms. Microsoft and Nokia will collaborate on joint developer outreach and application sourcing. Microsoft's Windows Marketplace infrastructure will support a new Nokia-branded application store. Participants in the Windows Phone ecosystem will be able to take advantage of Nokia's billing agreements with operators in markets worldwide.

On May 10, 2011, Microsoft and Skype Global S.à r.l ("Skype") announced that they have entered into a definitive agreement under which Microsoft will acquire Skype, an Internet communications company, for \$8.5 billion in cash. The acquisition is subject to regulatory approvals and other customary closing conditions. Microsoft expects to obtain all required regulatory clearances during calendar year 2011. For further information, see Exhibit IV.

V. DOCUMENTS ON DISPLAY

Microsoft's Internet address is www.microsoft.com. At its Investor Relations Web site, www.microsoft.com/msft, Microsoft makes available free of charge a variety of information for investors, including its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports, as soon as reasonably practicable after Microsoft electronically files such material with or furnishes it to the SEC (www.sec.gov).

Microsoft's Annual Report on Form 10-K for the fiscal year ended June 30, 2010, filed with the SEC on July 30, 2010 ("Microsoft's Form 10-K"), Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, filed with the SEC on April 28, 2011 ("Microsoft's Form 10-Q") and Microsoft's Definitive Proxy Statement, filed with the SEC on September 30, 2010 ("Microsoft's Proxy Statement"), referred to in this prospectus, may be obtained free of charge upon request by an employee.

Microsoft expects to issue, after market close on July 21, 2011, its earnings release for the quarter and fiscal year ended June 30, 2011. The annual report on Form 10-K for the fiscal year ended June 30, 2011, will be filed with the SEC no later than August 29, 2011. These documents will be available on the web sites of Microsoft and the SEC indicated above.

CHAPTER C :
FINANCIAL INFORMATION CONCERNING MICROSOFT CORPORATION
FOR THE FISCAL YEARS ENDED JUNE 30, 2010, 2009 AND 2008
AND FOR THE QUARTERS ENDED MARCH 31, 2011 AND 2010

The selected financial data of Microsoft set out in this prospectus have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). They are derived in part from and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and Microsoft's consolidated financial statements and notes thereto appearing respectively on pages 22 – 41 and 44 – 83 of Microsoft's Form 10-K, and its consolidated financial statements and related notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing respectively on pages 3 – 27 and 29 – 44 of Microsoft's Form 10-Q.

SELECTED THREE-YEAR FINANCIAL DATA
(in millions of US\$, except per share data)

Fiscal Year Ended June 30,	2010	2009	2008
Revenue	\$ 62,484	\$ 58,437	\$ 60,420
Operating income	\$ 24,098	\$ 20,363	\$ 22,271 ^(c)
Net income	\$ 18,760	\$ 14,569	\$ 17,681 ^(c)
Diluted earnings per share	\$ 2.10	\$ 1.62	\$ 1.87
Cash dividends declared per share	\$ 0.52	\$ 0.52	\$ 0.44
Cash and cash equivalents	\$ 5,505	\$ 6,076	\$ 10,339
Short-term investments (including securities pledged of \$62, \$1,540 and \$2,491)	\$ 31,283	\$ 25,371	\$ 13,323
Total assets	\$ 86,113	\$ 77,888	\$ 72,793
Long-term obligations	\$ 13,791 ^(a)	\$ 11,296 ^(b)	\$ 6,621
Stockholders' equity	\$ 46,175	\$ 39,558	\$ 36,286

(a) Includes \$1.25 billion of convertible debt securities issued in June 2010 and \$3.75 billion of debt securities issued in May 2009. See Note 12 – Debt in the Notes to Financial Statements on pages 66 – 67 of Microsoft's Form 10-K.

(b) Includes \$3.75 billion of debt securities issued in May 2009. See Note 12 – Debt in the Notes to Financial Statements on pages 66 – 67 of Microsoft's Form 10-K.

(c) Includes charge of \$1.4 billion (€899 million) related to the fine imposed by the European Commission in February 2008.

SELECTED QUARTERLY FINANCIAL DATA
(in millions of US\$, except per share amounts – unaudited)

Income Statements Data

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2011	2010	2011	2010
Revenue	\$ 16,428	\$ 14,503	\$ 52,576	\$ 46,445
Total operating expenses	10,719	9,330	31,586	28,277
Operating income	5,709	5,173	20,990	18,168
Net income	\$ 5,232	\$ 4,006	\$ 17,276	\$ 14,242
Earnings per share				
Basic	\$ 0.62	\$ 0.46	\$ 2.03	\$ 1.61
Diluted	\$ 0.61	\$ 0.45	\$ 2.01	\$ 1.59
Cash dividends declared per common share	\$ 0.16	\$ 0.13	\$ 0.48	\$ 0.39

Balance Sheets Data

	March 31, 2011	June 30, 2010*
Cash and cash equivalents	\$ 7,021	\$ 5,505
Short-term investments (including securities loaned of \$1,171 and \$62)	43,129	31,283
Total assets	99,727	86,113
Long-term obligations	22,233	13,791
Total stockholders' equity	53,452	46,175

* Derived from audited financial statements set out in Microsoft's Form 10-K.

THE FOLLOWING INFORMATION IS NOT PART OF THE PROSPECTUS SUMMARY

CHAPTER D : RISK FACTORS

I. RISKS RELATED TO MICROSOFT'S BUSINESS AND INDUSTRY

Our operations and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common stock.

The cloud-based computing model presents execution and competitive risks. We are transitioning to a computing environment characterized by cloud-based services used with smart client devices. Our competitors are rapidly developing and deploying cloud-based services for consumers and business customers. Pricing and delivery models are evolving. Devices and form factors influence how users access services in the cloud. We are devoting significant resources to develop and deploy our own competing cloud-based software plus services strategies. While we believe our expertise, investments in infrastructure, and the breadth of our cloud-based services provides us with a strong foundation to compete, it is uncertain whether our strategies will attract the users or generate the revenue required to be successful. In addition to software development costs, we are incurring costs to build and maintain infrastructure to support cloud computing services. These costs may reduce the operating margins we have previously achieved. Whether we are successful in this new business model depends on our execution in a number of areas, including:

- continuing to innovate and bring to market compelling cloud-based experiences that generate increasing traffic and market share;
- maintaining the utility, compatibility, and performance of our cloud-based services on the growing array of computing devices, including smartphones, handheld computers, netbooks, tablets, and television set top devices; and
- continuing to enhance the attractiveness of our cloud platforms to third-party developers.

Challenges to our business models may reduce our revenues or operating margins. Whether our software runs in the cloud or on a device, we continue to face challenges from alternative means of developing and licensing software. Under our license-based software model, software developers bear the costs of converting original ideas into software products through investments in research and development, offsetting these costs with the revenue received from the distribution of their products. Certain "open source" software business models challenge our license-based software model. Open source commonly refers to software whose source code is subject to a license allowing it to be modified, combined with other software and redistributed, subject to restrictions set forth in the license. A number of commercial firms compete with us using an open source business model by modifying and then distributing open source software to end users at nominal cost and earning revenue on complementary services and products. These firms do not bear the full costs of research and development for the software. In some cases, their products may infringe patents granted to Microsoft for our inventions. In addition, advertising-based business models seek revenue by delivering third party advertisements to end customers who receive the software and services at no direct costs. Gains in market acceptance of open source or advertising based software may adversely affect our sales, revenue, and operating margins.

An important element of our business model has been to create platform-based ecosystems on which many participants can build diverse solutions. A competing vertically-integrated model, in which a single firm controls both the software and hardware elements of a product, has been successful with certain consumer products such as personal computers, mobile phones, and digital music players. We also offer

vertically-integrated hardware and software products; however, efforts to compete with the vertically integrated model may increase our cost of sales and reduce our operating margins.

We derive substantial revenue from licenses of Windows operating systems on personal computers. It is uncertain to what extent alternative devices and form factors will increase the number of computing devices that users own or will substitute for users' personal computer purchases. Alternative devices also run operating systems and applications developed by our competitors. These factors could impact our revenues and margins.

We face intense competition. We continue to experience intense competition across all markets for our products and services. Our competitors range in size from Fortune 100 companies to small, specialized single-product businesses and open source community-based projects. Although we believe the breadth of our businesses and product portfolio is a competitive advantage, our competitors that are focused on narrower product lines may be more effective in devoting technical, marketing, and financial resources to compete with us. In addition, barriers to entry in our businesses generally are low and products, once developed, can be distributed broadly and quickly at relatively low cost. Open source software vendors are devoting considerable efforts to developing software that mimics the features and functionality of our products, in some cases in violation of our intellectual property rights or on the basis of technical specifications for Microsoft technologies that we make available at little or no cost in connection with our interoperability initiatives. In response to competition, we continue to develop versions of our products with basic functionality that are sold at lower prices than the standard versions. These competitive pressures may result in decreased sales volumes, price reductions, and/or increased operating costs, such as for marketing and sales incentives, resulting in lower revenue, gross margins, and operating income.

We may not be able to adequately protect our intellectual property rights. Protecting our global intellectual property rights and combating unlicensed copying and use of software and other intellectual property is difficult.

While piracy adversely affects U.S. revenue, the impact on revenue from outside the U.S. is more significant, particularly in countries where laws are less protective of intellectual property rights. As a result, our revenue in these markets likely will grow slower than the underlying PC market. Similarly, the absence of harmonized patent laws makes it more difficult to ensure consistent respect for patent rights. Throughout the world, we actively educate consumers about the benefits of licensing genuine products and obtaining indemnification benefits for intellectual property risks, and we educate lawmakers about the advantages of a business climate where intellectual property rights are protected. However, continued educational and enforcement efforts may fail to enhance revenue. Reductions in the legal protection for software intellectual property rights could adversely affect revenue.

Third parties may claim we infringe their intellectual property rights. From time to time we receive notices from others claiming we infringe their intellectual property rights. The number of these claims may grow. To resolve these claims we may enter into royalty and licensing agreements on less favorable terms, stop selling or redesign affected products, or pay damages to satisfy indemnification commitments with our customers. Such agreements may cause operating margins to decline. We have made and expect to continue making significant expenditures to settle claims related to the use of technology and intellectual property rights as part of our strategy to manage this risk.

We may not be able to protect our source code from copying if there is an unauthorized disclosure of source code. Source code, the detailed program commands for our operating systems and other software programs, is critical to our business. Although we license portions of our application and operating system source code to a number of licensees, we take significant measures to protect the secrecy of large portions of our source code. If an unauthorized disclosure of a significant portion of our source code occurs, we could potentially lose future trade secret protection for that source code. This could make it easier for third parties to compete with our products by copying functionality, which could adversely affect our revenue and operating margins. Unauthorized disclosure of source code also could increase the security risks described in the next paragraph.

Security vulnerabilities in our products and services could lead to reduced revenues or to liability claims. Maintaining the security of computers and computer networks is a critical issue for us and our customers. Hackers develop and deploy viruses, worms, and other malicious software programs that attack our products and gain access to our networks and data centers. Although this is an industry-wide problem that affects computers across all platforms, it affects our products in particular because hackers tend to focus their efforts on the most popular operating systems and programs and we expect them to continue to do so. We devote significant resources to address security vulnerabilities through:

- engineering more secure products and services;
- enhancing security and reliability features in our products and services;
- helping our customers make the best use of our products and services to protect against computer viruses and other attacks;
- improving the deployment of software updates to address security vulnerabilities;
- investing in mitigation technologies that help to secure customers from attacks even when such software updates are not deployed; and
- providing customers online automated security tools, published security guidance, and security software such as firewalls and anti-virus software.

The cost of these steps could reduce our operating margins. Despite these efforts, actual or perceived security vulnerabilities in our products could lead some customers to seek to return products, to reduce or delay future purchases, or to use competing products. Customers may also increase their expenditures on protecting their existing computer systems from attack, which could delay adoption of new technologies. Any of these actions by customers could adversely affect our revenue. In addition, if third parties gain access to our networks or data centers they could obtain and exploit confidential business information and harm our competitive position. Finally, actual or perceived vulnerabilities may lead to claims against us. Although our license agreements typically contain provisions that eliminate or limit our exposure to such liability, there is no assurance these provisions will withstand all legal challenges.

Improper disclosure of personal data could result in liability and harm our reputation. We store and process large amounts of personally identifiable information as we sell software, provide support and offer cloud-based services to customers. It is possible that our security controls over personal data, our training of employees and vendors on data security, and other practices we follow may not prevent the improper disclosure of personally identifiable information. Improper disclosure of this information could harm our reputation, lead to legal exposure to customers, or subject us to liability under laws that protect personal data, resulting in increased costs or loss of revenue. Our software products and services also enable our customers to store and process personal data. Perceptions that our products or services do not adequately protect the privacy of personal information could inhibit sales of our products or services.

We may experience outages, data loss and disruptions of our online services if we fail to maintain an adequate operations infrastructure. Our increasing user traffic and complexity of our products and services demand more computing power. We have spent and expect to continue to spend substantial amounts to purchase or lease data centers and equipment and to upgrade our technology and network infrastructure to handle increased traffic on our Web sites and in our data centers, and to introduce new products and services and support existing services such as Bing, Exchange Online, SharePoint Online, Xbox LIVE, Windows Live, and Microsoft Office Web Apps. We also are growing our business of providing a platform and back-end hosting for services provided by third-party businesses to their end customers. Maintaining and expanding this infrastructure is expensive and complex. Inefficiencies or operational failures, including temporary or permanent loss of customer data, could diminish the quality of our products, services, and user experience resulting in contractual liability, claims by customers and other third parties, damage to our reputation and loss of current and potential users, subscribers, and advertisers, each of which may harm our operating results and financial condition.

We are subject to government litigation and regulatory activity that affects how we design and market our products. As a leading global software maker, we receive close scrutiny from government agencies under U.S. and foreign competition laws. Some jurisdictions also provide private rights of action for competitors or consumers to assert claims of anti-competitive conduct. For example, we have been involved in the following actions.

Lawsuits brought by the U.S. Department of Justice, 18 states, and the District of Columbia in two separate actions were resolved through a Consent Decree that took effect in 2001 and a Final Judgment entered in 2002. These proceedings imposed various constraints on our Windows operating system businesses. These constraints include limits on certain contracting practices, mandated disclosure of certain software program interfaces and protocols, and rights for computer manufacturers to limit the visibility of certain Windows features in new PCs. We believe we are in full compliance with these rules. We anticipate that the Consent Decree and Final Judgment will expire in May 2011, but we expect that federal and state antitrust authorities will continue to closely scrutinize our business.

The European Commission closely scrutinizes the design of high-volume Microsoft products and the terms on which we make certain technologies used in these products, such as file formats, programming interfaces, and protocols, available to other companies. In 2004, the Commission ordered us to create new versions of Windows that do not include certain multimedia technologies and to provide our competitors with specifications for how to implement certain proprietary Windows communications protocols in their own products. In 2009, the Commission accepted a set of commitments offered by Microsoft to address the Commission's concerns relating to competition in Web browsing software. The Commission's impact on product design may limit our ability to innovate in Windows or other products in the future, diminish the developer appeal of the Windows platform, and increase our product development costs. The availability of licenses related to protocols and file formats may enable competitors to develop software products that better mimic the functionality of our own products which could result in decreased sales of our products.

Government regulatory actions and court decisions such as these may hinder our ability to provide the benefits of our software to consumers and businesses, thereby reducing the attractiveness of our products and the revenues that come from them. New actions could be initiated at any time, either by these or other governments or private claimants, including with respect to new versions of Windows or other Microsoft products. The outcome of such actions, or steps taken to avoid them, could adversely affect us in a variety of ways, including:

- We may have to choose between withdrawing products from certain geographies to avoid fines or designing and developing alternative versions of those products to comply with government rulings, which may entail a delay in a product release and removing functionality that customers want or on which developers rely.
- We may be required to make available licenses to our proprietary technologies on terms that do not reflect their fair market value or do not protect our associated intellectual property.
- The rulings described above may be cited as a precedent in other competition law proceedings.

Our software and services online offerings are subject to government regulation of the Internet domestically and internationally in many areas, including user privacy, telecommunications, data protection, and online content. The application of these laws and regulations to our business is often unclear and sometimes may conflict. Compliance with these regulations may involve significant costs or require changes in business practices that result in reduced revenue. Noncompliance could result in penalties being imposed on us or orders that we stop the alleged noncompliant activity.

Our business depends on our ability to attract and retain talented employees. Our business is based on successfully attracting and retaining talented employees. The market for highly skilled workers and leaders in our industry is extremely competitive. We are limited in our ability to recruit internationally by restrictive domestic immigration laws. If we are less successful in our recruiting efforts, or if we are

unable to retain key employees, our ability to develop and deliver successful products and services may be adversely affected. Effective succession planning is also important to our long-term success. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees could hinder our strategic planning and execution.

Delays in product development schedules may adversely affect our revenues. The development of software products is a complex and time-consuming process. New products and enhancements to existing products can require long development and testing periods. Our increasing focus on cloud-based software plus services also presents new and complex development issues. Significant delays in new product or service releases or significant problems in creating new products or services could adversely affect our revenue.

We make significant investments in new products and services that may not be profitable. Our growth depends on our ability to innovate by offering new, and adding value to our existing, software and service offerings. We will continue to make significant investments in research, development, and marketing for new products, services, and technologies, including the Windows PC operating system, the Microsoft Office system, Bing, Windows Phone, Windows Server, Zune, Windows Live, the Windows Azure Services platform and other cloud-based services offerings, and Xbox 360. Investments in new technology are speculative. Commercial success depends on many factors, including innovativeness, developer support, and effective distribution and marketing. Our degree of success with Windows Phone, for example, will impact our ability to grow our share of the smartphone operating system market. It will also be an important factor in supporting our strategy of delivering value to end users seamlessly over PC, phone, and TV device classes. If customers do not perceive our latest offerings as providing significant new functionality or other value, they may reduce their purchases of new software products or upgrades, unfavorably impacting revenue. We may not achieve significant revenue from new product and service investments for a number of years, if at all. Moreover, new products and services may not be profitable, and even if they are profitable, operating margins for new products and businesses may not be as high as the margins we have experienced historically.

Adverse economic conditions may harm our business. Unfavorable changes in economic conditions, including inflation, recession, or other changes in economic conditions, may result in lower information technology spending and adversely affect our revenue. If demand for PCs, servers, and other computing devices declines, or consumer or business spending for those products declines, our revenue will be adversely affected. Our product distribution system also relies on an extensive partner network. The impact of economic conditions on our partners, such as the bankruptcy of a major distributor, could result in sales channel disruption. Challenging economic conditions also may impair the ability of our customers to pay for products and services they have purchased. As a result, reserves for doubtful accounts and write-offs of accounts receivable may increase. We maintain an investment portfolio of various holdings, types, and maturities. These investments are subject to general credit, liquidity, market, and interest rate risks, which may be exacerbated by unusual events that have affected global financial markets. If global credit and equity markets experience prolonged periods of decline, our investment portfolio may be adversely impacted and we could determine that more of our investments have experienced an other-than-temporary decline in fair value, requiring impairment charges that could adversely impact our financial results.

We have claims and lawsuits against us that may result in adverse outcomes. We are subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. Although management currently believes resolving all of these matters, individually or in the aggregate, will not have a material adverse impact on our financial statements, the litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

We may have additional tax liabilities. We are subject to income taxes in the U.S. and many foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In

the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We regularly are under audit by tax authorities. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on our financial statements in the period or periods for which that determination is made.

We earn a significant amount of our operating income from outside the U.S., and any repatriation of funds currently held in foreign jurisdictions may result in higher effective tax rates for the company. In addition, there have been proposals to change U.S. tax laws that would significantly impact how U.S. multinational corporations are taxed on foreign earnings. Although we cannot predict whether or in what form this proposed legislation may pass, if enacted it could have a material adverse impact on our tax expense and cash flow.

Our vertically-integrated hardware and software products may experience quality or supply problems. Our hardware products such as the Xbox 360 console are highly complex and can have defects in design, manufacture, or associated software. We could incur significant expenses, lost revenue, and reputational harm if we fail to detect or effectively address such issues through design, testing, or warranty repairs. We obtain some components of our hardware devices from sole suppliers. If a component delivery from a sole-source supplier is delayed or becomes unavailable or industry shortages occur, we may be unable to obtain timely replacement supplies, resulting in reduced sales. Either component shortages or excess or obsolete inventory may increase our cost of revenue. Xbox 360 consoles are assembled in Asia; disruptions in the supply chain may result in console shortages that would affect our revenues and operating margins. These same risks would apply to any other vertically-integrated hardware and software products we may offer.

If our goodwill or amortizable intangible assets become impaired we may be required to record a significant charge to earnings. Under U.S. GAAP, we review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is tested for impairment at least annually. Factors that may be considered a change in circumstances, indicating that the carrying value of our goodwill or amortizable intangible assets may not be recoverable, include a decline in stock price and market capitalization, reduced future cash flow estimates, and slower growth rates in our industry. We may be required to record a significant charge in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined, negatively impacting our results of operations.

We operate a global business that exposes us to additional risks. We operate in over 100 countries and a significant part of our revenue comes from international sales. Pressure to make our pricing structure uniform might require that we reduce the sales price of our software in the U.S. and other countries. Operations outside the U.S. may be affected by changes in trade protection laws, policies and measures, and other regulatory requirements affecting trade and investment, including the Foreign Corrupt Practices Act and local laws prohibiting corrupt payments. Emerging markets are a significant focus of our international growth strategy. The developing nature of these markets presents a number of risks. Deterioration of social, political, labor, or economic conditions in a specific country or region and difficulties in staffing and managing foreign operations may also adversely affect our operations or financial results. Although we hedge a portion of our international currency exposure, significant fluctuations in exchange rates between the U.S. dollar and foreign currencies may adversely affect our net revenues.

Catastrophic events or geo-political conditions may disrupt our business. A disruption or failure of our systems or operations in the event of a major earthquake, weather event, cyber-attack, terrorist attack, or other catastrophic event could cause delays in completing sales, providing services, or performing other mission-critical functions. Our corporate headquarters, a significant portion of our research and development activities, and certain other critical business operations are located in the Seattle, Washington area, and we have other business operations in the Silicon Valley area of California, both of which are near major earthquake faults. A catastrophic event that results in the destruction or

disruption of any of our critical business or information technology systems could harm our ability to conduct normal business operations and our operating results. Abrupt political change, terrorist activity, and armed conflict pose a risk of general economic disruption in affected countries, which may increase our operating costs. These conditions also may add uncertainty to the timing and budget for technology investment decisions by our customers, and may result in supply chain disruptions for hardware manufacturers, either of which may adversely affect our revenues. The long-term effects of climate change on the global economy in general or the information technology industry in particular are unclear. Environmental regulations or changes in the supply, demand or available sources of energy may affect the availability or cost of goods and services, including natural resources, necessary to run our business. Changes in weather where we operate may increase the costs of powering and cooling computer hardware we use to develop software and provide cloud-based services. New regulations may require us to find alternative compliant and cost-effective methods of distributing our products and services.

Acquisitions and joint ventures may have an adverse effect on our business. We expect to continue making acquisitions or entering into joint ventures as part of our long-term business strategy. These transactions involve significant challenges and risks including that the transaction does not advance our business strategy, that we don't realize a satisfactory return on our investment, or that we experience difficulty in the integration of new employees, business systems, and technology, or diversion of management's attention from our other businesses. These events could harm our operating results or financial condition.

II. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

2.1 Risks

We are exposed to economic risk from foreign currency exchange rates, interest rates, credit risk, equity prices, and commodity prices. A portion of these risks is hedged, but they may impact our financial statements.

Foreign Currency

Certain forecasted transactions, assets, and liabilities are exposed to foreign currency risk. We monitor our foreign currency exposures daily and use hedges where practicable to offset the risks and maximize the economic effectiveness of our foreign currency positions. Principal currencies hedged include the euro, Japanese yen, British pound, and Canadian dollar.

Interest Rate

Our fixed-income portfolio is diversified across credit sectors and maturities, consisting primarily of investment-grade securities. The credit risk and average maturity of the fixed-income portfolio is managed to achieve economic returns that correlate to certain global and domestic fixed-income indices. In addition, we use "To Be Announced" forward purchase commitments of mortgage-backed assets to gain exposure to agency and mortgage-backed securities.

Equity

Our equity portfolio consists of global, developed, and emerging market securities that are subject to market price risk. We manage the securities relative to certain global and domestic indices and expect their economic risk and return to correlate with these indices.

Commodity

We use broad-based commodity exposures to enhance portfolio returns and facilitate portfolio diversification. Our investment portfolio has exposure to a variety of commodities, including precious

metals, energy, and grain. We manage these exposures relative to global commodity indices and expect their economic risk and return to correlate with these indices.

2.2 Value-at-Risk

We use a value-at-risk (“VaR”) model to estimate and quantify our market risks. VaR is the expected loss, for a given confidence level, in the fair value of our portfolio due to adverse market movements over a defined time horizon. The VaR model is not intended to represent actual losses in fair value, including determinations of other-than-temporary losses in fair value in accordance with U.S. GAAP, but is used as a risk estimation and management tool. The distribution of the potential changes in total market value of all holdings is computed based on the historical volatilities and correlations among foreign currency exchange rates, interest rates, equity prices, and commodity prices, assuming normal market conditions.

The VaR is calculated as the total loss that will not be exceeded at the 97.5 percentile confidence level or, alternatively stated, the losses could exceed the VaR in 25 out of 1,000 cases. Several risk factors are not captured in the model, including liquidity risk, operational risk, and legal risk. The following table sets forth the one-day VaR for substantially all of our positions as of March 31, 2011 and June 30, 2010 and for the three months ended March 31, 2011:

(In millions)

Risk categories	March 31, 2011	June 30, 2010	Three Months Ended March 31, 2011		
			Average	High	Low
Foreign currency	\$ 62	\$ 57	\$ 48	\$ 66	\$ 40
Interest rate	\$ 56	\$ 58	\$ 57	\$ 62	\$ 53
Equity	\$ 222	\$ 183	\$ 217	\$ 223	\$ 207
Commodity	\$ 25	\$ 19	\$ 24	\$ 26	\$ 22

Total one-day VaR for the combined risk categories was \$285 million at March 31, 2011 and \$235 million at June 30, 2010. The total VaR is 22% less at March 31, 2011, and 26% less at June 30, 2010, than the sum of the separate risk categories in the above table due to the diversification benefit of the combination of risks.

CHAPTER E :
SUPPLEMENTAL INFORMATION CONCERNING
THE ESPP AND THE STOCK PLAN

I. THE OUTLINE

1.1 Purpose of the ESPP

The purpose of the ESPP is to provide a convenient method for eligible employees to become shareholders in Microsoft, as it is believed that employee participation in the ownership of Microsoft will be to the mutual benefit of both the employees and Microsoft.

1.2 Microsoft Shares Offered Under the ESPP

Subject to the provisions described below relating to adjustments upon change in the stock, the maximum number of Microsoft Shares offered for purchase or subscription under the ESPP is 200,000,000, representing approximately 2.37% of the 8,432,767,307 Microsoft Shares outstanding as of April 21, 2011. There have been no material changes in the number of Microsoft Shares issued and outstanding since that date. Each Microsoft Share has a par value of US\$0.00000625.

With respect to each Purchase Period, each Participating Employee will be granted a right to purchase the number of Microsoft Shares with payroll deductions accumulated in an account maintained on behalf of such employee (the "Account") during each Purchase Period at the Purchase Price specified in Section 1.4 below, subject to the limitations imposed by the ESPP. The purchase of Microsoft Shares may include fractional shares. Notwithstanding any other provision of the ESPP to the contrary, no Participating Employee in the ESPP shall be granted a right to purchase Microsoft Shares under the ESPP or any other employee stock purchase plans of Microsoft and its subsidiaries at a rate which exceeds US \$25,000 of the Fair Market Value of such Microsoft Shares (determined at the time such right to purchase is granted). Moreover, no Participating Employee may purchase more than 2,000 Microsoft Shares during any single Purchase Period.

In the event of reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, offerings of rights, or any other change in the structure of the Microsoft Shares, the Committee may make such adjustment, if any, as it may deem appropriate in the number, kind, and the price of shares available for purchase under the ESPP, and in the number of shares which an eligible employee is entitled to purchase including, without limitation, closing a Purchase Period early and permitting purchase on the last business day of such reduced Purchase Period, or terminating a Purchase Period and refunding Participating Employees' Account balances.

1.3 Purchase Period

The ESPP operates with four three-month Purchase Periods per calendar year, which commence on January 1, April 1, July 1, and October 1 and expire on March 31, June 30, September 30, and December 31. Microsoft Shares are purchased on the last regular business day of each Purchase Period (the Date of Exercise).

Participation in the ESPP is valid during the current Purchase Period and during the subsequent Purchase Periods unless any event triggering termination of the ESPP, as provided in the ESPP, occurs. Microsoft may require Participating Employees to complete a new Form at any time it deems necessary or desirable to facilitate ESPP administration or for any other reason.

1.4 Purchase Price

The Purchase Price per share shall be 90% of the Fair Market Value of a Microsoft Share on the Date of Exercise. "Fair Market Value" means the closing bid price as reported on Nasdaq or the other primary trading market for the Microsoft Shares.

1.5 Purchase of Stock

Each Participating Employee who continues to be a participant in a Purchase Period on the Date of Exercise is deemed to have exercised his/her option on such date and will be deemed to have purchased from the Company the number of Microsoft Shares (which may include a fractional share) that his/her accumulated payroll deductions on such date will pay for at the Purchase Price.

1.6 Term of the ESPP

The ESPP will continue in effect until the earlier of: (a) December 31, 2012; (b) the dissolution of the Company or of the effective date of a merger or consolidation wherein the Company is not to be the surviving corporation; (c) its termination by the Board; or (d) the date on which all of the Microsoft Shares reserved under the ESPP have been purchased.

1.7 Amendment or Discontinuance of the ESPP

The Committee has the right at any time and without notice to amend or modify the ESPP except to the extent the Board has reserved such authority to itself with respect to any aspect of the ESPP, and the Board has the right at any time and without notice to amend, modify or terminate the ESPP; provided that no Participating Employee's existing rights under any Purchase Period may be adversely affected thereby, and provided further that no such amendment of the ESPP will, except as provided in case of changes in capitalization, increase above 200,000,000 Microsoft Shares the total number of Microsoft Shares to be offered unless shareholders' approval is obtained therefore.

II. ELIGIBILITY

2.1 Eligible Employees

Employees who are in the employ of any Participating Subsidiary (including the Designated EEA Subsidiaries) on the last business day preceding an Offering Date are eligible to participate in that offering under the ESPP, provided that the employee does not, after the first date of each month, own 5% or more of the total combined voting power or value of all classes of stock of Microsoft or of a subsidiary within its group. There are no conditions of seniority or length of employment contract.

Any employee of a Participating Company who is in the employ of any Participating Company on the last business day preceding the Offering Date for an offering is eligible to participate in that Purchase Period, except employees whose customary employment is for not more than five months in any calendar year.

2.2 Participation of Eligible Employees

Eligible employees who wish to participate in the ESPP must complete the Form provided by Microsoft and submit it to Microsoft, or to such other entity designated by Microsoft for this purpose, prior to the commencement of the relevant Purchase Period, to contribute to the ESPP.

At the end of each Purchase Period, each Participating Employee who continues to be eligible to participate in the ESPP will be automatically re-enrolled in the next Purchase Period, unless the Participating Employee has advised the Company otherwise. Upon termination of the ESPP, any balance in each Participating Employee's Account will be refunded to him/her.

2.3 Payroll Deductions

Employees may authorize payroll deductions in an amount between 1% and 15% of their compensation for participation in the ESPP. The Participating Employee must specify in the Form the percentage (in whole percentages) which he/she authorizes for deductions from his/her compensation for the ESPP. The Participating Employee may at any time during a Purchase Period change the percentage of authorized deductions, but only with respect to the next Purchase Period.

All payroll deductions made for a Participating Employee will be credited to his/her Account under the ESPP. No interest will be paid or credited to the Account of any Participating Employee with respect to such payroll deductions (except to the extent payment of interest on such amount is required by the laws of any applicable jurisdiction).

Payroll deductions commence on the Offering Date and continue through subsequent Purchase Periods until the Participating Employee's termination of employment, subject to modification by the Participating Employee and unless participation is earlier withdrawn or suspended by the Participating Employee.

2.4 Discontinuance of Participation of Participating Employees

A Participating Employee may withdraw from a Purchase Period, in whole but not in part, at any time prior to the first day of the last calendar month of such Purchase Period by submitting a Withdrawal Notice to the Company, in which event the Company will refund the entire balance of his/her deductions as soon as practicable thereafter.

A Participating Employee may, at any time prior to the first day of the last calendar month of a Purchase Period, reduce to zero the percentage by which he has elected to have his/her compensation reduced, thereby suspending participation in the ESPP. Such reduction will be effective as soon as administratively feasible after receipt of the Participating Employee's election. Microsoft Shares will be purchased in accordance with Section 1.5 above based on the amounts accumulated in the Participating Employee's Account prior to the suspension of payroll deductions.

If a Participating Employee withdraws or suspends his/her participation pursuant to this Section, he/she will not participate in a subsequent Purchase Period unless and until he/she re-enters the ESPP. To re-enter the ESPP, an eligible employee who has previously withdrawn or suspended participation by reducing payroll deductions to zero must file a new Form. The eligible employee's re-entry into the ESPP will not become effective before the beginning of the next Purchase Period following his/her withdrawal or suspension, and if the eligible employee is an officer of the Company within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), he/she may not re-enter the ESPP before the beginning of the second Purchase Period following his/her withdrawal.

The suspension or withdrawal of a Participating Employee from the ESPP pursuant to this Section is free of charge for the Participating Employee.

2.5 Termination of Employment of Eligible Employees

Upon termination of employment for any reason whatsoever, including but not limited to death or retirement, the balance in the Account of a Participating Employee will be paid to the Participating Employee or his/her estate.

III. DELIVERY AND SALE OF THE SHARES

Following the end of each Purchase Period, the number of Microsoft Shares purchased by each Participating Employee will be deposited into an account established in the Participating Employee's name at the ESPP broker.

No Participating Employee is permitted to sell, assign, transfer, pledge or otherwise dispose of or encumber either the payroll deductions credited to his/her Account or any rights with regards to the purchase rights or rights to receive Microsoft Shares under the ESPP other than by will or the laws of descent and distribution, and such rights and interest will not be liable for, or subject to, the debts, contracts, or liabilities of the Participating Employee. If any such action is taken by the Participating Employee, or any claim is asserted by any other party in respect of such rights and interest whether by garnishment, levy, attachment or otherwise, such action or claim will be treated as an election to withdraw funds and participation from the ESPP. During the Participating Employee's lifetime, only the Participating Employee can make decisions regarding the participation or withdrawal from a Purchase Period under the ESPP.

IV. RIGHTS RELATED TO THE MICROSOFT SHARES

4.1 Type and the Class of the Securities Being Offered, Including the Security Identification Code

As of March 31, 2011, Microsoft was authorized to issue 24,000,000,000 Microsoft Shares, par value \$0.00000625 per share. As of April 21, 2011, there were 8,432,767,307 Microsoft Shares issued and outstanding. There have been no material changes in the number of Microsoft Shares issued and outstanding since that date.

The Microsoft Shares are listed on NASDAQ Global Select Market under the symbol "MSFT." The CUSIP number for the Microsoft Shares is 594918104.

4.2 Legislation Under Which the Securities Have Been Created

The Microsoft Shares were created under the Washington Business Corporation Act ("WBCA"). Except as otherwise expressly required under the laws of a country, the ESPP and all rights thereunder shall be governed by and construed in accordance with the laws of the State of Washington, United States of America.

4.3 Form of Securities, Name and Address of the Entity in Charge of Keeping the Records

In general, stockholders may hold Microsoft Shares either in certificated or street name form. The records are kept by Microsoft's transfer agent, American Stock Transfer and Trust Company LLC.

American Stock Transfer and Trust Company LLC can be contacted through the web at <http://www.amstock.com>, by telephone at 800-285-7772, Option 1 or 425-706-4400, Option 1 for those located outside of the U.S. or by mail at: American Stock Transfer and Trust Company, P.O. Box 2362, New York, NY 10272-2362, USA.

The Company's designated ESPP broker is currently Fidelity Investments. The address and telephone number of Fidelity Investments is:

Fidelity Investments
P.O. Box 5000
Cincinnati, OH 45273-8077 USA
U.S. Telephone – 888-810-6738
Non U.S. Telephone – International Access Code + 800-544-0275
<http://netbenefits.fidelity.com>

Participating Employees in Denmark are restricted to using Danske Bank as their designated broker. The address and telephone number of Danske Bank are:

Danske Bank
 Holmens Kanal Afdeling
 Holmens Kanal 2
 DK-1090 København K
 Telephone – 33 44 10 10

At Fidelity, Participating Employees are informed of the number of Microsoft Shares purchased via a confirmation of share purchase (either online or sent via mail, whichever the Participating Employee elects) and also a quarterly account statement.

At Danske Bank, Participating Employees are informed of the number of Microsoft Shares purchased via an annual account statement.

Commission

There is no charge to Participating Employees for the acquisition or holding of the Microsoft Shares under the ESPP. Commissions related to the sale of Microsoft Shares are described below.

As of the date of this prospectus, the commission charged by Fidelity on sales of Microsoft Shares acquired under the ESPP is as follows:

Trade method	Commission per share
Online	<ul style="list-style-type: none"> • Up to 1,000 shares = US\$8.00 • Over 1,000 shares = US\$0.010 per additional share
Fidelity Automated Service Telephone (FAST)	<ul style="list-style-type: none"> • Up to 1,000 shares = US\$20.00 • Over 1,000 shares = US\$0.020 for each additional share. <p>Note This service is not available outside of the United States.</p>
Fidelity Stock Plan service representative	<ul style="list-style-type: none"> • Up to 1,000 shares = US\$35.00 • Over 1,000 shares = US\$0.035 for each additional share

Participating Employees in Denmark may obtain a schedule of the sales commission charged by Danske Bank by contacting their local human resources department.

In addition, the SEC imposes a fee on the transfer of shares. This fee is paid to the SEC at the time of sale and is required for all equity trades. Upon selling the Microsoft Shares, Participating Employees will be charged a fee equal to US\$0.0000192 multiplied by the total principal amount of the sale proceeds. Effective October 1, 2011, or 30 days after the date on which the SEC receives its fiscal year 2012 regular appropriation, whichever date comes later, the fee rate will decrease from \$19.20 per million dollars to \$15.10 per million dollars.

4.4 Currency of the Securities Issue

The United States Dollar is the currency of the securities issue. Participating Employees assume the risk of any currency fluctuations at the time of (i) their contribution to the ESPP by payroll deductions and (ii) the selling of their Microsoft Shares.

4.5 Rights Attached to the Securities

No Participating Employee shall have any voting, dividend, or other shareholder rights with respect to any offering under the ESPP until the Microsoft Shares have been purchased and delivered to the Participating Employee as provided in Section III above. Following such purchase and delivery, the Participating Employee shall be entitled to the rights attached to the Microsoft Shares, as further described below:

Dividend Rights. Pursuant to the WBCA, the Board may authorize and Microsoft may make distributions to its shareholders subject to restriction by the articles of incorporation and the limitation set forth in Chapter 23B.06 of the WBCA as summarized below.

No distribution may be made if, after giving it effect:

- a. The corporation would not be able to pay its liabilities as they become due in the usual course of business; or
- b. The corporation's total assets would be less than the sum of its total liabilities plus, unless the articles of incorporation permit otherwise, the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution.

The following tables set forth cash dividend for fiscal years 2010, 2009 and 2008 as well as for the nine-month period of fiscal year 2011 ended March 31, 2011:

Fiscal Year Ended June 30,	2010	2009	2008
Cash dividends declared per share	\$ 0.52	\$ 0.52	\$ 0.44

Declaration Date	Per Share Dividend	Record Date	Total Amount	Payment Date
(in millions)				
Fiscal Year 2011				
September 21, 2010	\$ 0.16	November 18, 2010	\$ 1,363	December 9, 2010
December 15, 2010	\$ 0.16	February 17, 2011	\$ 1,349	March 10, 2011
March 14, 2011	\$ 0.16	May 19, 2011	\$ 1,349	June 9, 2011

Voting Rights. Except as may be otherwise provided in the Restated Articles of Incorporation, each stockholder shall be entitled to one vote for each Microsoft Share held by such stockholder. There are currently no contrary provisions in the Restated Articles of Incorporation.

Shareholders of Microsoft shall not have the right to cumulative votes in the election of directors (see Article VII of the Restated Articles of Incorporation of Microsoft).

The annual meeting of the shareholders of Microsoft for the election of directors and for the transaction of such other business as properly may be submitted to such annual meeting, shall be held at the hour and on the date designated by the Board or an authorized committee of the Board, such date to be within 150 days of the end of the fiscal year (see Article 1.1 of the Bylaws of Microsoft).

Following an amendment to the Restated Articles of Incorporation approved by Microsoft's shareholders at their annual meeting held on November 19, 2009, special meetings of the shareholders of Microsoft, for any purpose or purposes, may be called at any time by the Board, an authorized committee of the Board, or one or more shareholders holding 25% of the then outstanding shares of Microsoft (see Section 1.2 of the Bylaws of Microsoft).

Effective September 19, 2008, the Board amended the Bylaws to add a new Section 1.3 concerning business at annual and special meetings of the shareholders of Microsoft. Section 1.3 was further amended upon the effectiveness of the amendment to the Restated Articles of Incorporation described

above. No business may be transacted at an annual or special meeting of shareholders other than business that is:

- (a) specified in a notice of meeting given by or at the direction of the Board or an authorized committee thereof,
- (b) otherwise brought before the meeting by or at the direction of the Board or an authorized committee thereof,
- (c) specified in a notice of meeting stated in a shareholder special meeting request pursuant to Section 1.2 of the Bylaws, or
- (d) otherwise brought before an annual meeting:
 - (i) by (1) a shareholder that holds of record stock of the Company entitled to vote at the meeting on such business (including any election of a director) (a "Record Holder") or (2) a person (a "Nominee Holder") that holds such stock through a nominee or "street name" holder of record of such stock and can demonstrate to the Company such indirect ownership of such stock and such Nominee Holder's entitlement to vote such stock on such business, and
 - (ii) who complies with the notice procedures set forth in Section 1.13 (Record Holders and Nominee Holders are referred to as "Noticing Shareholders").

Clauses (c) and (d) of Section 1.3 shall be the exclusive means for a Noticing Shareholder to make director nominations or submit other business before a meeting of shareholders (other than proposals brought under Rule 14a-8 under the Exchange Act and included in Microsoft's notice of meeting, which proposals are not governed by the Bylaws).

Meetings of shareholders shall be held at such place within or outside the State of Washington as determined by the Board, or the authorized committee of the Board, pursuant to proper notice (see Section 1.4 of the Bylaws of Microsoft).

At any meeting of the shareholders, a majority in interest of all the shares entitled to vote on a matter, represented by shareholders of record in person or by proxy, shall constitute a quorum of that voting group for action on that matter. A shareholder who abstains from voting on any or all proposals will be included in the number of shareholders present at the meeting for the purpose of determining the presence of a quorum. Abstentions and broker non-votes will not be counted either in favor of or against the election of the nominees or other proposals.

Once a share is represented at a meeting, other than to object to holding the meeting or transacting business, it is deemed to be present for quorum purposes for the remainder of the meeting and for any adjournment to a new date, time, or place unless a new record date is or must be set for the adjourned meeting.

If a quorum exists, action on a matter is approved by a voting group if the votes cast within the voting group favoring the action exceed the votes cast within the voting group opposing the action, unless the question is one upon which by express provision of the WBCA, or of the Amended and Restated Articles of Incorporation or of the Bylaws a different vote is required.

The shareholders may amend or repeal the Bylaws of Microsoft, or adopt new bylaws, even though the bylaws also may be amended or repealed, or new bylaws also may be adopted, by the Board, by action taken in the manner provided by the WBCA and the Amended and Restated Articles of Incorporation of Microsoft.

Pursuant to Chapter 23B.10 of the WBCA, a corporation may amend its articles of incorporation at any time to add or change a provision that is required or permitted in the articles of incorporation or to delete a provision not required in the articles of incorporation. Whether a provision is required or permitted in the articles of incorporation is determined as of the effective date of the amendment.

Pursuant to Chapter 23B.10.030 of the WBCA:

- (1) A corporation's board of directors may propose one or more amendments to the articles of incorporation for submission to the shareholders.
- (2) For the amendment to be adopted:
 - (i) The board of directors must recommend the amendment to the shareholders unless the board of directors determines that because of conflict of interest or other special circumstances it should make no recommendation and communicates the basis for its determination to the shareholders with the amendment; and
 - (ii) The shareholders entitled to vote on the amendment must approve the amendment.
- (3) The board of directors may condition its submission of the proposed amendment on any basis, including the affirmative vote of holders of a specified percentage of shares held by any group of shareholders not otherwise entitled under this title or the articles of incorporation to vote as a separate voting group on the proposed amendment.
- (4) The corporation shall notify each shareholder, whether or not entitled to vote, of the proposed shareholders' meeting. The notice of meeting must also state that the purpose, or one of the purposes, of the meeting is to consider the proposed amendment and contain or be accompanied by a copy of the amendment.
- (5) In addition to any other voting conditions imposed by the board of directors under subsection (3) of Chapter 23B.10.030 of the WBCA, the amendment to be adopted must be approved by two-thirds, or, in the case of a public company, a majority, of the voting group comprising all the votes entitled to be cast on the proposed amendment, and of each other voting group entitled or the articles of incorporation to vote separately on the proposed amendment. The articles of incorporation may require a greater vote than that provided for in this subsection. The articles of incorporation of a corporation other than a public company may require a lesser vote than that provided for in this subsection, or may require a lesser vote by separate voting groups, so long as the required vote is not less than a majority of all the votes entitled to be cast on the proposed amendment and of each other voting group entitled to vote separately on the proposed amendment. Separate voting by additional voting groups is required on a proposed amendment.

In furtherance and not in limitation of the powers conferred by statute, the Board is expressly authorized to make, adopt, repeal, alter, amend, and rescind the bylaws of Microsoft by a resolution adopted by a majority of the directors (see Article IX of the Restated Articles of Incorporation of Microsoft).

Right to Receive Liquidation Distributions. Except as otherwise provided in accordance with the Restated Articles of Incorporation of Microsoft, each Microsoft Share is entitled to the right to receive the net assets of Microsoft upon dissolution, with each Microsoft Share participating on a pro rata basis.

No Preemptive, Redemptive or Conversion Provisions. Shareholders of Microsoft have no preemptive rights to acquire additional Microsoft Shares or securities convertible into Shares (See Article V of the Restated Articles of Incorporation of Microsoft).

4.6 Transferability

The Microsoft Shares in this offering under the ESPP are registered on a registration statement on Form S-8 with the SEC and are generally freely transferable.

The ESPP is intended to provide Microsoft Shares for investment and not for resale. Microsoft does not, however, intend to restrict or influence any Participating Employee in the conduct of his or her own affairs. A Participating Employee, therefore, may sell Microsoft Shares purchased under the ESPP at any time he or she chooses, subject to compliance with any applicable securities laws. THE PARTICIPATING EMPLOYEE ASSUMES THE RISK OF ANY MARKET FLUCTUATIONS IN THE PRICE OF THE MICROSOFT SHARES.

4.7 General Provisions Applying to Business Combinations

Washington law imposes restrictions on certain transactions between a corporation and significant shareholders. Chapter 23B.19 of the WBCA prohibits a target corporation, with some exceptions from engaging in particular significant business transactions with an acquiring person, which is defined as a person or group of persons that beneficially owns 10% or more of the voting securities of the target corporation, for a period of five years after the acquisition, unless the transaction or acquisition of shares is approved by a majority of the members of the target corporation's board of directors prior to the acquisition. Prohibited transactions include, among other things: (i) a merger or consolidation with, disposition of assets to, or issuance or redemption of stock to or from the acquiring person; termination of 5% or more of the employees of the target corporation; or (ii) receipt by the acquiring person of any disproportionate benefit as a shareholder. A corporation may not opt out of this statute. These provisions may have the effect of delaying, deterring or preventing a change of control of Microsoft, even if this change would be beneficial to the shareholders. These provisions may also discourage potential bids for the common stock at a premium over the market price and may adversely affect the market price of, and the voting and other rights of the holders of, Microsoft's common stock. In addition, these provisions could make it more difficult to replace or remove any current directors and management in the event Microsoft's shareholders believe this would be in the best interest of the corporation and its shareholders.

V. STATEMENT OF CAPITALIZATION AND INDEBTEDNESS (AS OF MARCH 31, 2011)

5.1 Capitalization and Indebtedness (unaudited, in millions of US\$ - consolidated)

Total Current debt	-
- Guaranteed	-
- Secured	-
- Unguaranteed / Unsecured	-
Total Non-Current debt (excluding current portion of long-term debt)	\$ 11,915
- Guaranteed	-
- Secured	-
- Unguaranteed / Unsecured	11,915
Stockholders' equity	
a. Share Capital and Additional Paid-in Capital	63,234
b. Legal Reserve	-
c. Other Reserves (Retained deficit, including accumulated other comprehensive income of \$1,810)	(9,782)
Total	\$ 53,452

5.2 Net Indebtedness (unaudited, in millions of US\$ - consolidated)

A.+B.	Cash and cash equivalents	\$	7,021
C.	Short-term investments (including securities loaned of \$1,171)		43,129
D.	Liquidity (A) + (B) + (C)	\$	50,150
E.	Current Financial Receivable		-
F.	Current Bank debt		-
G.	Current portion of non-current debt		-
H.	Other current financial debt		-
I.	Current Financial Debt (F) + (G) + (H)		-
J.	Net Current Financial Indebtedness (I) – (E) – (D)	\$	(50,150)
K.	Non-current Bank loans		-
L.	Bonds Issued		11,915
M.	Other non-current loans		-
N.	Non-current Financial Indebtedness (K) + (L) + (M)	\$	11,915
O.	Net Financial Indebtedness (J) + (N)	\$	(38,235)

5.3 Indirect and Contingent Indebtedness

Yahoo! Commercial Agreement

On December 4, 2009, we entered into a definitive agreement with Yahoo! Inc. (“Yahoo!”) whereby Microsoft will provide the exclusive algorithmic and paid search platform for Yahoo! Web sites. The term of the agreement is 10 years subject to termination provisions after five years based on performance.

Microsoft provided Yahoo! with revenue per search guarantees for a period of 18 months after implementation of the Microsoft search ads platform in each country. These guarantees are calculated, paid and trued-up periodically based on the cumulative reduction in revenue per search, if any, during the 18-month period from pre-implementation levels, except in the case of the U.S. and Canada where performance during each of the first two calendar quarters after implementation is independent and not cumulative. This is a rate guarantee and not a guarantee of search volume. We estimate the total cost of the revenue per search guarantees during the guarantee period could range up to \$150 million.

Microsoft also agreed to reimburse Yahoo! for certain transition expenses incurred both before and after the effective date of the agreement.

Finally, Microsoft also agreed to reimburse Yahoo! for certain costs of running algorithmic and paid search services prior to migration to Microsoft’s platform.

Product Warranty

Our aggregate product warranty liabilities, which are included in other current liabilities and other long-term liabilities, changed during the three months and nine months ended March 31, 2011 as follows:

(In millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2011	2010	2011	2010
Balance, beginning of period	\$ 202	\$ 308	\$ 240	\$ 342
Accrual for warranties issued	14	27	46	121
Adjustments to pre- existing warranties	0	—	0	(2)
Settlements of warranty claims	(31)	(77)	(101)	(203)
Balance, end of period	\$ 185	\$ 258	\$ 185	\$ 258

Government Competition Law Matters

We have been subject to a Consent Decree and Final Judgment (“Final Judgments”) that resolved lawsuits brought by the U.S. Department of Justice, 18 states, and the District of Columbia in two separate actions. The Final Judgments imposed various constraints on our Windows operating system businesses. The Final Judgments expired on May 12, 2011.

In other ongoing investigations, various foreign governments and several state attorneys general have requested information from us concerning competition, privacy, and security issues.

Antitrust, Unfair Competition, and Overcharge Class Actions

A large number of antitrust and unfair competition class action lawsuits were filed against us in various state, federal, and Canadian courts on behalf of various classes of direct and indirect purchasers of our PC operating system and certain other software products. We obtained dismissals of damages claims of indirect purchasers under federal law and in 15 states. Courts refused to certify classes in two additional states. We have reached agreements to settle all claims that have been made to date in 19 states and the District of Columbia.

The settlements in all states have received final court approval. Under the settlements, generally class members can obtain vouchers that entitle them to be reimbursed for purchases of a wide variety of platform-neutral computer hardware and software. The total value of vouchers that we may issue varies by state. We will make available to certain schools a percentage of those vouchers that are not issued or claimed (one-half to two-thirds depending on the state). The total value of vouchers we ultimately issue will depend on the number of class members who make claims and are issued vouchers. The maximum value of vouchers to be issued is approximately \$2.7 billion. The actual costs of these settlements will be less than that maximum amount, depending on the number of class members and schools that are issued and redeem vouchers. We estimate the total cost to resolve all of the state overcharge class action cases will range between \$1.9 billion and \$2.0 billion. At March 31, 2011, we have recorded a liability related to these claims of approximately \$585 million, which reflects our estimated exposure of \$1.9 billion less payments made to date of approximately \$1.3 billion mostly for vouchers, legal fees, and administrative expenses.

The three cases pending in British Columbia, Ontario, and Quebec, Canada have not been settled. In March 2010, the court in the British Columbia case certified it as a class action. On April 15, 2011, the British Columbia Court of Appeal reversed the class certification ruling and dismissed the case, holding that indirect purchasers do not have a claim. We expect the plaintiffs will seek review by the Canadian Supreme Court. The other two actions have been stayed.

Other Antitrust Litigation and Claims

In November 2004, Novell, Inc. filed a complaint in U.S. District Court for the District of Utah (later transferred to federal court in Maryland), asserting antitrust and unfair competition claims against us related to Novell's ownership of WordPerfect and other productivity applications during the period between June 1994 and March 1996. In June 2005, the trial court granted our motion to dismiss four of six claims of the complaint. In March 2010 the trial court granted summary judgment in favor of Microsoft as to all remaining claims. Novell has appealed that ruling. The appeal was argued in March 2011 and we are awaiting a ruling.

Patent and Intellectual Property Claims

In 2003, we filed an action in U.S. District Court in California seeking a declaratory judgment that we do not infringe certain Alcatel-Lucent patents (although this action began before the merger of Alcatel and Lucent in 2006, for simplicity we refer to the post-merger entity of Alcatel-Lucent). In April 2008, a jury returned a verdict in Alcatel-Lucent's favor in a trial on a consolidated group of one video and three user interface patents. The jury concluded that we had infringed two user interface patents and awarded \$367 million in damages. In June 2008, the trial judge increased the amount of damages to \$512 million to include \$145 million of interest. We appealed that award. In December 2008, we entered into a settlement agreement resolving all other litigation pending between Microsoft and Alcatel-Lucent, leaving approximately \$500 million remaining in dispute. In September 2009, the court of appeals affirmed the liability award but vacated the verdict and remanded the case to the trial court for a re-trial of the damages ruling, indicating the damages previously awarded were too high. Trial on the remanded damages claim is set to begin in July 2011.

In October 2003, Uniloc USA Inc., a subsidiary of a Singapore-based company, filed a patent infringement suit in U.S. District Court in Rhode Island, claiming that product activation technology supporting Windows XP and certain other Microsoft programs violated a Uniloc patent. After we obtained a favorable summary judgment that we did not infringe any of the claims of this patent, the court of appeals vacated the trial court decision and remanded the case for trial. In April 2009, the jury returned a \$388 million verdict against us, including a finding of willful infringement. In September 2009, the district court judge overturned the jury verdict, ruling that the evidence did not support the jury's findings either that Microsoft infringed the patent or was willful. Uniloc appealed, and in January 2011 the court of appeals reversed the district court's finding of non-infringement (thus reinstating the jury verdict of infringement) but affirmed the district court's ruling that Microsoft was not willful and affirmed the district court's grant of a new trial on damages. Uniloc has filed a petition seeking a rehearing of the appellate court's decision as to damages.

In March 2007, i4i Limited Partnership sued Microsoft in U.S. District Court in Texas claiming that certain custom XML technology in Word 2003 and 2007 infringed i4i's patent. In May 2009, a jury returned a verdict against us, finding damages of \$200 million and that we willfully infringed the patent. In August 2009, the court denied our post-trial motions and awarded enhanced damages of \$40 million and prejudgment interest of \$37 million. The court also issued a permanent injunction prohibiting additional distribution of the allegedly infringing technology. We appealed and the appellate court stayed the injunction pending our appeal. In December 2009, the court of appeals rejected our appeal and affirmed the trial court's judgment and injunction, except that the court of appeals modified the effective date of the injunction to January 11, 2010. We appealed to the U.S. Supreme Court and in June 2011 the Supreme Court affirmed the judgment of the court of appeals.

In October 2010, we filed suit against Motorola with the International Trade Commission and in U.S. District Court in Washington for infringement of nine Microsoft patents by Motorola's Android-based smartphones. In addition, in November 2010, we filed suit against Motorola in U.S. District Court in Washington for breach of Motorola's contractual commitments to the Institute of Electrical and Electronics Engineers (IEEE) and International Telecommunications Union (ITU) to license identified patents related to wireless and video coding technologies under reasonable and non-discriminatory terms and conditions. In November 2010, Motorola filed two patent infringement actions against us in U.S. District

Court in Wisconsin and one in U.S. District Court in Florida on a total of sixteen patents asserted variously against Windows, Windows Phone 7, Windows Mobile 6.5, Xbox, Bing Maps, Hotmail, Messenger, and Exchange Server.

In addition to these cases, there are approximately 50 other patent infringement cases pending against Microsoft.

Other

We also are subject to a variety of other claims and suits that arise from time to time in the ordinary course of our business. Although management currently believes that resolving claims against us, individually or in aggregate, will not have a material adverse impact on our financial statements, these matters are subject to inherent uncertainties and management's view of these matters may change in the future.

As of March 31, 2011, we had accrued aggregate liabilities of \$1.0 billion in other current liabilities and \$301 million in other long-term liabilities for all of the contingent matters described in this note. While we intend to vigorously defend these matters, there exists the possibility of adverse outcomes that we estimate could reach approximately \$720 million in aggregate beyond recorded amounts. Were unfavorable final outcomes to occur, there exists the possibility of a material adverse impact on our financial statements for the period in which the effects become reasonably estimable.

VI. MAXIMUM DILUTION AND NET PROCEEDS

6.1 Maximum dilution

The Microsoft Shares under the ESPP currently are offered pursuant to this prospectus to 12,896 eligible employees as of April 26, 2011. As indicated in Section 1.2 above, the maximum rate at which employees may purchase Microsoft Shares may not exceed \$25,000 of the Fair Market Value of Microsoft Shares (at the time of the Offering Date) in each calendar year in which the right is outstanding (i.e., 2011 and 2012). However, as noted above, there are other limitations on Microsoft Share purchases (such as no more than 15% of eligible compensation may be contributed to ESPP purchases), which may result in employees not being able to purchase \$25,000 worth of Microsoft Shares in a calendar year.

The Fair Market Value of the Microsoft Shares on the March 31, 2011 Date of Exercise was \$25.39. Assuming Participating Employees would purchase Microsoft Shares throughout the period covered by this prospectus at the purchase price applicable on March 31, 2011 (i.e., \$22.85), each Participating Employee would be entitled to purchase a maximum of approximately 1,968 (984 in 2011 and 984 in 2012) whole Microsoft Shares under the ESPP assuming no other ESPP limitations are exceeded. Assuming that all of the eligible employees would each purchase approximately 1,968 Microsoft Shares in the offer, the maximum number of Microsoft Shares offered pursuant to this prospectus amounts to approximately 25,379,328 Microsoft Shares.

Based on the above assumptions, the holdings of a shareholder of Microsoft currently holding 1% of the total outstanding share capital of Microsoft as of April 21, 2011, i.e., 84,327,673 Microsoft Shares, and who is not an eligible employee participating in the offer, would be diluted as indicated in the following table:

	Percentage of the total outstanding Microsoft Shares	Total number of outstanding Microsoft Shares
Before the issuance of Microsoft Shares under the ESPP (as of April 21, 2011)	1.00%	8,432,767,307
After issuance of 25,379,328 Microsoft Shares under the ESPP	0.997%	8,458,146,635

6.2 Net Proceeds

Assuming, using the example above, that each of the 12,896 eligible employees would purchase the maximum amount of Microsoft Shares under the ESPP offered pursuant to this prospectus, that is, a total of \$44,968.80 each, then the gross proceeds of Microsoft in connection with the offer under the ESPP pursuant to this prospectus would be approximately \$579,917,644.80. After deducting legal and accounting expenses in connection with the offer, the net proceeds, based on the above assumptions, would be approximately \$579,662,644.80.

VII. DIRECTORS AND EXECUTIVE OFFICERS

7.1. Board of Directors as of September 3, 2010

<u>Name</u>	<u>Age</u>	<u>Director Since</u>
William H. Gates III	54	Co-founder of Microsoft and Chairman since 1981
Steven A. Ballmer	54	Director since 2000
Dina Dublon	57	Director since 2005
Raymond V. Gilmartin	69	Director since 2001
Reed Hastings	49	Director since 2007
Maria Klawe, Ph.D.	59	Director since 2009
David F. Marquardt	61	Director since 1981
Charles H. Noski	58	Director since 2003
Helmut Panke, Ph.D.	64	Director since 2003

William H. Gates III retired as an employee effective July 1, 2008, but continues to serve as an advisor on key development projects. Mr. Gates served as Chief Software Architect from January 2000 until June 2006, when he announced his two-year plan for transition out of a day-to-day full-time employee role. Mr. Gates served as our Chief Executive Officer from 1981 until January 2000, when he resigned as Chief Executive Officer and assumed the position of Chief Software Architect.

Public Company Directorships in the Last Five Years

- Microsoft Corporation
- Berkshire Hathaway Inc.
- ICOS Corporation (former)

Steven A. Ballmer has headed several Microsoft divisions during the past 30 years, including operations, operating systems development, and sales and support. In July 1998, he was promoted to President, a role that gave him day-to-day responsibility for running Microsoft. He was named Microsoft's Chief Executive Officer in January 2000, assuming full management responsibility for the Company.

Public Company Directorships in the Last Five Years

- Microsoft Corporation
- Accenture Ltd. (former)

Dina Dublon – From December 1998 until her retirement in September 2004, Ms. Dublon served as Executive Vice President and Chief Financial Officer of JPMorgan Chase. Ms. Dublon joined Chemical Bank's capital markets group as a trainee on the trading floor in 1981. Prior to joining Chemical Bank, Ms. Dublon worked for the Harvard Business School and Bank Hapoalim in Israel.

Public Company Directorships in the Last Five Years

- Microsoft Corporation
- Accenture Ltd.
- Pepsico, Inc.

Raymond V. Gilmartin served as the Chairman of the Board, President, and Chief Executive Officer of Merck & Co., Inc. from 1994 to May 2005, when he relinquished those titles as part of the succession planning process leading up to his planned retirement in April 2006. In the interim, he served as Special Advisor to the Executive Committee of the Merck board of directors. Before joining Merck, Mr. Gilmartin was Chairman, President, and Chief Executive Officer of Becton, Dickinson and Company. He joined that company in 1976 as Vice President, Corporate Planning, taking on positions of increasing responsibility over the next 18 years. In July 2006, Mr. Gilmartin joined the faculty of Harvard Business School as Professor of Management Practice teaching in the MBA program.

Public Company Directorships in the Last Five Years

- Microsoft Corporation
- General Mills, Inc.

Reed Hastings is Chief Executive Officer of Netflix, Inc., an Internet entertainment firm he founded in 1997. Prior to Netflix, from 1991 to 1997 Mr. Hastings was founder and Chief Executive Officer of Pure Software, a developer tools firm acquired by Rational Software.

Public Company Directorships in the Last Five Years

- Microsoft Corporation
- Netflix, Inc.

Maria Klawe, Ph.D. – Since 2006, Dr. Klawe has been President of Harvey Mudd College, a private liberal arts college in Claremont, California that focuses on engineering, science, and mathematics. Dr. Klawe served as Dean of Engineering and a Professor of Computer Science at Princeton University from 2003 to 2006, and held several positions at the University of British Columbia from 1988 to 2002 including Dean of Science, Vice President of Student and Academic Services, and head of the Department of Computer Science.

Public Company Directorships in the Last Five Years

- Microsoft Corporation

David F. Marquardt is a founding general partner of August Capital, a venture capital firm formed in 1995, and has been a general partner of various Technology Venture Investors entities, which are private venture capital limited partnerships, since August 1980. In addition to his public company board service, Mr. Marquardt also serves on the boards of directors of various privately-held companies.

Public Company Directorships in the Last Five Years

- Microsoft Corporation
- Seagate Technology, Inc.
- Openlane, Inc.

Charles H. Noski – In May 2010, Mr. Noski was named Executive Vice President and Chief Financial Officer of Bank of America Corporation. From 2003 to 2005, Mr. Noski served as Corporate Vice President and Chief Financial Officer of Northrop Grumman Corporation and served as a director from 2002 to 2005. Mr. Noski joined AT&T in 1999 as Senior Executive Vice President and Chief Financial Officer and was named Vice Chairman of AT&T's board of directors in 2002. Mr. Noski retired from AT&T upon the completion of its restructuring in November 2002. Prior to joining AT&T, Mr. Noski was President, Chief Operating Officer, and a member of the board of directors of Hughes Electronics Corporation, a publicly traded subsidiary of General Motors Corporation in the satellite and wireless communications business. He is a member of the American Institute of Certified Public Accountants and Financial Executives International and is a past member of the Financial Accounting Standards Advisory Council of the Financial Accounting Standards Board and the Standing Advisory Group of the Public Company Accounting Oversight Board.

Public Company Directorships in the Last Five Years

- Microsoft Corporation
- Merrill Lynch & Co. (wholly-owned subsidiary of Bank of America Corporation)
- Air Products and Chemicals, Inc. (former)
- Automatic Data Processing, Inc. (former)
- Morgan Stanley (former)
- Northrop Grumman Corporation (former)

Helmut Panke, Ph.D., served as Chairman of the Board of Management of BMW Bayerische Motoren Werke AG from 2002 through 2006. From 1999 to 2002, he served as a member of the Board of Management for Finance. From 1996 to 1999, Dr. Panke was a member of the Board of Management for Human Resources and Information Technology. In his role as Chairman and Chief Executive Officer of BMW (US) Holding Corp. from 1993 to 1996, he was responsible for the company's North American activities. He joined BMW in 1982.

Public Company Directorships in the Last Five Years

- Microsoft Corporation
- Bayer AG (supervisory board)
- Singapore Airlines Limited
- UBS AG

7.2. Executive Officers as of September 10, 2010

<u>Name</u>	<u>Age*</u>	<u>Position with the Company</u>
Steven A. Ballmer	54	Chief Executive Officer
Lisa E. Brummel	50	Senior Vice President, Human Resources
Peter Klein	47	Chief Financial Officer
Robert L. Muglia	50	President, Server and Tools
Craig J. Mundie	61	Chief Research and Strategy Officer
Steven Sinofsky	45	President, Windows & Windows Live Division
Bradford L. Smith	51	Senior Vice President; General Counsel; Secretary
B. Kevin Turner	45	Chief Operating Officer

* Ages and biographical information as of July 30, 2010.

Mr. Ballmer joined Microsoft in 1980. For additional information concerning Mr. Ballmer, please see Section 7.1 of Chapter E.

Ms. Brummel was named Senior Vice President, Human Resources in December 2005. She had been Corporate Vice President, Human Resources since May 2005. From May 2000 to May 2005, she had been Corporate Vice President of the Home & Retail Division. Since joining Microsoft in 1989, Ms. Brummel has held a number of management positions at Microsoft, including general manager of Consumer Productivity business, product unit manager of the Kids business, and product unit manager of Desktop and Decision reference products.

Mr. Klein was named Chief Financial Officer in November 2009. He served as Corporate Vice President, Chief Financial Officer, Microsoft Business Division since February 2006 and Chief Financial Officer of the Server and Tools Business Group from July 2003 to February 2006. Mr. Klein joined Microsoft in 2002.

Mr. Muglia was named President, Server and Tools in January 2009. He had been Senior Vice President, Server and Tools since October 2005. Before holding that position, he had a number of leadership positions at Microsoft, including Senior Vice President, Enterprise Storage Division since November 2001, Group Vice President, Personal Services Group since August 2000, Group Vice President, Business Productivity since December 1999, Senior Vice President, Business Productivity since March 1999, Senior Vice President, Applications and Tools since February 1998, and Corporate Vice President, Server Applications since 1997. Mr. Muglia joined Microsoft in 1988.

Mr. Mundie was named Chief Research and Strategy Officer in June 2006. He had been Senior Vice President and Chief Technical Officer, Advanced Strategies and Policy since August 2001. He was named Senior Vice President, Consumer Platforms in February 1996. Mr. Mundie joined Microsoft in 1992.

Mr. Sinofsky was named President, Windows & Windows Live Division in July 2009. He served as Senior Vice President of the Windows and Windows Live Engineering Group since December 2006 and Senior Vice President, Office from December 1999 to December 2006. He had been Vice President, Office since December 1998. Mr. Sinofsky joined the Office team in 1994, increasing his responsibility with each subsequent release of the desktop suite. Mr. Sinofsky joined Microsoft in 1989.

Mr. Smith was named Senior Vice President, General Counsel, and Secretary in November 2001. Mr. Smith was also named Chief Compliance Officer effective July 2002. He had been Deputy General Counsel for Worldwide Sales and previously was responsible for managing the European Law and Corporate Affairs Group, based in Paris. Mr. Smith joined Microsoft in 1993.

Mr. Turner was named Chief Operating Officer in September 2005. Before joining Microsoft, he was Executive Vice President of Wal-Mart Stores, Inc. and President and Chief Executive Officer of the Sam's Club division. From September 2001 to August 2002, he served as Executive Vice President and Chief Information Officer of Wal-Mart's Information Systems Division. From March 2000 to September 2001, he served as its Senior Vice President and Chief Information Officer of the Information Systems Division.

7.3 Fraudulent Offences and Bankruptcy, Etc.

For at least the previous five years, none of the directors or executive officers of Microsoft has:

- (a) been convicted in relation to fraudulent offenses;
- (b) been associated with any bankruptcies, receiverships or liquidations when acting in their capacity of directors or executive officers of Microsoft; or
- (c) been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

There are no family relationships between any of the executive officers and directors listed above.

7.4 Conflicts of Interest

Certain relationships and related transactions

We are a global software company with extensive operations in the United States and many foreign countries. In fiscal year 2010 we purchased approximately \$26.2 billion of goods and services from third parties. We have approximately 89,000 employees and the authority to purchase goods and services is widely dispersed. Because of these far-reaching activities, we encounter transactions and business arrangements with businesses and other organizations in which one of our directors, executive officers, or nominees for director, or their immediate families, or a greater than 5% owner of our stock, may also be a director, executive officer, or investor, or have some other direct or indirect material interest. We will refer to these relationships generally as related-party transactions.

Related-party transactions have the potential to create actual or perceived conflicts of interest between Microsoft and its directors and executive officers or their immediate family members. The Audit Committee has established a written policy and procedures for review and approval of related-party transactions. If a related-party transaction subject to review directly or indirectly involves a member of the Audit Committee (or an immediate family member or domestic partner), the remaining Committee members will conduct the review. In evaluating a related-party transaction involving a director, executive officer, or their immediate family members, the Audit Committee considered, among other factors:

- goods or services provided by or to the related party,
- the nature of the transaction and the costs to be incurred by Microsoft or payments to Microsoft,
- the benefits associated with the transaction and whether comparable or alternative goods or services are available to Microsoft from unrelated parties,
- the business advantage Microsoft would gain by engaging in the transaction,
- the significance of the transaction to Microsoft and to the related party, and
- management's determination that the transaction is in the best interests of the Company.

To receive Audit Committee approval, related-party transactions must have a Microsoft business purpose and be on terms that are fair and reasonable to Microsoft, and as favorable to the Company as would be available from non-related entities in comparable transactions. The Audit Committee also requires that the transaction meets the same Company standards that apply to comparable transactions with unaffiliated entities.

The following are transactions in which Microsoft was or is a party, in which the amount involved exceeded \$120,000, and in which a director, director nominee, executive officer, holder of more than 5% of our common stock, or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest.

- As in prior years, during fiscal year 2010 the Company engaged in business transactions with Corbis Corporation, a company that provides digitized images and production services. Mr. Gates is the sole shareholder of Corbis. Microsoft paid Corbis approximately \$320,000 in fiscal year 2010 as licensing fees for digital images to be used in Microsoft's products, services, and marketing materials. Those licenses were entered into at arm's length, and are similar to license agreements Microsoft enters into from time to time with other providers of digital images. The terms of the Corbis transactions are established by Corbis and the business group at Microsoft seeking to use the digital images. We

believe the terms are no less favorable to Microsoft than those offered by Corbis to other large customers. Corbis also uses Microsoft software in its business, and paid approximately \$260,000 in fiscal year 2010 for software license fees under our standard licensing program. Mr. Gates is not involved in negotiating agreements with Corbis or setting price or other terms, either on behalf of Microsoft or Corbis.

- A brother of Ray Ozzie, an executive officer of the Company during fiscal year 2010, and a nephew of Robert J. (Robbie) Bach, an executive officer of the Company during fiscal year 2010, were employed by the Company in fiscal year 2010. Each received compensation that exceeded \$120,000.

The Audit Committee has reviewed and approved these arrangements.

In addition, Mr. Gates has extensive personal holdings in private and public companies where he is not involved in management or daily operations. Microsoft may, from time to time, do business with these companies in the ordinary course. Mr. Gates also owns several business entities that purchase technology consulting services from Microsoft. The business described in this paragraph is conducted at arm's length on terms that are available to unrelated parties. The business is not material to Microsoft or Mr. Gates.

Severance, Retirement and Change in Control Arrangements

Microsoft's named executive officers (as defined below) do not have employment contracts, and are not entitled to any payments upon termination of their employment or following a change in control of Microsoft, with the following exceptions:

- All employees who retire from Microsoft in the United States after (a) age 65 or (b) age 55 with 15 years of service are eligible for the continuation of vesting of on-hire and annual review stock awards that were granted more than one year before retirement.
- In general, all employees who terminate their employment with Microsoft due to death or total and permanent disability will be fully vested in their outstanding stock awards.
- In addition, pursuant to Mr. Turner's employment offer letter, he will vest in 160,000 shares of his on-hire stock award upon his retirement at age 60 or older.

Mr. Liddell resigned from his position as Chief Financial Officer effective November 24, 2009 and from Microsoft on December 31, 2009. We entered into a resignation agreement with Mr. Liddell on December 1, 2009, under which we paid Mr. Liddell \$950,000 on December 31, 2009 and \$950,000 on March 31, 2010 as compensation for his substantial services during the first half of fiscal year 2010 and performance of his obligations under the agreement. These payments are subject to forfeiture if Mr. Liddell breaches any of the terms and conditions of the agreement. The agreement includes customary confidentiality provisions and releases of claims.

VIII. EMPLOYEES

8.1 Directors' and Executive Officers' Holdings of Shares and Options

The following table sets forth, as of September 3, 2010, information about the beneficial ownership of Microsoft Shares by all directors, our chief executive officer, our current and former chief financial officer, and the three other highest paid executive officers for fiscal year 2010 (collectively, the "named executive officers"), and our directors and all executive officers as a group.

In computing the number of Microsoft Shares beneficially owned and the percentage ownership, Microsoft Shares that may be acquired within 60 days of September 3, 2010 pursuant to the exercise of options or

the vesting of stock awards are deemed to be outstanding for that person. Such Microsoft Shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

Name ⁽²⁾	Amount and Nature of Beneficial Ownership of Common Microsoft Shares as of 9/3/2010 ⁽¹⁾	Percent of Class
William H. Gates III	620,973,551 ⁽³⁾	7.22%
Steven A. Ballmer	408,252,990	4.75%
James I. Cash, Jr.	15,433 ⁽⁴⁾	*
Dina Dublon	21,588 ⁽⁵⁾	*
Raymond V. Gilmartin	74,103 ⁽⁶⁾	*
Reed Hastings	205,129 ⁽⁷⁾	*
Maria Klawe	6,722	*
David F. Marquardt	1,234,758 ⁽⁸⁾	*
Charles H. Noski	51,434 ⁽⁹⁾	*
Helmut Panke	30,571	*
Robert J. Bach	1,736,940 ⁽¹⁰⁾	*
Stephen A. Elop	130,026	*
Christopher P. Liddell	96,434 ⁽¹¹⁾	*
Peter S. Klein	32,233 ⁽¹²⁾	*
B. Kevin Turner	158,917	*
Executive Officers and Directors as a group (22 persons)	1,038,812,486 ⁽¹³⁾	12.07%

* Less than 1%

- (1) Beneficial ownership represents sole voting and investment power.
- (2) The business address for each person listed in the table above is: Microsoft Corporation, One Microsoft Way, Redmond, Washington 98052-6399, USA.
- (3) Excludes 424,816 Microsoft Shares held by Mr. Gates' wife, as to which he disclaims beneficial ownership.
- (4) Dr. Cash retired from the Board on November 19, 2009. The ownership for Dr. Cash is as of December 31, 2009.
- (5) Includes 15,331 Microsoft Shares representing deferred stock.
- (6) Includes 44,444 options to purchase Company stock exercisable within 60 days of September 3, 2010 ("vested options"), and excludes 1,200 Microsoft Shares held by Mr. Gilmartin's wife, as to which he disclaims beneficial ownership.
- (7) Includes 28,129 Microsoft Shares representing deferred stock.
- (8) Includes 44,444 vested options and an aggregate of 1,200 Microsoft Shares held in trusts for three of Mr. Marquardt's minor children.
- (9) Includes 39,254 Microsoft Shares representing deferred stock.
- (10) Includes 1,216,667 vested options.
- (11) Mr. Liddell resigned as Chief Financial Officer on November 24, 2009 and from Microsoft effective December 31, 2009. The ownership of Mr. Liddell is as of December 31, 2009.
- (12) Mr. Klein was named Chief Financial Officer effective November 24, 2009.
- (13) Includes 5,038,554 vested options and 82,714 Microsoft Shares representing deferred stock.

8.2 Stock and Savings Plans

Employee Stock Purchase Plan

We have an ESPP for all eligible employees. Microsoft Shares may be purchased by employees at three-month intervals at 90% of the fair market value on the last day of each three-month period. Employees may purchase shares having a value not exceeding 15% of their gross compensation during an offering period. Employees purchased the following shares during the periods presented:

(Shares in millions)

Year Ended June 30,	2010	2009	2008
Shares purchased	20	24	18
Average price per share	\$ 23.73	\$ 20.13	\$ 26.78

At June 30, 2010, 64 million Microsoft Shares were reserved for future issuance through the ESPP.

Stock Plans

We have stock plans for directors and for officers, employees, consultants, and advisors. At June 30, 2010, an aggregate of 690 million Microsoft Shares were authorized for future grant under our stock plans, which cover stock options, stock awards, and shared performance stock awards. Awards that expire or are canceled without delivery of Microsoft Shares generally become available for issuance under the plans. We issue new Microsoft Shares to satisfy exercises and vestings of awards granted under all of our stock plans.

Stock Awards

SAs are grants that entitle the holder to Microsoft Shares as the award vests. Our SAs generally vest over a five-year period.

Shared Performance Stock Awards

Shared performance stock awards (“SPSAs”) are a form of SA in which the number of Microsoft Shares ultimately received depends on our business performance against specified performance targets.

We granted SPSAs for fiscal years 2010, 2009, and 2008 with performance periods of July 1, 2009 through June 30, 2010, July 1, 2008 through June 30, 2009, and July 1, 2007 through June 30, 2008, respectively. In September following the end of each performance period, the number of shares of stock subject to the award is determined by multiplying the target award by a percentage ranging from 0% to 150%. The percentage is based on performance metrics for the performance period, as determined by the Compensation Committee of the Board of Directors in its sole discretion. An additional number of shares, approximately 12% of the total target SPSAs, are available as additional awards to participants based on individual performance. One-quarter of the Microsoft Shares subject to each award vest following the end of the performance period, and an additional one-quarter of the Microsoft Shares vest on each of the following three anniversaries of the grant date.

Executive Officer Incentive Plan

In fiscal year 2009, the Compensation Committee approved a new Executive Officer Incentive Plan (“EOIP”) for executive officers of the Company. The EOIP replaced the annual cash bonus opportunity and equity award plans for executive officers. Under the EOIP, the Compensation Committee makes awards of performance-based compensation for specified performance periods. For fiscal years 2010 and 2009, executive officers were eligible to receive annual awards comprised of cash and SAs from an incentive pool equal to a percentage of the Company’s operating income. For fiscal year 2010 it was 0.45% of operating income, and for fiscal year 2009 it was 0.35% of operating income. Following approval of the awards, 20% of the award is payable to the executive officers in cash, and the remaining 80% is converted into an SA for Microsoft Shares. The SA portion of the award vests one-quarter immediately after the award is approved following fiscal year-end, and one-quarter on August 31 of each of the following three years.

We grant awards from the incentive pool to the executive officers in September following the end of the fiscal year based on the officer’s performance during the prior fiscal year period. Each executive officer receives a fixed percentage of the pool ranging between 0% and 150% of a target based on an

assessment of the executive officer's performance during the fiscal year. The number of shares subject to the SA portion of the award is determined by dividing the value of the award by the closing price of Microsoft Shares on August 31 of each year.

Activity for All Stock Plans

The fair value of each award is estimated on the date of grant using the following assumptions:

Year Ended June 30,	2010	2009	2008
Dividends per share (quarterly amounts)	\$ 0.13	\$ 0.11 - \$ 0.13	\$ 0.10 - \$ 0.11
Interest rates range	2.1% - 2.9%	1.4% - 3.6%	2.5% - 4.9%

During fiscal year 2010, the following activity occurred under our existing plans:

	Shares (In millions)	Weighted Average Grant-Date Fair Value
Stock Awards		
Nonvested balance, beginning of year	191	\$ 25.69
Granted	100	\$ 23.43
Vested	(52)	\$ 25.50
Forfeited	(16)	\$ 25.19
Nonvested balance, end of year	223	\$ 24.76
Shared Performance Stock Awards		
Nonvested balance, beginning of year	28	\$ 26.79
Granted	12	\$ 24.57
Vested	(7)	\$ 26.65
Forfeited	(3)	\$ 25.74
Nonvested balance, end of year	30	\$ 25.32

As of June 30, 2010, there was \$4.2 billion and \$482 million of total unrecognized compensation costs related to SAs and SPSAs, respectively. These costs are expected to be recognized over a weighted average period of 3.4 years and 2.4 years, respectively.

During fiscal year 2009 and 2008, the following activity occurred under our stock plans:

(In millions, except fair values)	2009	2008
Stock Awards		
Awards granted	91	71
Weighted average grant-date fair value	\$ 24.95	\$ 27.83
Shared Performance Stock Awards		
Awards granted	10	19
Weighted average grant-date fair value	\$ 25.93	\$ 27.82

Stock Options

In fiscal year 2004, we began granting employees and non-employee directors SAs rather than non-qualified and incentive stock options as part of our equity compensation plans. Since then, stock options issued to employees have been issued primarily in conjunction with business acquisitions. Options granted between 1995 and 2001 generally vest over four and one-half years and expire seven years from the date of grant, while certain options vest either over four and one-half years or over seven and one-half years and expire 10 years from the date of grant. Options granted after 2001 vest over four and one-half years and expire 10 years from the date of grant. We granted one million, one million, and 10 million stock options in conjunction with business acquisitions during fiscal years 2010, 2009, and 2008, respectively.

Employee stock options activity was as follows:

	Shares (In millions)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In millions)
Balance, July 1, 2009	330	\$ 27.99		
Granted	1	\$ 3.20		
Exercised	(74)	\$ 25.86		
Canceled	(69)	\$ 39.00		
Forfeited	(1)	\$ 12.94		
Balance, June 30, 2010	187	\$ 24.68	1.46	\$ 143
Exercisable, June 30, 2010	186	\$ 24.68	1.43	\$ 130

Options outstanding as of June 30, 2010 include approximately three million options that were granted in conjunction with business acquisitions. While these options are included in the options outstanding balance, they are excluded from the weighted average exercise price. These options have an exercise price range of \$0.01 to \$150.93 and a weighted average exercise price of \$7.49.

During fiscal years 2010, 2009, and 2008, the following activity occurred under our stock plans:

(In millions)	2010	2009	2008
Total intrinsic value of stock options exercised	\$ 365	\$ 48	\$ 1,042
Total vest-date fair value of stock awards vested	\$ 1,358	\$ 1,137	\$ 955
Total vest-date fair value of shared performance stock awards vested	\$ 227	\$ 485	\$ 401

Cash received from option exercises for fiscal years 2010, 2009, and 2008, was \$1.8 billion, \$88 million, and \$3.0 billion, respectively. The actual tax benefit realized for the tax deductions from option exercises totaled \$126 million, \$12 million, and \$365 million for fiscal years 2010, 2009, and 2008, respectively.

Savings Plan

We have a savings plan in the United States that qualifies under Section 401(k) of the Internal Revenue Code, and a number of savings plans in international locations. Participating U.S. employees may contribute up to 50% of their salary, but not more than statutory limits. We contribute fifty cents for each dollar a participant contributes in this plan, with a maximum contribution of 3% of a participant's earnings. Matching contributions for all plans were \$275 million, \$262 million, and \$238 million in fiscal years 2010, 2009, and 2008, respectively, and were expensed as contributed. Matching contributions are invested proportionate to each participant's voluntary contributions in the investment options provided under the

plan. Investment options in the U.S. plan include Microsoft common stock, but neither participant nor our matching contributions are required to be invested in Microsoft common stock.

IX. WORKING CAPITAL STATEMENT

Microsoft believes existing domestic cash, cash equivalents, short-term investments, and cash flows from operations should be sufficient to fund its domestic operating activities and cash commitments for investing and financing activities, such as regular quarterly dividends, debt repayment schedules, and material capital expenditures, for at least the next 12 months and thereafter for the foreseeable future. In addition, Microsoft expects existing foreign cash, cash equivalents, short-term investments, and cash flows from operations to continue to be sufficient to fund its foreign operating activities and cash commitments for investing activities, such as material capital expenditures, for at least the next 12 months and thereafter for the foreseeable future.

X. SELECTED FINANCIAL INFORMATION

10.1 Selected Financial Data

The selected financial data of Microsoft set out in this prospectus have been prepared in accordance with U.S. GAAP. They are derived in part from and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and Microsoft's consolidated financial statements and notes thereto appearing respectively on pages 22 – 41 and 44 – 83 of Microsoft's Form 10-K, and its consolidated financial statements and related notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing respectively on pages 3 – 27 and 29 – 44 of Microsoft's Form 10-Q.

SELECTED THREE-YEAR FINANCIAL DATA (in millions of US\$, except per share data)

Fiscal Year Ended June 30,	2010	2009	2008
Revenue	\$ 62,484	\$ 58,437	\$ 60,420
Operating income	\$ 24,098	\$ 20,363	\$ 22,271 ^(c)
Net income	\$ 18,760	\$ 14,569	\$ 17,681 ^(c)
Diluted earnings per share	\$ 2.10	\$ 1.62	\$ 1.87
Cash dividends declared per share	\$ 0.52	\$ 0.52	\$ 0.44
Cash and cash equivalents	\$ 5,505	\$ 6,076	\$ 10,339
Short-term investments (including securities pledged of \$62, \$1,540 and \$2,491)	\$ 31,283	\$ 25,371	\$ 13,323
Total assets	\$ 86,113	\$ 77,888	\$ 72,793
Long-term obligations	\$ 13,791 ^(a)	\$ 11,296 ^(b)	\$ 6,621
Stockholders' equity	\$ 46,175	\$ 39,558	\$ 36,286

(a) Includes \$1.25 billion of convertible debt securities issued in June 2010 and \$3.75 billion of debt securities issued in May 2009. See Note 12 – Debt in the Notes to Financial Statements on pages 66 – 67 of Microsoft's Form 10-K.

(b) Includes \$3.75 billion of debt securities issued in May 2009. See Note 12 – Debt in the Notes to Financial Statements on pages 66 – 67 of Microsoft's Form 10-K.

(c) Includes charge of \$1.4 billion (€899 million) related to the fine imposed by the European Commission in February 2008.

SELECTED QUARTERLY FINANCIAL DATA
(in millions of US\$, except per share amounts – unaudited)

Income Statements Data

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2011	2010	2011	2010
Revenue	\$ 16,428	\$ 14,503	\$ 52,576	\$ 46,445
Total operating expenses	10,719	9,330	31,586	28,277
Operating income	5,709	5,173	20,990	18,168
Net income	\$ 5,232	\$ 4,006	\$ 17,276	\$ 14,242
Earnings per share				
Basic	\$ 0.62	\$ 0.46	\$ 2.03	\$ 1.61
Diluted	\$ 0.61	\$ 0.45	\$ 2.01	\$ 1.59
Cash dividends declared per common share	\$ 0.16	\$ 0.13	\$ 0.48	\$ 0.39

Balance Sheets Data

	March 31, 2011	June 30, 2010*
Cash and cash equivalents	\$ 7,021	\$ 5,505
Short-term investments (including securities loaned of \$1,171 and \$62)	43,129	31,283
Total assets	99,727	86,113
Long-term obligations	22,233	13,791
Total stockholders' equity	53,452	46,175

* Derived from audited financial statements set out in Microsoft's Form 10-K.

10.2 Independent Registered Public Accounting Firm

The independent registered public accounting firm of Microsoft is Deloitte & Touche LLP, Seattle, Washington, U.S.A. Deloitte & Touche LLP is registered with the Public Company Accounting Oversight Board (United States) and a member of the American Institute of Certified Public Accountants.

XI. DOCUMENTS ON DISPLAY

Microsoft's Internet address is www.microsoft.com. At its Investor Relations Web site, www.microsoft.com/msft, Microsoft makes available free of charge a variety of information for investors, including its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports, as soon as reasonably practicable after Microsoft electronically files such material with or furnishes it to the SEC (www.sec.gov).

Microsoft's Form 10-K, Microsoft's Form 10-Q and Microsoft's Proxy Statement, referred to in this prospectus, may be obtained free of charge upon request by an employee.

Microsoft expects to issue after market close on July 21, 2011, its earnings release for the quarter and fiscal year ended June 30, 2011. The annual report on Form 10-K for the fiscal year ended June 30, 2011, will be filed with the SEC no later than August 29, 2011. These documents will be available on the web sites of Microsoft and the SEC indicated above.

XII. TAX CONSEQUENCES

12.1 Austrian Tax Consequences

The following summary is based on the income and social tax laws in effect in Austria as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends, or when an Awardee's Stock Award vests, Awardee sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees and Awardees who are Austrian tax residents. If the Participating Employee or Awardee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins or after a Stock Award is granted, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's or Awardee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees or Awardees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee will be subject to income tax on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price. The Participating Employee also will be subject to social insurance contributions on this amount, provided the Participating Employee has not already exceeded his/her applicable contribution ceiling. The Participating Employee may be entitled to a tax exemption and/or reduced tax rate if certain requirements are met.

Dividends

Where Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to these shares if Microsoft, in its discretion, declares a dividend. The Participating Employee will be subject to tax in Austria on any dividends received, provided the Participating Employee exceeds the tax exemption available for dividends and other forms of income not subject to wage tax withholding. The Participating Employee also will be subject to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

For Microsoft Shares acquired prior to January 1, 2011, when the Participating Employee subsequently sells the Microsoft Shares purchased under the ESPP, the Participating Employee will not be subject to capital gains tax provided the Participating Employee holds the Microsoft Shares for 12 months after acquiring them and has not owned 1% or more of Microsoft's common stock within the past 5 years. In all other cases (for Microsoft Shares acquired on or after January 1, 2011), the Participating Employee will be subject to capital gains tax at a flat rate on the difference between the sale proceeds and the Fair Market Value of the Microsoft Shares on the Date of Exercise.

Withholding and Reporting

The Participating Employee's employer is required to withhold and report income tax and social insurance contributions (to the extent the Participating Employee has not already exceeded his/her applicable contribution ceiling) at the time he/she purchases Microsoft Shares, unless a tax exemption (which also applies to social insurance contributions) applies. It is the Participating Employee's responsibility to report and pay any taxes resulting from the sale of the Microsoft Shares or the receipt of any dividends.

STOCK PLAN

Grant

Awardee will not be subject to tax when SAs are granted.

Vesting

Awardee will be subject to income tax and social insurance contributions (to the extent he/she has not already exceeded the applicable contribution ceiling) when the SAs vest and Microsoft Shares are issued to Awardee. Awardee will be taxed on the fair market value of the Microsoft Shares issued to him/her on the date of vesting. A tax exemption and/or reduced tax rate may be available if certain requirements are met).

Dividends

Where Microsoft Shares are acquired under the Stock Plan, dividends may be paid with respect to these shares if Microsoft, in its discretion, declares a dividend. Awardee will be subject to tax in Austria on any dividends received, provided Awardee exceeds the tax exemption available for dividends and other forms of income not subject to wage tax withholding. Awardee also will be subject to U.S. federal tax withheld at source. Awardee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

For Microsoft Shares acquired prior to January 1, 2011, when the Awardee subsequently sells the Microsoft Shares acquired under the Stock Plan, the Awardee will not be subject to capital gains tax provided the Awardee holds the Microsoft Shares for 12 months after acquiring them and has not owned 1% or more of Microsoft's common stock within the past 5 years. In all other cases (for Microsoft Shares acquired on or after January 1, 2011), the Awardee will be subject to capital gains tax at a flat rate on the difference between the sale proceeds and the fair market value of the Microsoft Shares on the date of vesting.

Withholding and Reporting

Awardee's employer is required to withhold and report income tax and social insurance contributions (to the extent that he/she has not already exceeded the applicable contribution ceiling) at the time of vesting, unless the tax exemption (which also applies to social insurance contributions) applies. It is Awardee's responsibility to report and pay taxes resulting from the sale of the Microsoft Shares or the receipt of any dividends.

12.2 Belgian Tax Consequences

The following summary is based on the income and social tax laws in effect in Belgium as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends, or when an Awardee's Stock Award vests, Awardee sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees and Awardees who are Belgian tax residents. If the Participating Employee or Awardee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins or after a Stock Award is granted, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's or Awardee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees or Awardees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee generally will be subject to income tax (at the normal progressive income tax rates) on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price. As Microsoft currently does not directly or indirectly charge the costs related to the ESPP to the Participating Employee's local employer and because the Participating Employee has no recourse against his/her local employer in case he/she does not receive the benefit, the Participating Employee normally should not be subject to social security contributions.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Belgium and to U.S. federal tax withheld at source. The U.S. federal tax withheld is deductible from the basis on which Belgian tax is calculated but cannot be credited against the Belgian tax.

Sale of Shares

The Participating Employee typically should not be subject to tax when he/she subsequently sells the Microsoft Shares purchased under the ESPP.

Withholding and Reporting

Because the grant is made by Microsoft and not by the Participating Employee's local employer (the latter thus not being involved in the grant), and provided Microsoft does not charge the costs related to the ESPP to the Participating Employee's local employer, the local employer should not be obliged to withhold tax when Microsoft Shares are purchased under the ESPP and should not be obliged to report the remuneration on the Participating Employee's salary forms relating to the year of purchase. The Participating Employee will be solely responsible for reporting the employment income personally and directly in his/her personal income tax return and for paying any taxes due upon purchase of the Microsoft Shares, the sale of Microsoft Shares or the receipt of any dividends.

STOCK PLAN

Grant

Awardee should not be subject to tax when SAs are granted.

Vesting

Awardee should be subject to income tax (at the normal progressive income tax rates) on the fair market value of the Microsoft Shares received when the SAs vest. As Microsoft currently does not directly or indirectly charge the costs related to the SAs to Awardee's local employer and because Awardee has no recourse against his/her local employer in case he/she does not receive the benefit, the Awardee normally should not be subject to social security contributions.

Dividends

If Awardee vests in the SAs and is issued Microsoft Shares, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Belgium and to U.S. federal tax withheld at source. The U.S. federal tax withheld is deductible from the basis on which Belgian tax is calculated but cannot be credited against the Belgian tax.

Sale of Shares

Awardee should not be subject to tax when he/she sells the Microsoft Shares acquired under the Stock Plan.

Withholding and Reporting

Because the grant is made by Microsoft and not by the Awardee's local employer (and the latter thus not being involved in the grant) and provided Microsoft does not charge the costs related to Stock Plan to the Awardee's local employer, the local employer should not be obliged to withhold tax at vesting, and should not be obliged to report the taxable amount on the Awardee's salary forms relating to the year of vesting. The Awardee will be solely responsible for reporting the employment income personally and directly in his/her personal income tax return and for paying any taxes due upon the vesting of the SAs, the sale of Microsoft Shares or the receipt of any dividends.

12.3 Czech Republic Tax Consequences

The following summary is based on the income and social tax laws in effect in the Czech Republic as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends, or when an Awardee's Stock Award vests, Awardee sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees and Awardees who are Czech tax residents. If the Participating Employee or Awardee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins or after a Stock Award is granted, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's or Awardee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees or Awardees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee will be subject to income tax on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price. The Participating Employee likely will not be subject to social insurance or health insurance contributions on this amount.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in the Czech Republic and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

The Participating Employee will not be subject to tax when the Participating Employee subsequently sells the Microsoft Shares provided the Participating Employee has held the Microsoft Shares for more than six months. If the Participating Employee holds the Microsoft Shares for six months or less, the Participating Employee will be taxed on the difference between the sale price of the Microsoft Shares and the Fair Market Value of the Microsoft Shares on the Date of Exercise.

Withholding and Reporting

The Participating Employee's employer is not required to withhold or report income tax when the Microsoft Shares are purchased under the ESPP. It is the Participating Employee's responsibility to report in his/her annual tax return and pay taxes resulting from the purchase of Microsoft Shares, the subsequent sale of Microsoft Shares or the receipt of any dividends.

STOCK PLAN

Grant

Awardee likely will not be subject to tax when SAs are granted.

Vesting

Awardee likely will be subject to income tax when the SAs vest on the fair market value of the Microsoft Shares on the date of vesting. Awardee likely will not be subject to social insurance or health insurance contributions when the SAs vest.

Dividends

If Awardee vests in the SAs and is issued Microsoft Shares, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in the Czech Republic and to U.S. federal tax withheld at source. Awardee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

Awardee will not be subject to tax when Awardee subsequently sells the Microsoft Shares acquired under the Stock Plan provided Awardee has held the Microsoft Shares for more than six months. If Awardee holds the Microsoft Shares for six months or less, Awardee will be taxed on the difference between the sale price and the fair market value of the Microsoft Shares at vesting.

Withholding and Reporting

Awardee's employer is not required to withhold or report income tax when the SAs vest. It is the Awardee's responsibility to report in his/her annual tax return and pay taxes resulting from the vesting of the SAs, the subsequent sale of Microsoft Shares or the receipt of any dividends.

12.4 Denmark Tax Consequences

The following summary is based on the income and social tax laws in effect in Denmark as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends, or when an Awardee's Stock Award vests, Awardee sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees and Awardees who are Danish tax residents. If the Participating Employee or Awardee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins or after a Stock Award is granted, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's or Awardee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees or Awardees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee will be subject to income tax and social insurance contributions on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Denmark and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

The Participating Employee will be subject to tax when he/she subsequently sells the Microsoft Shares acquired upon purchase at a gain. The taxable amount will be the difference between the sale price and the Fair Market Value of the Microsoft Shares on the Date of Exercise.

Withholding and Reporting

The Participating Employee's employer likely is not required to withhold income tax or social insurance contributions at the time the Microsoft Shares are purchased or sold. However, the employer will report the taxable amount at purchase to the Danish tax administration. It is the Participating Employee's responsibility to pay any taxes (including social insurance contributions) resulting from the purchase and the sale of the Microsoft Shares, or receipt of any dividends.

STOCK PLAN

Grant

Awardee likely will not be subject to tax when SAs are granted.

Vesting

Unless tax is due at grant (as noted above), Awardee will be subject to income tax and social insurance contributions when the SAs vest and Microsoft Shares are issued to Awardee. Awardee will be taxed on the fair market value of the Microsoft Shares issued on the date of vesting.

Dividends

If Awardee vests in the SAs and is issued Microsoft Shares, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Denmark and to U.S. federal tax withheld at source. Awardee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

Awardee will be subject to tax when he/she subsequently sells the Microsoft Shares acquired under the Stock Plan at a gain. Unless tax is due at grant (as noted above), the taxable amount will be the difference between the sale price and the fair market value of the Microsoft Shares issued to Awardee on the date of vesting.

Withholding and Reporting

Awardee's employer likely is not required to withhold income tax or social insurance contributions at the time of grant, vesting or sale. However, the employer is required to report the taxable amount to the Danish tax administration. It is Awardee's responsibility to pay any taxes (including social insurance taxes) resulting from the grant or vesting of the SAs, sale of Microsoft Shares, or receipt of any dividends.

12.5 Estonian Tax Consequences

The following summary is based on the income and social tax laws in effect in Estonia as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends, or when an Awardee's Stock Award vests, Awardee sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees and Awardees who are Estonian tax residents. If the Participating Employee or Awardee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins or after a Stock Award is granted, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's or Awardee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees or Awardees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

As of January 1, 2011, when Microsoft Shares are purchased under the ESPP, the stock purchase rights will be deemed a fringe benefit and subject to income tax payable by the Participating Employee's employer and social taxes, as applicable. On the purchase date, the Participating Employee's employer will be required to pay tax on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price.

Dividends

Where Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to these shares if Microsoft, in its discretion, declares a dividend. The Participating Employee will be subject to tax in Estonia on any dividends received, provided the Participating Employee exceeds the tax exemption available for dividends and other forms of income not subject to wage tax withholding. The Participating Employee also will be subject to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

When the Participating Employee subsequently sells the Microsoft Shares purchased under the ESPP, the Participating Employee will be subject to tax on the difference between the sale proceeds and the Fair Market Value of the Microsoft Shares on the Date of Exercise.

Withholding and Reporting

The Participating Employee's employer is required to report and pay (not withhold) income tax and social insurance contributions, as applicable, when the Participating Employee purchases Microsoft Shares. It is the Participating Employee's responsibility to report and pay any taxes resulting from the sale of the Microsoft Shares or the receipt of any dividends.

STOCK PLAN

Grant

Awardee will not be subject to tax when SAs are granted.

Vesting

As of January 1, 2011, SAs will be deemed fringe benefits subject to income tax and social insurance contributions, as applicable, payable by Awardee's employer when the SAs vest and Microsoft Shares are issued to Awardee. When the SAs vest and Microsoft Shares are issued to Awardee, Awardee's employer will be required to pay tax on the fair market value of the Microsoft Shares issued to Awardee on the date of vesting.

Dividends

Where Microsoft Shares are acquired under the Stock Plan, dividends may be paid with respect to these shares if Microsoft, in its discretion, declares a dividend. Awardee will be subject to tax in Estonia on any dividends received, provided Awardee exceeds the tax exemption available for dividends and other forms of income not subject to wage tax withholding. Awardee also will be subject to U.S. federal tax withheld at source. Awardee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

When Awardee subsequently sells the Microsoft Shares acquired under the Stock Plan, Awardee will be subject to tax on the difference between the sale proceeds and the fair market value of the Microsoft Shares on the date of vesting.

Withholding and Reporting

Awardee's employer is required to report and pay (not withhold) income tax and social insurance contributions, as applicable, at the time of vesting. It is Awardee's responsibility to report and pay taxes resulting from the sale of the Microsoft Shares or the receipt of any dividends.

12.6 Finland Tax Consequences

The following summary is based on the income and social tax laws in effect in Finland as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends, or when an Awardee's Stock Award vests, Awardee sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees and Awardees who are Finnish tax residents. If the Participating Employee or Awardee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins or after a Stock Award is granted, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's or Awardee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees or Awardees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee will be subject to income tax, health insurance contributions and church tax (if applicable) on the difference between the fair market value of the Microsoft Shares on the Date of Exercise and the Purchase Price.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Finland and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

The Participating Employee will be subject to capital gains tax when he/she subsequently sells the Microsoft Shares purchased under the ESPP on the difference between the sale price and the Fair Market Value of the Microsoft Shares on the Date of Exercise.

Withholding and Reporting

The Participating Employee's employer is required to withhold income tax, health insurance contributions and church tax (if applicable) due on the taxable amount. It is the Participating Employee's responsibility to report and pay any taxes resulting from the sale of the Microsoft Shares or receipt of any dividends.

STOCK PLAN

Grant

Awardee will not be subject to tax when SAs are granted.

Vesting

Awardee will be subject to income tax, health insurance contributions and church tax (if applicable) when the SAs vest and Microsoft Shares are issued. Awardee will be taxed on the fair market value of the Microsoft Shares issued on the date of vesting.

Dividends

If Awardee vests in the SAs and is issued Microsoft Shares, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Finland and to U.S. federal tax withheld at source. Awardee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

Awardee will be subject to capital gains tax when he/she subsequently sells the Microsoft Shares acquired under the Stock Plan at a gain. The taxable amount will be the difference between the sale price and the fair market value of the Microsoft Shares at vesting.

Withholding and Reporting

Awardee's employer is required to report and withhold income tax, health insurance contributions and church tax (if applicable) due on the income realized when the SAs vest. It is Awardee's responsibility to report and pay any taxes resulting from the sale of Microsoft Shares or receipt of any dividends.

12.7 French Tax and Social Security Consequences

The following summary is based on the income tax and social security laws in effect in France as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees who qualify as French tax residents and are subject to the French social security regime. If the Participating Employee is a citizen or resident of another country for local law purposes or is not subject to the French social security regime or transfers employment to another country after a Purchase Period begins or after a Stock Award is granted, the income tax and social security information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. This may not apply to each Participating Employee's particular tax or financial situation and Microsoft is not in a position to assure them of any particular tax results.

The Participating Employees should address any particular questions to a specialized advisor.

Enrollment in the ESPP

The Participating Employee is not subject to tax or social security contributions when he/she enrolls in the ESPP or in new Purchase Period begins.

Payroll Deductions

Payroll deductions are after-tax contributions and, as such, they remain subject to social security contributions.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee will be subject to income tax on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price. The Participating Employee also will be subject to social security contributions (paid by the employer and the employee), including CSG and CRDS.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those Microsoft Shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in France, to additional social taxes in France and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld, provided formalities are fulfilled.

Sale of Shares

When the Participating Employee subsequently sells the Microsoft Shares acquired under the ESPP, the net sale gain calculated as the difference between the net sale price and the Fair Market Value of the Microsoft Shares on the Date of Exercise, may be subject to personal income tax at a flat rate, provided the aggregate gross proceeds from any sale of stock realized by the Participating Employee and his or her household during the relevant calendar year exceed a certain exempt amount set annually, and will be subject to additional social taxes (regardless of whether the above-mentioned exempt amount is exceeded).

Withholding and Reporting

The Participating Employee's employer is not required to withhold personal income tax when Microsoft Shares are purchased under the ESPP, provided the Participating Employee is a French resident for tax purposes. However, because the income realized upon the purchase of Microsoft Shares qualifies as additional salary under French law, the Participating Employee's employer is required to report this income on its annual declaration of salaries which is filed with the tax and social security authorities and on the Participating Employee's monthly pay slip. Also, the Participating Employee's employer will withhold the employee's portion of social security contributions due at purchase. The additional salary also will be included in the taxable income that the Participating Employee must report on his/her personal income tax return to be filed with the French tax administration in the year following the year of purchase.

THE FRENCH TAX AND SOCIAL SECURITY CONTRIBUTIONS CONSEQUENCES ARISING FROM THE GRANT AND ACQUISITION OF SAs AND FROM FRENCH-QUALIFIED SAs ARE DIFFERENT FROM WHAT IS DESCRIBED ABOVE FOR THE ESPP.

12.8 German Tax Consequences

The following summary is based on the income and social tax laws in effect in Germany as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends, or when an Awardee's Stock Award vests, Awardee sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees and Awardees who are German tax residents. If the Participating Employee or Awardee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins or after a Stock Award is granted, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's or Awardee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees or Awardees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee will be subject to income tax at his/her marginal rate on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price. The Participating Employee also will be subject to social insurance contributions on this amount to the extent he/she has not already exceeded his/her applicable contribution ceiling, solidarity surcharge on the income tax liability and church tax if he or she is a member of a recognized church in Germany.

The German Income Tax Act provides favorable tax treatment if certain conditions are met.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Germany and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

If the Participating Employee sells Microsoft Shares that were acquired on or after January 1, 2009 at a gain, the Participating Employee will be subject to capital gains tax at a flat rate plus a solidarity surcharge and church tax, if applicable, provided the Participating Employee does not own 1% or more of Microsoft's stated capital (and has not owned 1% or more at any time in the last five years) and the Microsoft Shares are not held as business assets. The taxable gain will be the difference between the sale price and the Fair Market Value of the Microsoft Shares on the Date of Exercise.

Withholding and Reporting

The income recognized when the Microsoft Shares are purchased will be compensation to the Participating Employee and his/her employer is required to report and withhold income tax, solidarity surcharge, church tax (if applicable) and social insurance contributions (to the extent he/she has not exceeded his/her applicable ceiling for social insurance contributions) on the taxable amount. It is the Participating Employee's responsibility to report and pay taxes resulting from the sale of Microsoft Shares or receipt of any dividends.

STOCK PLAN

Grant

Awardee will not be subject to tax when SAs are granted.

Vesting

Awardee will be subject to income tax, social insurance contributions (to the extent Awardee has not exceeded the applicable contributions ceiling), solidarity surcharge on the income tax liability, and church tax if he/she is a member of a recognized church in Germany when the SAs vest on the fair market value of the Microsoft Shares issued on the date of vesting.

The German Income Tax Act provides favorable tax treatment if certain conditions are met.

Dividends

If Awardee vests in the SAs and is issued Microsoft Shares, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Germany and to U.S. federal tax withheld at source. Awardee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

If Awardee sells Microsoft Shares that were acquired on or after January 1, 2009 at a gain, Awardee will be subject to capital gains tax at a flat rate plus a solidarity surcharge and church tax, if applicable, provided Awardee does not own 1% or more of Microsoft's stated capital (and has not owned 1% or more at any time in the last five years) and the Microsoft Shares are not held as business assets. The taxable gain will be the difference between the sale price and the fair market value of the Microsoft Shares at vesting.

Withholding and Reporting

The income recognized at vesting will be deemed to be taxable compensation to Awardee and Awardee's employer is required to report and withhold income tax, solidarity surcharge, church tax (if applicable) and social insurance contributions (to the extent that Awardee has not exceeded the applicable contributions ceiling) on that income. It is Awardee's responsibility to report and pay taxes resulting from the sale of Microsoft Shares or the receipt of any dividends.

12.9 Greek Tax Consequences

The following summary is based on the income and social tax laws in effect in Greece as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends, or when an Awardee's Stock Award vests, Awardee sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees and Awardees who are Greek tax residents. If the Participating Employee or Awardee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins or after a Stock Award is granted, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's or Awardee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees or Awardees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee likely will be subject to income tax on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price. Social insurance contributions likely also will be due on this amount. Note that the tax treatment of the ESPP is uncertain.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Greece and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

The Participating Employee may be subject to tax when he/she subsequently sells the Microsoft Shares purchased under the ESPP. For Microsoft Shares acquired prior to January 1, 2012, the Participating Employee will be subject to transfer tax at sale of the Microsoft Shares. For Microsoft Shares acquired on or after January 1, 2012 sold at a gain, the Participating Employee will be subject to income tax. The

taxable amount likely will be the difference between the sale price and the Fair Market Value of the Microsoft Shares on the Date of Exercise.

Withholding and Reporting

The Participating Employee's employer likely is not required to withhold income tax or social insurance contributions when the Participating Employee purchases Microsoft Shares under the ESPP, but will report the purchase of Microsoft Shares. It is the Participating Employee's responsibility to report and pay any taxes resulting from the purchase of Microsoft Shares, the sale of Microsoft Shares or receipt of any dividends.

STOCK PLAN

Grant

The Awardee will not be subject to tax when SAs are granted.

Vesting

Awardee likely will be subject to income tax when the SAs vest on the fair market value of the Microsoft Shares issued on the date of vesting. Social insurance contributions likely also will be due on this amount. Note that the tax treatment of SAs is uncertain.

Dividends

If Awardee vests in the SAs and is issued Microsoft Shares, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Greece and to U.S. federal tax withheld at source. Awardee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

Awardee may be subject to tax when he/she subsequently sells the Microsoft Shares acquired under the Stock Plan. For Microsoft Shares acquired prior to January 1, 2012, Awardee will be subject to transfer tax at sale of the Microsoft Shares. For Microsoft Shares acquired on or after January 1, 2012 sold at a gain, Awardee will be subject to income tax. The taxable amount likely will be the difference between the sale price and the fair market value of the Microsoft Shares at vesting.

Withholding and Reporting

Awardee's employer is not required to withhold income tax or social insurance contributions when the SAs vest, but will report the income at vesting. It is Awardee's responsibility to report and pay any taxes resulting from the vesting of the SAs, the sale of Microsoft Shares or receipt of any dividends.

12.10 Irish Tax Consequences

The following summary is based on the income and social tax laws in effect in Ireland as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends, or when an Awardee's Stock Award vests, Awardee sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees and Awardees who are Irish tax residents. If the Participating Employee or Awardee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins or after a Stock Award is

granted, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's or Awardee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees or Awardees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee will be subject to income tax and Universal Social Charge ("USC") on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price. As of January 1, 2011, the Participating Employee also will be subject to Pay Related Social Insurance ("PRSI") on the taxable amount.³

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Ireland and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

The Participating Employee will be subject to tax when he/she subsequently sells the Microsoft Shares acquired under the ESPP at a gain. The taxable amount will be the difference between the sale proceeds and Fair Market Value of the Microsoft Shares on the Date of Exercise, less any expenses incidental to the sale (e.g., broker fees). The resulting amount is subject to capital gains tax to the extent it exceeds the Participating Employee's annual exemption.

Withholding and Reporting

The Participating Employee's employer is not required to withhold income tax or USC at the time the Microsoft Shares are purchased but will withhold PRSI if applicable. However, the employer will report the grant of purchase rights and the purchase of Microsoft Shares under the ESPP to the Revenue Commissioners. It is the Participating Employee's responsibility to report and pay any taxes resulting from the purchase of Microsoft Shares, the sale of Microsoft Shares or receipt of any dividends.

STOCK PLAN

Grant

Awardee will not be subject to tax when SAs are granted.

³ Note that PRSI will not be due on ESPP purchase rights granted prior to January 1, 2011.

Vesting

Awardee will be subject to income tax when the SAs vest and Microsoft Shares are issued to Awardee. The taxable amount will be the fair market value of the Microsoft Shares issued on the date of vesting. As of January 1, 2011, the Participating Employee also will be subject to PRSI and USC on the taxable amount.⁴

Dividends

If Awardee vests in the SAs and is issued Microsoft Shares, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Ireland and to U.S. federal tax withheld at source. Awardee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

Awardee will be subject to capital gains tax when he/she subsequently sells the Microsoft Shares acquired under the Stock Plan at a gain. The taxable amount will be calculated by taking the fair market value of the Microsoft Shares at vesting plus any expenses incidental to sale (e.g., brokerage fees) and subtracting this amount from the sale proceeds. The resulting amount is subject to capital gains tax to the extent it exceeds Awardee's annual exemption.

Withholding and Reporting

Awardee's employer is required to withhold income tax, PRSI (except for SAs granted prior to January 1, 2011) and USC when the SAs vest. The employer will report the grant and the vesting of the SAs to the Revenue Commissioners. It is Awardee's responsibility to report and pay any taxes resulting from the vesting of the SAs, the sale of Microsoft Shares or the receipt of any dividends. Note that if the SAs are settled in cash, Awardee's employer is required to withhold income tax and social insurance contributions.

12.11 Italian Tax Consequences

The following summary is based on the income and social tax laws in effect in Italy as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends, or when an Awardee's Stock Award vests, Awardee sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees and Awardees who are Italian tax residents. If the Participating Employee or Awardee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins or after a Stock Award is granted, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's or Awardee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees or Awardees should address any particular questions to a specialized advisor.

⁴ Note that PRSI will not be due on SAs granted prior to January 1, 2011.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

The Participating Employee will be subject to income tax and social insurance contributions when Microsoft Shares are purchased under the ESPP on the difference between the Purchase Price and the average price of the Microsoft Shares in the month preceding and including the Date of Exercise. Tax will be due on this amount unless a tax exemption applies.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Italy and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

The Participating Employee will be subject to tax when he/she subsequently sells the Microsoft Shares purchased under the ESPP at a gain. The gain will be calculated as the difference between the sale price and the Purchase Price, or if the Microsoft Shares have already been subject to tax as employment income, the difference between the sale price and the sum of the Purchase Price and the amount already subject to taxation at purchase.

Withholding and Reporting

The Participating Employee's employer is required to withhold and report income tax and social insurance contributions when the Microsoft Shares are purchased, unless a tax exemption applies. It is the Participating Employee's responsibility to report and pay any taxes resulting from the sale of Microsoft Shares or receipt of any dividends.

STOCK PLAN

Grant

Awardee will not be subject to tax when SAs are granted.

Vesting

Awardee will be subject to income tax when the SAs vest on the fair market value (*i.e.*, the average price of the Microsoft Shares in the month preceding and including the date the SAs vest) of the Microsoft Shares issued at vesting. However, Awardee should not be subject to social insurance contributions on this amount.

Dividends

If Awardee vests in the SAs and is issued Microsoft Shares, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Italy and to U.S. federal tax withheld at source. Awardee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

Awardee will be subject to tax when he/she subsequently sells Microsoft Shares acquired under the Stock Plan at a gain. The gain will be calculated as the difference between the sale price and the value of the Microsoft Shares that have already been taxed as employment income at vesting.

Withholding and Reporting

Awardee's employer is required to report and withhold income tax when the SAs vest. It is Awardee's responsibility to report and pay any taxes resulting from the sale of Microsoft Shares or receipt of any dividends.

12.12 Netherlands Tax Consequences

The following summary is based on the income and social tax laws in effect in the Netherlands as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends, or when an Awardee's Stock Award vests, Awardee sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees and Awardees who are Dutch tax residents. If the Participating Employee or Awardee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins or after a Stock Award is granted, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's or Awardee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees or Awardees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

The Participating Employee will be subject to tax when the right to purchase Microsoft Shares under the ESPP becomes unconditional. This will likely occur at the time of purchase. The Participating Employee will be subject to income tax/wage withholding tax and social insurance contributions (to the extent the Participating Employee has not already exceeded the applicable ceiling) on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to U.S. federal tax withheld at source. Dividends are exempt from taxation in the Netherlands. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

When the Participating Employee subsequently sells the Microsoft Shares purchased under the ESPP, he/she will not be subject to any capital gains tax, provided he/she holds less than 5% of Microsoft's outstanding shares.

Withholding and Reporting

The Participating Employee's employer is required to withhold and report any wage tax and social insurance contributions on the taxable amount at purchase. The Participating Employee must report any taxable benefit derived from the ESPP on his/her personal income tax return.

STOCK PLAN

Grant

Awardee will not be subject to tax when SAs are granted.

Vesting

Awardee will be subject to income tax and social insurance contributions (to the extent Awardee has not exceeded the applicable wage ceiling) when the SAs vest and Microsoft Shares are issued. Awardee will be taxed on the fair market value of the Microsoft Shares issued on the date of vesting.

Dividends

If Awardee vests in the SAs and is issued Microsoft Shares, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to U.S. federal tax withheld at source. Dividends are exempt from taxation in the Netherlands. Awardee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

Awardee will not be subject to tax when he/she subsequently sells the Microsoft Shares acquired under the Stock Plan provided Awardee holds less than 5% of Microsoft's outstanding shares.

Withholding and Reporting

Awardee's employer is required to withhold and report income tax and social insurance contributions (unless the applicable wage ceiling has been met) due on the taxable income when the SAs vest. Awardee must report any taxable benefit derived from the Stock Plan on his/her personal income tax return.

12.13 Norwegian Tax Consequences

The following summary is based on the income and social tax laws in effect in the Norway as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends, or when an Awardee's Stock Award vests, Awardee sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees and Awardees who are Norwegian tax residents. If the Participating Employee or Awardee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins or after a Stock Award is granted, the income and social tax information below may not be applicable. Furthermore, this

information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's or Awardee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees or Awardees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

The Participating Employee will be subject to income tax and social insurance contributions when Microsoft Shares are purchased under the ESPP on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price, unless an exemption applies.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Norway and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

The Participating Employee is subject to tax when he/she subsequently sells the Microsoft Shares purchased under the ESPP on the difference between the sale price and the Fair Market Value of the Microsoft Shares on the Date of Exercise. Certain adjustments may be available that will reduce the capital gain.

Withholding and Reporting

The Participating Employee's employer will withhold and report income tax and social insurance contributions on the taxable amount at purchase. The Participating Employee must report any taxable benefit derived from the ESPP on his/her personal income tax return. It is also the Participating Employee's responsibility to report and pay any taxes resulting from the sale of the Microsoft Shares or receipt of any dividends.

STOCK PLAN

Grant

Awardee will not be subject to tax when SAs are granted.

Vesting

Awardee will be subject to income tax and social insurance contributions when the SAs vest and Microsoft Shares are issued. Awardee will be taxed on the fair market value of the Microsoft Shares issued on the date of vesting.

Dividends

If Awardee vests in the SAs and is issued Microsoft Shares, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Norway and to U.S. federal tax withheld at source. Awardee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

Awardee will be subject to tax when he/she subsequently sells the Microsoft Shares acquired under the Stock Plan on the difference between the sale price and the fair market value of the Microsoft Shares at vesting. Certain adjustments may be available that will reduce the capital gain.

Withholding and Reporting

Awardee's employer is required to withhold and report income tax and social insurance contributions on the taxable income when the SAs vest. Awardee must report any taxable benefit derived from the SAs on his/her personal income tax return. It is also Awardee's responsibility to report and pay any taxes resulting from the sale of the Microsoft Shares or receipt of any dividends.

12.14 Polish Tax Consequences

The following summary is based on the income and social tax laws in effect in Poland as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends, or when an Awardee's Stock Award vests, Awardee sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees and Awardees who are Polish tax residents. If the Participating Employee or Awardee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins or after a Stock Award is granted, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's or Awardee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees or Awardees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

The Participating Employee likely will be subject to income tax on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price. However, the tax treatment of ESPP income in Poland is uncertain as the tax authorities and courts have taken varying approaches to the taxation of equity awards. Social insurance contributions should not be due on ESPP income but this is not certain. The Participating Employee is strongly advised to consult with his/her personal tax advisor to determine whether tax is due at purchase.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Poland and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

The Participating Employee likely will be subject to tax when he/she subsequently sells the Microsoft Shares purchased under the ESPP on the entire sale proceeds. The portion of the Participating Employee's gain already taxed at purchase should constitute a tax deductible cost at sale and, therefore, should not be taxed again. However, it is possible that this approach may not be followed. Thus, a portion of the Participating Employee's gain may be subject to double taxation. The Participating Employee likely is not subject to social insurance contributions on this amount.

Withholding and Reporting

The Participating Employee's employer is not required to withhold or report tax when Microsoft Shares are purchased under the ESPP. It is the Participating Employee's responsibility to report and pay any tax due resulting from the purchase of Microsoft Shares under the ESPP, the sale of Microsoft Shares or receipt of any dividends.

STOCK PLAN

Grant

Awardee likely will not be subject to tax when SAs are granted.

Vesting

Awardee likely will be subject to tax when the SAs vest on the fair market value of the Microsoft Shares issued on the date of vesting. However, the tax treatment of SA income in Poland is uncertain as the tax authorities and courts have taken varying approaches to the taxation of equity awards. Social insurance contributions should not be due on SA income but this is not certain. The Awardee is strongly advised to consult with his/her personal tax advisor to determine whether tax is due at vesting.

Dividends

If Awardee vests in the SAs and is issued Microsoft Shares, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Poland and to U.S. federal tax withheld at source. Awardee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

Awardee likely will be subject to tax on the sale proceeds when Awardee subsequently sells Microsoft Shares acquired under the Stock Plan. If Awardee already was subject to tax at vesting, this means that a portion of Awardee's gain may be subject to double taxation. Awardee likely is not subject to social insurance contributions on this amount.

Withholding and Reporting

Awardee's employer is not required to withhold or report tax when the SAs vest. It is Awardee's responsibility to report and pay any tax due resulting from the vesting of the SAs, the sale of Microsoft Shares or receipt of any dividends.

12.15 Portuguese Tax Consequences

The following summary is based on the income and social tax laws in effect in Portugal as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends, or when an Awardee's Stock Award vests, Awardee sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees and Awardees who are Portuguese tax residents. If the Participating Employee or Awardee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins or after a Stock Award is granted, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's or Awardee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees or Awardees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee likely is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee will be subject to income tax on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price. The taxable amount likely will not be subject to social insurance contributions.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Portugal and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

The Participating Employee will be subject to tax when he/she subsequently sells the Microsoft Shares purchased under the ESPP on the difference between the sale price and the Purchase Price. There is an exemption applicable to Portuguese residents on the net capital gains up to a set annual amount.

Withholding and Reporting

The Participating Employee's employer is not required to withhold income tax when Microsoft Shares are purchased under the ESPP or subsequently sold. However, the employer will report the income derived from the purchase of Microsoft Shares under the ESPP to the tax authorities. It is the Participating Employee's responsibility to report and pay any taxes resulting from the purchase of Microsoft Shares, the sale of Microsoft Shares or receipt of any dividends.

STOCK PLAN

Grant

Awardee will not be subject to tax when SAs are granted.

Vesting

Awardee will be subject to income tax when the SAs vest on the fair market value of the Microsoft Shares issued on the date of vesting. However, Awardee should not be subject to social insurance contributions on this amount.

Dividends

If Awardee vests in the SAs and is issued Microsoft Shares, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Portugal and to U.S. federal tax withheld at source. Awardee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

Awardee will be subject to tax when Awardee subsequently sells Microsoft Shares acquired under the Stock Plan on the difference between the sale price and the fair market value of the Microsoft Shares at vesting. There is an exemption applicable to Portuguese residents on the net capital gains up to a set annual amount.

Withholding and Reporting

Awardee's employer is not required to withhold tax when the SAs vest. However, the employer will report the income derived from the SAs at vesting to the tax authorities. It is Awardee's responsibility to report and pay any tax due resulting from the vesting of the SAs, the sale of Microsoft Shares or receipt of any dividends.

12.16 Romanian Tax Consequences

The following summary is based on the income and social tax laws in effect in Romania as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends, or when an Awardee's Stock Award vests, Awardee sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees and Awardees who are Romanian tax residents. If the Participating Employee or Awardee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins or after a Stock Award is granted, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that

may apply. It may not apply to each Participating Employee's or Awardee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees or Awardees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee likely is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee likely will not be subject to tax.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Romania and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

The Participating Employee will be subject to tax when he/she subsequently sells the Microsoft Shares purchased under the ESPP on the difference between the sale price and the Purchase Price.

Withholding and Reporting

The Participating Employee's employer is not required to withhold or report tax when Microsoft Shares are purchased under the ESPP or subsequently sold. It is the Participating Employee's responsibility to report and pay any tax due resulting from the purchase of Microsoft Shares under the ESPP, the sale of Microsoft Shares or receipt of any dividends.

STOCK PLAN

Grant

Awardee will not be subject to tax when SAs are granted.

Vesting

Awardee may be subject to income tax and social insurance contributions when the SAs vest on the fair market value of the Microsoft Shares issued on the date of vesting.

Dividends

If Awardee vests in the SAs and is issued Microsoft Shares, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Romania and to U.S. federal tax withheld at source. Awardee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

Awardee will be subject to tax on the sale proceeds when Awardee subsequently sells Microsoft Shares acquired under the Stock Plan. However, if Awardee paid income tax at vesting, Awardee likely will be taxed on the difference between the sale price and the fair market value of the Microsoft Shares at vesting.

Withholding and Reporting

Awardee's employer is not required to withhold or report tax when the SAs vest. It is Awardee's responsibility to report and pay any tax due resulting from the vesting of the SAs, the sale of Microsoft Shares or receipt of any dividends.

12.17 Swedish Tax Consequences

The following summary is based on the income and social tax laws in effect in Sweden as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends, or when an Awardee's Stock Award vests, Awardee sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees and Awardees who are Swedish tax residents. If the Participating Employee or Awardee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins or after a Stock Award is granted, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's or Awardee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees or Awardees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee will be subject to income tax on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price. Additionally, the taxable amount will be subject to social insurance contributions payable by the Participating Employee's employer.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Sweden and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

The Participating Employee will be subject to tax when he/she subsequently sells the Microsoft Shares acquired under the ESPP at a gain. The gain is calculated as the difference between the sale price and the Fair Market Value of the Microsoft Shares on the Date of Exercise. As an alternative, the Participating Employee may choose to be taxed on a certain percentage of the sale proceeds since Microsoft Shares are listed on the Nasdaq.

If the sale results in a capital loss, then the loss is deductible against certain types of capital gains realized during the same year. A tax deduction is allowed to the extent the loss cannot be offset against capital gains realized in the same year.

Withholding and Reporting

The Participating Employee's employer is required to report and withhold preliminary income tax on the taxable amount when the Microsoft Shares are purchased. The Participating Employee must report the taxable income in his/her annual income tax return. It is the Participating Employee's responsibility to report and pay any taxes resulting from the sale of Microsoft Shares or receipt of any dividends.

STOCK PLAN

Grant

Awardee will not be subject to tax when SAs are granted.

Vesting

Awardee will be subject to income tax when the SAs vest and Microsoft Shares are issued. Awardee will be taxed on the fair market value of the Microsoft Shares issued on the date of vesting. Additionally, the taxable amount will be subject to social insurance contributions payable by Awardee's employer.

Dividends

If Awardee vests in the SAs and is issued Microsoft Shares, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Sweden and to U.S. federal tax withheld at source. Awardee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

When Awardee subsequently sells the Microsoft Shares acquired under the Stock Plan at a gain, he/she will be subject to capital gains tax. The gain is calculated as the difference between the sale proceeds and the fair market value of the Microsoft Shares at vesting. As an alternative, Awardee may choose to be taxed on a certain percentage of the sale proceeds since the Microsoft Shares are listed on the Nasdaq.

If the sale results in a capital loss, that loss is deductible against certain types of capital gains during the same year. A tax deduction corresponding to a percentage of the loss is allowed to the extent the loss cannot be offset against capital gains in the same year.

Withholding and Reporting

Awardee's employer is required to report and withhold income tax at vesting. Awardee must report the taxable income in his/her annual income tax return. It is Awardee's responsibility to report and pay any taxes resulting from the sale of Microsoft Shares or receipt of any dividends.

12.18 United Kingdom Tax Consequences

The following summary is based on the income and social tax laws in effect in the United Kingdom as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends, or when an Awardee's Stock Award vests, Awardee sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees and Awardees who are and will remain resident and ordinarily resident in the United Kingdom and are not subject to the remittance basis of taxation. If the Participating Employee or Awardee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins or after a Stock Award is granted, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's or Awardee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees or Awardees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee will be subject to income tax on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price. In addition, the Participating Employee will be subject to employee's national insurance contributions ("NICs") on this amount.

The Participating Employee's employer will calculate the income tax and employee's NICs due when Microsoft Shares are purchased under the ESPP and will account for these amounts to Her Majesty's Revenue and Customs ("HMRC"). The Participating Employee is required to reimburse the employer for the amounts accounted by it to HMRC.

The Participating Employee must reimburse the employer for the income tax due (in excess of the amount withheld from the Participating Employee's salary or covered by the sale of shares, if any) within 90 days of the Date of Exercise to avoid further tax consequences. If the Participating Employee fails to pay this amount to the employer within that time limit, the Participating Employee may be treated as having received a deemed benefit in kind (depending on the Participating Employee's circumstances) equal to the amount of tax not paid to the employer and the Participating Employee will have to pay further tax on this benefit. The employer is not required to withhold tax on the benefit in kind, and the Participating Employee must include this in his/her self-assessment tax return for the tax year in which the purchase occurs.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in the U.K. and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

When the Participating Employee subsequently sells the Microsoft Shares acquired under the ESPP, any capital gain (i.e., the difference between the sale price and the Fair Market Value of the Microsoft Shares on the Date of Exercise) will be subject to capital gains tax. However, capital gains is payable only if the total capital gain exceeds the annual exemption amount.

Withholding and Reporting

As mentioned above, the Participating Employee's employer will withhold and report income tax and NICs on the taxable amount when Microsoft Shares are purchased under the ESPP. It is the Participating Employee's responsibility to pay and report any taxes due when he/she sells the Microsoft Shares or receives any dividends.

STOCK PLAN

Grant

Awardee will not be subject to tax when SAs are granted.

Vesting

When Microsoft Shares are acquired under the Stock Plan, Awardee will be subject to income tax on the fair market value of the Microsoft Shares on the date of vesting. In addition, Awardee will be subject to employee's NICs on this amount.

Awardee's employer will calculate the income tax and employee's NICs due when Microsoft Shares vest under the Stock Plan and will account for these amounts to the HMRC. Awardee is required to reimburse the employer for the amounts accounted by it to HMRC.

Awardee must reimburse the employer for the income tax due (in excess of the amount withheld from Awardee's salary or covered by the sale of shares, if any) within 90 days of the date of vesting of the Microsoft Shares to avoid further tax consequences. If Awardee fails to pay this amount to the employer within that time limit, Awardee may be treated as having received a deemed benefit in kind (depending on the Awardee's circumstances) equal to the amount of tax not paid to the employer and Awardee will have to pay further tax on this benefit. The employer is not required to withhold tax on the benefit in kind, and Awardee must include this in his/her self-assessment tax return for the tax year in which the vesting occurs.

Dividends

If Awardee vests in the SAs and is issued Microsoft Shares, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in the U.K (but not NICs) and to U.S. federal tax withheld at source. Awardee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

When Awardee subsequently sells the Microsoft Shares acquired under the Stock Plan, any capital gain (i.e., the difference between the sale price and the fair market value of the Microsoft Shares on the vesting date) will be subject to capital gains tax. However, capital gains is payable only if the total capital gain exceeds the annual exemption amount.

Withholding and Reporting

As mentioned above, Awardee's employer will withhold and report income tax and NICs on the taxable amount when the SAs vest. It is Awardee's responsibility to pay and report any taxes due when he/she sells the Microsoft Shares or receives any dividends.

EXHIBITS

EXHIBIT I

**MICROSOFT CORPORATION 2003 EMPLOYEE STOCK PURCHASE PLAN,
AS AMENDED EFFECTIVE JULY 1, 2004**

Microsoft Corporation
2003 Employee Stock Purchase Plan
As amended effective July 1, 2004

MICROSOFT CORPORATION
2003 EMPLOYEE STOCK PURCHASE PLAN

The 2003 Employee Stock Purchase Plan (the "Plan") was approved by Company's Board of Directors on August 22, 2002 and by its Shareholders on November 5, 2002. The Plan was amended to read as set forth herein effective July 1, 2004.

1. Purpose and Structure of the Plan and its Sub-Plans.

1.1 The purpose of this Plan is to provide eligible employees of the Company and Participating Companies who wish to become shareholders in the Company a convenient method of doing so. It is believed that employee participation in the ownership of the business will be to the mutual benefit of both the employees and the Company. This Plan document is an omnibus document which includes a sub-plan ("Statutory Plan") designed to permit offerings of grants to employees of certain Subsidiaries that are Participating Companies where such offerings are intended to satisfy the requirements of Section 423 of the Code (although the Company makes no undertaking nor representation to obtain or maintain qualification under Section 423 for any Subsidiary, individual, offering or grant) and also separate sub-plans ("Non-Statutory Plans") which permit offerings of grants to employees of certain Participating Companies which are not intended to satisfy the requirements of Section 423 of the Code. Section 6 of the Plan sets forth the maximum number of shares to be offered under the Plan (and its sub-plans), subject to adjustments as permitted under Sections 19 and 20. The Committee shall determine from time to time the method for allocating the number of such total shares to be offered under each sub-plan. Such determination shall be in the Committee's discretion and shall not require shareholder approval.

1.2 The Statutory Plan shall be a separate and independent plan from the Non-Statutory Plans, provided, however, that the total number of shares authorized to be issued under the Plan applies in the aggregate to both the Statutory Plan and the Non-Statutory Plans. Offerings under the Non-Statutory Plans may be made to achieve desired tax or other objectives in particular locations outside the United States of America or to comply with local laws applicable to offerings in such foreign jurisdictions. Offerings under the Non-Statutory Plans may also be made to employees of entities that are not Subsidiaries.

1.3 All employees who participate in the Statutory Plan shall have the same rights and privileges under such sub-plan except for differences that may be mandated by local law and are consistent with the requirements of Code Section 423(b)(5). The terms of the Statutory Plan shall be those set forth in this Plan document to the extent such terms are consistent with the requirements for qualification under Code Section 423. The Committee may adopt Non-Statutory Plans applicable to particular Participating Companies or locations that are not participating in the Statutory

Plan. The terms of each Non-Statutory Plan may take precedence over other provisions in this document, with the exception of Sections 6, 19 and 20 with respect to the total number of shares available to be offered under the Plan for all sub-plans. Unless otherwise superseded by the terms of such Non-Statutory Plan, the provisions of this Plan document shall govern the operation of such Non-Statutory Plan. Except to the extent expressly set forth herein or where the context suggests otherwise, any reference herein to "Plan" shall be construed to include a reference to the Statutory Plan and the Non-Statutory Plans.

2. Definitions.

2.1 "Account" shall mean the funds accumulated with respect to an individual employee as a result of deductions from such employee's paycheck (or otherwise as permitted in certain circumstances under the terms of the Plan) for the purpose of purchasing stock under this Plan. The funds allocated to an employee's Account shall remain the property of the respective employee at all times but may be commingled with the general funds of the Company, except to the extent such commingling may be prohibited by the laws of any applicable jurisdiction.

2.2 "Affiliate" means an entity, other than a Subsidiary, in which the Company has an equity or other ownership interest.

2.3 "Board" means the Board of Directors of the Company.

2.4 "Code" means the Internal Revenue Code of 1986, as amended from time to time.

2.5 "Committee" means any committee or officer(s) of the Company to which or to whom the Board has delegated any or all of its authority and obligations under this Plan pursuant to Section 22.1. To the extent the Board reserves authority to itself with respect to certain powers under this Plan, or if no Committee has been established, references to Committee shall be construed to mean the Board.

2.6 "Company" means Microsoft Corporation.

2.7 "Compensation" means total cash performance-based pay received by the participant from a Participating Company. By way of illustration, but not limitation, Compensation includes salary, wages, performance bonuses, commissions, incentive compensation and overtime but excludes relocation, equalization, patent and sign-on bonuses, expense reimbursements, meal allowances, commuting or automobile allowances, any payments (such as guaranteed bonuses in certain foreign jurisdictions) with respect to which salary reductions are not permitted by the laws of the applicable jurisdiction, and income realized as a result of participation in any stock plan, including without limitation any stock option, stock award, stock purchase, or similar plan, of the Company or any Subsidiary or Affiliate.

2.8 “Enrollment Agreement” means an agreement between the Company and an employee, in such form as may be established by the Company from time to time, pursuant to which the employee elects to participate in this Plan, or elects changes with respect to such participation as permitted under the Plan.

2.9 “ESPP Broker” means a stock brokerage or other entity designated by the Company to establish accounts for stock purchased under the Plan by participants.

2.10 “Fair Market Value” means the closing bid price as reported on the National Association of Securities Dealers Automated Quotation National Market System or the other primary trading market for the Company’s common stock.

2.11 “Offering Date” as used in this Plan shall be the commencement date of an offering.

2.12 “Participating Company” shall mean the Company and any Subsidiary or Affiliate that has been designated by the Committee to participate in the Plan. For purposes of participation in the Statutory Plan, only the Company and its Subsidiaries may be Participating Companies, and the Committee shall designate from time to time which Subsidiaries will be Participating Companies in the Statutory Plan. The Committee shall designate from time to time which Subsidiaries and Affiliates will be Participating Companies in particular Non-Statutory Plans provided, however, that at any given time, a Subsidiary that is a Participating Company in the Statutory Plan will not be a Participating Company in a Non-Statutory Plan. The foregoing designations and changes in designation by the Committee shall not require shareholder approval. Notwithstanding the foregoing, the term “Participating Company” shall not include any Subsidiary or Affiliate that offers its employees the opportunity to participate in an employee stock purchase plan covering such Subsidiary’s or Affiliate’s common stock.

2.13 “Plan” means this Microsoft Corporation 2003 Employee Stock Purchase Plan.

2.14 “Purchase Price” shall be the price per share of common stock of the Company as established pursuant to Section 5 hereof.

2.15 “Subsidiary” shall mean any corporation (other than the Company), domestic or foreign, that is in an unbroken chain of corporations beginning with Company if, on an Offering Date, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain, as described in Code section 424(f).

3. Employees Eligible to Participate. Any employee of a Participating Company who is in the employ of any Participating Company on the last business day preceding the Offering Date for an offering is eligible to participate in that offering, except employees whose customary employment is for not more than five months in any calendar year.

4. Offerings. Subject to the right of the Company in its sole discretion to sooner terminate the Plan or to change the commencement date or term of any offering, commencing July 1, 2004 the Plan will operate with separate consecutive three-month offerings with the following Offering Dates: July 1, October 1, January 1 and April 1. Unless a termination of or change to the Plan has previously been made by the Company, the final offering under this Plan shall commence on October 1, 2012 and terminate on December 31, 2012. In order to become eligible to purchase shares, an employee must complete and submit an Enrollment Agreement and any other necessary documents before the Offering Date of the particular offering in which she wishes to participate. Participation in one offering under the Plan shall neither limit, nor require, participation in any other offering.

5. Price. The Purchase Price per share shall be ninety percent (90%) of the Fair Market Value of the stock on the last regular business day of the offering.

6. Number of Shares to be Offered. The maximum number of shares that will be offered under the Plan is two hundred million (200,000,000) shares, subject to adjustment as permitted under Section 20. These two hundred million (200,000,000) shares include shares that were available but not used under the prior version of this Plan (i.e., the Microsoft Corporation 1997 Employee Stock Purchase Plan) as well as additional shares that were made available for issuance for the first time as part of the amendment and restatement of the Plan approved by the Board on August 22, 2002 and by the Shareholders on November 5, 2002. The shares to be sold to participants under the Plan will be common stock of the Company. If the total number of shares for which options are to be granted on any date in accordance with Section 12 exceeds the number of shares then available under the Plan or a given sub-plan (after deduction of all shares for which options have been exercised or are then outstanding), the Company shall make a pro rata allocation of the shares remaining available in as nearly a uniform manner as shall be practicable and as it shall determine to be equitable. In such event, the payroll deductions to be made pursuant to the authorizations therefor shall be reduced accordingly and the Company shall give written notice of such reduction to each employee affected thereby.

7. Participation.

7.1 An eligible employee may become a participant by completing an Enrollment Agreement provided by the Company and submitting it to the Company, or with such other entity designated by the Company for this purpose, prior to the commencement of the offering to which it relates. The Enrollment Agreement may be completed at any time after the employee becomes eligible to participate in the Plan, and will be effective as of the Offering Date next following the receipt of a properly completed Enrollment Agreement by the Company (or the Company's designee for this purpose).

7.2 Payroll deductions for a participant shall commence on the Offering Date as described above and shall continue through subsequent offerings pursuant to Section 10 until the participant's termination of employment, subject to modification by the employee as provided in Section 8.1 and unless participation is earlier withdrawn or suspended by the employee as provided in Section 9.

7.3 Payroll deduction shall be the sole means of accumulating funds in a participant's Account, except in foreign countries where payroll deductions are not allowed, in which case the Company may authorize alternative payment methods.

7.4 The Company may require current participants to complete a new Enrollment Agreement at any time it deems necessary or desirable to facilitate Plan administration or for any other reason.

8. Payroll Deductions.

8.1 At the time an employee files his authorization for a payroll deduction, he shall elect to have deductions made from his Compensation on each payday during the time he is a participant in an offering at any non-fractional percentage rate from 1% to 15%. A participant may change his payroll deduction percentage election, including changing the payroll deduction percentage to zero, effective as of any Offering Date by filing a revised authorization, provided the revised authorization is filed prior to such Offering Date.

8.2 All payroll deductions made for a participant shall be credited to her Account under the Plan. A participant may not make any separate cash payment into such Account nor may payment for shares be made other than by payroll deduction, except as provided under Section 7.3 above.

8.3 A participant may withdraw from or suspend his participation in the Plan as provided in Section 9, but no other change can be made during an offering with respect to that offering. A participant may also make a prospective election, by changing his payroll deduction percentage to zero as set forth in Section 8.1, to cease participation in the Plan effective as of the next Offering Date. Other changes permitted under the Plan may only be made with respect to an offering that has not yet commenced.

9. Withdrawal and Suspension.

9.1 An employee may withdraw from an offering, in whole but not in part, at any time prior to the first day of the last calendar month of such offering by submitting a Withdrawal Notice to the Company, in which event the Company will refund the entire balance of her deductions as soon as practicable thereafter.

9.2 An employee may, at any time prior to the first day of the last calendar month of an offering, reduce to zero the percentage by which he has elected to have his Compensation reduced, thereby suspending participation in the Plan. Such reduction will be effective as soon as administratively feasible after receipt of the participant's election. Shares shall be purchased in accordance with Section 13 based on the amounts accumulated in the participant's Account prior to the suspension of payroll deductions.

9.3 If an employee withdraws or suspends her participation pursuant to Sections 9.1 or 9.2 above, she shall not participate in a subsequent offering unless and until she re-enters the Plan. To re-enter the Plan, an employee who has previously withdrawn or suspended participation by reducing payroll deductions to zero must file a new Enrollment Agreement in accordance with Section 7.1. The employee's re-entry into the Plan will not become effective before the beginning of the next offering following her withdrawal or suspension, and if the employee is an officer of the Company within the meaning of Section 16 of the Securities Exchange Act of 1934, she may not re-enter the Plan before the beginning of the second offering following her withdrawal.

10. Automatic Re-Enrollment. At the termination of each offering each participating employee who continues to be eligible to participate pursuant to Section 3 shall be automatically re-enrolled in the next offering, unless the employee has advised the Company otherwise. Upon termination of the Plan, any balance in each employee's Account shall be refunded to him.

11. Interest. No interest will be paid or allowed on any money in the Accounts of participating employees, except to the extent payment of interest on such amount is required by the laws of any applicable jurisdiction.

12. Granting of Option. On each Offering Date, this Plan shall be deemed to have granted to the participant an option for as many shares (which may include a fractional share) as she will be able to purchase with the amounts credited to her Account during her participation in that offering. Notwithstanding the foregoing, no participant may purchase more than 2,000 shares of stock during any single offering. This number may be adjusted as permitted pursuant to Section 20 of the Plan.

13. Exercise of Option. Each employee who continues to be a participant in an offering on the last business day of that offering shall be deemed to have exercised his option on such date and shall be deemed to have purchased from the Company such number of shares (which may include a fractional share) of common stock reserved for the purpose of the Plan as his accumulated payroll deductions on such date will pay for at the Purchase Price.

14. Tax Obligations. To the extent any (i) grant of an option to purchase shares hereunder, (ii) purchase of shares hereunder, or (iii) disposition of shares purchased hereunder gives rise to any tax withholding obligation (including, without

limitation, income and payroll withholding taxes imposed by any jurisdiction) the Committee may implement appropriate procedures to ensure that such tax withholding obligations are met. Such procedures may include, without limitation, increased withholding from an employee's current compensation, cash payments to the Company or another Participating Company by an employee, or a sale of a portion of the stock purchased under the Plan, which sale may be required and initiated by the Company. Any such procedure, including offering choices among procedures, will be applied consistently with respect to all similarly situated employees participating in the Plan (or in an offering under the Plan), except to the extent any procedure may not be permitted under the laws of the applicable jurisdiction.

15. Employee's Rights as a Shareholder. No participating employee shall have any right as a shareholder with respect to any shares until the shares have been purchased in accordance with Section 13 above and the stock has been issued by the Company.

16. Evidence of Stock Ownership.

16.1 Following the end of each offering, the number of shares of common stock purchased by each participant shall be deposited into an account established in the participant's name at the ESPP Broker.

16.2 A participant shall be free to undertake a disposition (as that term is defined in Section 424(c) of the Code) of the shares in her account at any time, whether by sale, exchange, gift, or other transfer of legal title, but in the absence of such a disposition of the shares, the shares must remain in the participant's account at the ESPP Broker until the holding period set forth in Section 423(a) of the Code has been satisfied. With respect to shares for which the Section 423(a) holding period has been satisfied, the participant may move those shares to another brokerage account of participant's choosing or request that a stock certificate be issued and delivered to her.

16.3 Notwithstanding the above, a participant who is not subject to income taxation under the Code may move his shares to another brokerage account of his choosing or request that a stock certificate be issued and delivered to him at any time, without regard to the satisfaction of the Section 423(a) holding period.

17. Rights Not Transferable. No employee shall be permitted to sell, assign, transfer, pledge, or otherwise dispose of or encumber either the payroll deductions credited to her Account or an option or any rights with regard to the exercise of an option or rights to receive shares under the Plan other than by will or the laws of descent and distribution, and such right and interest shall not be liable for, or subject to, the debts, contracts, or liabilities of the employee. If any such action is taken by the employee, or any claim is asserted by any other party in respect of such right and interest whether by garnishment, levy, attachment or otherwise, such action or claim will be treated as an election to withdraw funds in accordance with Section 9. During the employee's lifetime, only the employee can make decisions regarding the participation in or withdrawal from an offering under the Plan.

18. Termination of Employment. Upon termination of employment for any reason whatsoever, including but not limited to death or retirement, the balance in the Account of a participating employee shall be paid to the employee or his estate. Whether and when employment shall be deemed terminated for purposes of this Plan shall be determined by the Committee in its sole discretion and may be determined without regard to statutory notice periods or other periods following termination of active employment.

19. Amendment or Discontinuance of the Plan. The Committee shall have the right at any time and without notice to amend or modify the Plan except to the extent the Board has reserved such authority to itself with respect to any aspect of the Plan, and the Board shall have the right at any time and without notice to amend, modify or terminate the Plan; *provided*, that no employee's existing rights under any offering already made under Section 4 hereof may be adversely affected thereby, and provided further that no such amendment of the Plan shall, except as provided in Section 20, increase above two hundred million (200,000,000) shares the total number of shares to be offered unless shareholder approval is obtained therefor.

20. Changes in Capitalization. In the event of reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, offerings of rights, or any other change in the structure of the common shares of the Company, the Committee may make such adjustment, if any, as it may deem appropriate in the number, kind, and the price of shares available for purchase under the Plan, and in the number of shares which an employee is entitled to purchase including, without limitation, closing an offering early and permitting purchase on the last business day of such reduced offering period, or terminating an offering and refunding participants' Account balances.

21. Share Ownership. Notwithstanding anything herein to the contrary, no employee shall be permitted to subscribe for any shares under the Plan if such employee, immediately after such subscription, owns shares (including all shares which may be purchased under outstanding subscriptions under the Plan) possessing 5% or more of the total combined voting power or value of all classes of shares of the Company or of its parent or subsidiary corporations. For the foregoing purposes the rules of Section 424(d) of the Code shall apply in determining share ownership, and shares which the employee may purchase under outstanding options shall be treated as owned by the employee. In addition, no employee shall be allowed to subscribe for any shares under the Plan which permits his rights to purchase shares under all "employee stock purchase plans" of the Company and its parent or subsidiary corporations to accrue at a rate which exceeds \$25,000 of Fair Market Value of such shares (determined at the time such right to subscribe is granted) for each calendar year in which such right to subscribe is outstanding at any time. Notwithstanding the above, lower limitations may be imposed with respect to participants in a Non-Statutory Plan or participants in the Statutory Plan who are subject to laws of a foreign jurisdiction where lower limitations are required.

22. Administration and Board Authority.

22.1 The Plan shall be administered by the Board. The Board may delegate any or all of its authority and obligations under this Plan to such committee or committees (including without limitation, a committee of the Board) or officer(s) of the Company as it may designate. Notwithstanding any such delegation of authority, the Board may itself take any action under the Plan in its discretion at any time, and any reference in this Plan document to the rights and obligations of the Committee shall be construed to apply equally to the Board. Any references to the Board mean only the Board. The authority that may be delegated by the Board includes, without limitation, the authority to (i) establish Non-Statutory Plans and determine the terms of such sub-plans, (ii) designate from time to time which Subsidiaries will participate in the Statutory Plan, which Subsidiaries and Affiliates will be Participating Companies, and which Participating Companies will participate in a particular Non-Statutory Plan, (iii) determine procedures for eligible employees to enroll in or withdraw from a sub-plan, setting or changing payroll deduction percentages, and obtaining necessary tax withholdings, (iv) allocate the available shares under the Plan to the sub-plans for particular offerings, and (v) adopt amendments to the Plan or any sub-plan including, without limitation, amendments to increase the shares available for issuance under the Plan pursuant to Section 20 (but not including increases in the available shares above the maximum permitted by Sections 6 and 20 which shall require Board and shareholder approval).

22.2 The Committee shall be vested with full authority and discretion to construe the terms of the Plan and make factual determinations under the Plan, and to make, administer, and interpret such rules and regulations as it deems necessary to administer the Plan, and any determination, decision, or action of the Committee in connection with the construction, interpretation, administration, or application of the Plan shall be final, conclusive, and binding upon all participants and any and all persons claiming under or through any participant. The Committee may retain outside entities and professionals to assist in the administration of the Plan including, without limitation, a vendor or vendors to perform enrollment and brokerage services. The authority of the Committee will specifically include, without limitation, the power to make any changes to the Plan with respect to the participation of employees of any Subsidiary or Affiliate that is organized under the laws of a country other than the United States of America when the Committee deems such changes to be necessary or appropriate to achieve a desired tax treatment in such foreign jurisdiction or to comply with the laws applicable to such non-U.S. Subsidiaries or Affiliates. Such changes may include, without limitation, the exclusion of particular Subsidiaries or Affiliates from participation in the plan; modifications to eligibility criteria, maximum number or value of shares that may be purchased in a given period, or other requirements set forth herein; and procedural or administrative modifications. Any modification relating to offerings to a particular Participating Company will apply only to such Participating Company, and

will apply equally to all similarly situated employees of such Participating Company. The rights and privileges of all employees granted options under the Statutory Plan shall be the same. To the extent any changes approved by the Committee would jeopardize the tax-qualified status of the Statutory Plan, such change shall cause the Participating Companies affected thereby to be considered to be Participating Companies under a Non-Statutory Plan or Non-Statutory Plans instead of the Statutory Plan.

23. Notices. All notices or other communications by a participant to the Company or other entity designated for a particular purpose under or in connection with the Plan shall be deemed to have been duly given when received by the Company or other designated entity, or when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

24. Termination of the Plan. This Plan shall terminate at the earliest of the following:

24.1 December 31, 2012;

24.2 The date of the filing of a Statement of Intent to Dissolve by the Company or the effective date of a merger or consolidation wherein the Company is not to be the surviving corporation, which merger or consolidation is not between or among corporations related to the Company. Prior to the occurrence of either of such events, on such date as the Company may determine, the Company may permit a participating employee to exercise the option to purchase shares for as many shares as the balance of her Account will allow at the price set forth in accordance with Section 5. If the employee elects to purchase shares, any remaining balance of her Account will be refunded to her after such purchase.

24.3 The date the Board acts to terminate the Plan in accordance with Section 19 above.

24.4 The date when all shares reserved under the Plan have been purchased.

25. Limitations on Sale of Stock Purchased Under the Plan. The Plan is intended to provide common stock for investment and not for resale. The Company does not, however, intend to restrict or influence any employee in the conduct of his own affairs. An employee, therefore, may sell stock purchased under the Plan at any time he chooses, subject to compliance with any applicable Federal, state or foreign securities laws. THE EMPLOYEE ASSUMES THE RISK OF ANY MARKET FLUCTUATIONS IN THE PRICE OF THE STOCK.

26. Governmental Regulation. The Company's obligation to sell and deliver shares of the Company's common stock under this Plan is subject to the approval of any governmental authority required in connection with the authorization, issuance, or sale of such shares.

27. No Employment/Service Rights. Nothing in the Plan shall confer upon any employee the right to continue in employment for any period of specific duration, nor interfere with or otherwise restrict in any way the rights of the Company (or any Subsidiary or Affiliate employing such person), or of any employee, which rights are hereby expressly reserved by each, to terminate such person's employment at any time for any reason, with or without cause.

28. Dates and Times. All references in the Plan to a date or time are intended to refer to dates and times determined pursuant to U.S. Pacific Time. Business days for purposes of the Plan are U.S. business days.

29. Masculine and Feminine, Singular and Plural. Whenever used herein, a pronoun shall include the opposite gender and the singular shall include the plural, and the plural shall include the singular, whenever the context shall plainly so require.

* All share numbers in the Plan reflect the 2-for-1 stock split effected February 2003.

EXHIBIT II

**MICROSOFT CORPORATION 2001 STOCK PLAN,
AS AMENDED AND RESTATED AS OF AUGUST 18, 2009**

EXHIBIT 1

MICROSOFT CORPORATION

2001 STOCK PLAN

(as amended and restated as of August 18, 2009)

1. Purpose of the Plan. The purposes of this Stock Plan are to attract and retain the best available individuals for positions of substantial responsibility, to provide additional incentive to such individuals, and to promote the success of the Company's business by aligning the financial interests of Employees and Consultants providing personal services to the Company or to any Parent or Subsidiary of the Company with long-term shareholder value.

Awards granted hereunder may be Incentive Stock Options, Nonqualified Stock Options, Stock Awards, or SARs, at the discretion of the Board and as reflected in the terms of the Award Agreement.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Award" shall mean any award or benefits granted under the Plan, including Options, Stock Awards, and SARs.

(b) "Award Agreement" shall mean a written or electronic agreement between the Company and the Awardee setting forth the terms of the Award.

(c) "Awardee" shall mean the holder of an outstanding Award.

(d) "Board" shall mean (i) the Board of Directors of the Company or (ii) both the Board and the Committee, if a Committee has been appointed in accordance with Section 4(a) of the Plan.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(f) "Committee" shall mean the Compensation Committee appointed by the Board of Directors in accordance with Section 4(a) of the Plan, if one is appointed; provided, however, if the Board of Directors appoints more than one Committee pursuant to Section 4(a), then "Committee" shall refer to the appropriate Committee, as indicated by the context of the reference.

(g) "Common Shares" shall mean the common shares of Microsoft Corporation.

(h) "Company" shall mean Microsoft Corporation, a Washington corporation and any successor thereto.

(i) "Consultant" shall mean any person, except an Employee, engaged by the Company or any Parent or Subsidiary of the Company, to render personal services to such entity, including as an advisor.

(j) "Continuous Status as a Participant" shall mean (1) for Employees, the absence of any interruption or termination of service as an Employee, and (2) for Consultants, the absence of any interruption, expiration, or termination of such person's consulting or advisory relationship with the Company or the occurrence of any termination event as set forth in such person's Award Agreement. Continuous Status as a Participant shall not be considered interrupted (i) for an Employee in the case of sick leave, maternity leave, infant care leave, medical emergency leave, military leave, or any other leave of absence for which Continuous Status is not considered interrupted in accordance with the Company's policies on such matters, and (ii) for a Consultant, in the case of any temporary interruption in such

person's availability to provide services to the Company which has been authorized in writing by a Vice President of the Company prior to its commencement.

(k) "Conversion Options" shall mean the Options described in Section 6(c) of the Plan.

(l) "Employee" shall mean any person, including an officer, who is a common law employee of, receives remuneration for personal services to, is reflected on the official human resources database as an employee of, and is on the payroll of the Company or any Parent or Subsidiary of the Company. A person is on the payroll if he or she is paid from the payroll department of the Company, or any Parent or Subsidiary of the Company. Persons providing services to the Company, or to any Parent or Subsidiary of the Company, pursuant to an agreement with a staff leasing organization, temporary workers engaged through or employed by temporary or leasing agencies, and workers who hold themselves out to the Company, Parent, or Subsidiary to which they are providing services as being independent contractors, or as being employed by or engaged through another company while providing the services are not Employees for purposes of this Plan, whether or not such persons are, or may be reclassified by the courts, the Internal Revenue Service, the U. S. Department of Labor, or other person or entity as, common law employees of the Company, Parent, or Subsidiary, either solely or jointly with another person or entity.

(m) "Effective Date" shall mean January 1, 2001.

(n) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(o) "Incentive Stock Option" shall mean any Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(p) "Maximum Annual Participant Award" shall have the meaning set forth in Section 5(b).

(q) "Nonqualified Stock Option" shall mean an Option not intended to qualify as an Incentive Stock Option.

(r) "Option" shall mean a stock option granted pursuant to Section 6 of the Plan.

(s) "Parent" shall mean a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(t) "Participant" shall mean an Employee or Consultant.

(u) "Plan" shall mean this 2001 Stock Plan, including any amendments thereto.

(v) "Share" shall mean one Common Share, as adjusted in accordance with Section 14 of the Plan.

(w) "SAR" shall mean a stock appreciation right awarded pursuant to Section 8 of the Plan.

(x) "Stock Award" shall mean a grant of Shares or of a right to receive Shares or their cash equivalent (or both) pursuant to Section 7 of the Plan.

(y) "Subsidiary" shall mean (i) in the case of an Incentive Stock Option a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code, and (ii) in the case of a Nonqualified Stock Option, a Stock Award or an SAR, in addition to a subsidiary corporation as

defined in (i), a limited liability company, partnership or other entity in which the Company controls 50 percent or more of the voting power or equity interests.

3. Shares Subject to the Plan. Subject to the provisions of Sections 14 and 16 of the Plan, the maximum aggregate number of Shares (increased, proportionately, in the event of any stock split, stock dividend or similar event with respect to the Shares) which may be awarded and delivered under the Plan shall not exceed the sum of (a) any Shares available for future awards, as of the Effective Date, under the Microsoft Corporation 1991 Stock Option Plan, as amended ("1991 Stock Plan") and (b) any Shares that are represented by awards under the 1991 Stock Plan which, after the Effective Date, are forfeited, expire, are cancelled without delivery of Shares, or otherwise result in the return of Shares to the Company, minus (c) 100,000,000 Shares (unadjusted for any stock split or stock dividend with respect to the Shares). The Shares may be authorized, but unissued, or reacquired Common Shares.

Subject to the provisions of the following sentence, if an Award should expire or become unexercisable for any reason without having been exercised in full, the undelivered Shares which were subject thereto shall, unless the Plan shall have been terminated, become available for future Awards under the Plan. Notwithstanding anything to the contrary contained herein, any Awards of Options that are transferred to a third party pursuant to a program under which the holder of certain Options may transfer such Options to such third party in exchange for cash or other consideration, shall be removed from the Plan and the Shares subject to such Awards shall not be available for regrant under the Plan regardless of whether the transferred Options are exercised or expire without exercise.

4. Administration of the Plan.

(a) Procedure. The Plan shall be administered by the Board of Directors of the Company.

(i) The Board of Directors may appoint one or more Committees each consisting of not less than two members of the Board of Directors to administer the Plan on behalf of the Board of Directors, subject to such terms and conditions as the Board of Directors may prescribe. Once appointed, such Committees shall continue to serve until otherwise directed by the Board of Directors.

(ii) From time to time the Board of Directors may increase the size of the Committee(s) and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, or fill vacancies however caused.

(iii) The Committee(s) appointed to administer the Plan on behalf of the Board of Directors may delegate its authority to administer the Plan to the extent provided in the charter for the Committee(s) or a resolution of the Board.

(b) Powers of the Board. Subject to the provisions of the Plan, the Board shall have the authority, in its discretion: (i) to grant Incentive Stock Options, Nonqualified Stock Options, Stock Awards, and SARs; (ii) to determine, in accordance with Section 11(b) of the Plan, the fair market value of the Shares; (iii) to determine, in accordance with Section 11(a) of the Plan, the exercise price per share of Awards to be granted; (iv) to determine the Participants to whom, and the time or times at which, Awards shall be granted and the number of Shares to be represented by each Award; (v) to interpret the Plan and the terms of Awards; (vi) to prescribe, amend, and rescind rules and regulations relating to the Plan; including the form of Award Agreement, and manner of acceptance of an Award, (vii) to determine the terms and provisions of each Award to be granted (which need not be identical) and, with the consent of the Awardee, modify or amend any Award; (viii) to authorize conversion or substitution under the Plan of any or all Conversion Options; (ix) to accelerate or defer (with the consent of the Awardee) the vesting or exercise date of any Award; (x) to authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of an Award previously granted by the Board; and (xi) to make all other determinations deemed necessary or advisable for the administration of the Plan; *provided that,*

no consent of an Awardee is necessary under clauses (vii) or (ix) if the modification, amendment, acceleration, or deferral, in the reasonable judgment of the Board confers a benefit on the Awardee, or is made pursuant to an adjustment in accordance with Section 14.

The Board may, but need not, determine that an award shall vest or be granted subject to the satisfaction of one or more performance goals. Performance goals for awards will be determined by the Compensation Committee of the Board and will be designed to support the business strategy, and align executives' interests with customer and shareholder interests. For awards that are intended to qualify as performance-based compensation under Section 162(m), performance goals will be based on one or more of the following business criteria: sales or licensing volume, revenues, customer satisfaction, expenses, organizational health/productivity, earnings (which includes similar measurements such as net profits, operating profits and net income, and which may be calculated before or after taxes, interest, depreciation, amortization or taxes), margins, cash flow, shareholder return, return on equity, return on assets or return on investments, working capital, product shipments or releases, brand or product recognition or acceptance and/or stock price. These criteria may be measured: individually, alternatively or in any combination; with respect to the Company, a subsidiary, division, business unit, product line, product or any combination of the foregoing; on an absolute basis, or relative to a target, to a designated comparison group, to results in other periods or to other external measures; and including or excluding items that could affect the measurement, such as extraordinary or unusual and nonrecurring gains or losses, litigation or claim judgments or settlements, material changes in tax laws, acquisitions or divestitures, the cumulative effect of accounting changes, asset write-downs, restructuring charges, or the results of discontinued operations.

(c) Effect of Board's Decision. All decisions, determinations, and interpretations of the Board shall be final and binding on all Participants and Awardees.

5. Eligibility.

(a) Awards may be granted to Participants and to persons to whom offers of employment as an Employee have been extended; provided that Incentive Stock Options may only be granted to Employees. For avoidance of doubt, directors are not eligible to participate in the Plan unless they are Employees or Consultants.

(b) The maximum number of Shares with respect to which an Award or Awards may be granted to any Participant in any one taxable year of the Company (the "Maximum Annual Participant Award") shall not exceed 20,000,000 Common Shares for Options or SARs, or 5,000,000 shares for Stock Awards (increased, in both cases proportionately, in the event of any stock split, stock dividend or similar event with respect to the Shares). If an Option is in tandem with an SAR, such that the exercise of the Option or SAR with respect to a Share cancels the tandem SAR or Option right, respectively, with respect to each Share, the tandem Option and SAR rights with respect to each Share shall be counted as covering but one Share for purposes of the Maximum Annual Participant Award.

6. Options.

(a) Each Option shall be designated in the written or electronic option agreement as either an Incentive Stock Option or a Nonqualified Stock Option. However, notwithstanding such designations, to the extent that the aggregate fair market value of the Shares with respect to which Options designated as Incentive Stock Options are exercisable for the first time by any Employee during any calendar year (under all plans of the Company) exceeds \$100,000, such Options shall be treated as Nonqualified Stock Options.

(b) For purposes of Section 6(a), Options shall be taken into account in the order in which they were granted, and the fair market value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.

(c) Options converted or substituted under the Plan for any or all outstanding stock options and stock appreciation rights held by employees, consultants, advisors or other option holders granted by entities subsequently acquired by the Company or a subsidiary or affiliate of the Company (“Conversion Options”) shall be effective as of the close of the respective mergers into, or acquisitions of such entities by, the Company or a subsidiary or affiliate of the Company; provided that such Conversion Options may not be exercised during any periods that may be specified by the Company immediately following the close of the merger or acquisition necessary to ensure compliance with applicable law. The Conversion Options may be Incentive Stock Options or Nonqualified Stock Options, as determined by the Committee; provided, however, that stock appreciation rights in the acquired entity shall only be converted to or substituted with Nonqualified Stock Options. The Conversion Options shall be options to purchase the number of Common Shares determined by multiplying the number of shares of the acquired entity’s common stock underlying each such stock option or stock appreciation right immediately prior to the closing of such merger or acquisition by the number specified in the applicable merger or acquisition agreement for conversion of each share of such entity’s common stock to a Common Share (the “Merger Ratio”). Such Conversion Options shall be exercisable at an exercise price per Common Share (increased to the nearest whole cent) equal to the exercise price per share of the acquired entity’s common stock under each such stock option or stock appreciation right immediately prior to closing divided by the Merger Ratio. No fractional Common Shares will be issued upon exercise of Conversion Options. In lieu of such issuance, the Common Shares issued pursuant to each such exercise shall be rounded to the closest whole Share. Conversion Options may be granted and exercised without the issuance of an Award Agreement.

7. Stock Awards.

(a) Stock Awards may be granted either alone, in addition to, or in tandem with other Awards granted under the Plan. After the Committee determines that it will offer a Stock Award, it will advise the Awardee in writing or electronically, by means of an Award Agreement, of the terms, conditions and restrictions, including vesting, if any, related to the offer, including the number of Shares that the Awardee shall be entitled to receive or purchase, the price to be paid, if any, and, if applicable, the time within which the Awardee must accept the offer. The offer shall be accepted by execution of an Award Agreement in the manner determined by the Committee; provided that Shares may be issued to an Awardee under a fully vested Stock Award without the issuance of an Award Agreement.

(b) Unless the Committee determines otherwise, the Award Agreement shall provide for the forfeiture of the non-vested Common Shares underlying such Stock Award upon the Awardee ceasing to be a Participant. To the extent that the Awardee purchased the Shares granted under such Stock Award and any such Shares remain non-vested at the time the Awardee ceases to be a Participant, the cessation of Participant status shall cause an immediate sale of such non-vested Shares to the Company at the original price per Common Share paid by the Awardee.

8. SARs.

(a) The Committee shall have the full power and authority, exercisable in its sole discretion, to grant SARs to selected Awardees. The Committee is authorized to grant both tandem stock appreciation rights (“Tandem SARs”) and stand-alone stock appreciation rights (“Stand-Alone SARs”) as described below.

(b) Tandem SARs.

(i) Awardees may be granted a Tandem SAR, exercisable upon such terms and conditions as the Committee shall establish, to elect between the exercise of the underlying Section 6 Option for Common Shares or the surrender of the Option in exchange for a distribution from the Company in an amount equal to the excess of (A) the fair market value (on the Option surrender date) of the number of Shares in which the Awardee is at the time vested under the surrendered Option (or surrendered portion thereof) over (B) the aggregate exercise price payable for such vested Shares.

(ii) No such Option surrender shall be effective unless it is approved by the Committee, either at the time of the actual Option surrender or at any earlier time. If the surrender is so approved, then the distributions to which the Awardee shall become entitled under this Section 8(b) may be made in Common Shares valued at fair market value on the Option surrender date, in cash, or partly in Shares and partly in cash, as the Committee shall deem appropriate.

(iii) If the surrender of an Option is not approved by the Committee, then the Awardee shall retain whatever rights he or she had under the surrendered Option (or surrendered portion thereof) on the Option surrender date and may exercise such rights at any time prior to the later of (A) five (5) business days after the receipt of the rejection notice or (B) the last day on which the Option is otherwise exercisable in accordance with the terms of the instrument evidencing such Option, but in no event may such rights be exercised more than ten (10) years after the date of the Option grant.

(c) Stand-Alone SARs.

(i) An Awardee may be granted a Stand-Alone SAR not tied to any underlying Option under Section 6 of the Plan. The Stand-Alone SAR shall cover a specified number of Common Shares and shall be exercisable upon such terms and conditions as the Committee shall establish. Upon exercise of the Stand-Alone SAR, the holder shall be entitled to receive a distribution from the Company in an amount equal to the excess of (A) the aggregate fair market value (on the exercise date) of the Common Shares underlying the exercised right over (B) the aggregate base price in effect for those Shares.

(ii) The number of Common Shares underlying each Stand-Alone SAR and the base price in effect for those Shares shall be determined by the Committee at the time the Stand-Alone SAR is granted. In no event, however, may the base price per Share be less than the fair market value per underlying Common Share on the grant date.

(iii) The distribution with respect to an exercised Stand-Alone SAR may be made in Common Shares valued at fair market value on the exercise date, in cash, or partly in Shares and partly in cash, as the Committee shall deem appropriate.

(d) The Common Shares underlying any SARs exercised under this Section 8 shall not be available for subsequent issuance under the Plan.

9. Term of Plan. The Plan shall become effective as of the Effective Date. It shall continue in effect until terminated under Section 17 of the Plan.

10. Term of Award; Limitations on Vesting and Repricing.

(a) The term of each Award shall be no more than ten (10) years from the date of grant. However, in the case of an Incentive Stock Option granted to a Participant who, at the time the Option is granted, owns Shares representing more than ten percent (10%) of the voting power of all classes of shares of the Company or any Parent or Subsidiary, the term of the Option shall be no more than five (5) years from the date of grant.

(b) Each Award shall vest over a period of not less than three (3) years from the date of grant, provided that Awards covering up to 50,000,000 shares (increased, proportionately, in the event of any stock split, stock dividend or similar event) may be granted without regard to the 3-year vesting restriction; provided further, that Conversion Options and awards that are granted or vest based on performance goals or that vest in less than three (3) years based on death, disability, or retirement shall not count toward the limit of this Section 10(b).

(c) No Award may be repriced, replaced, regranted through cancellation, or modified without approval of the shareholders of the Company (except in connection with an adjustment pursuant to Section 14) if the effect would be to reduce the exercise price for the Shares underlying such Award.

11. Exercise Price and Consideration.

(a) The per Share exercise price under each Award shall be such price as is determined by the Board, subject to the following:

(i) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time of the grant of such Incentive Stock Option, owns shares representing more than ten percent (10%) of the voting power of all classes of shares of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the fair market value per Share on the date of grant.

(B) granted to any other Employee, the per Share exercise price shall be no less than 100% of the fair market value per Share on the date of grant.

(ii) Except for Conversion Options under Section 6(c), the per Share exercise price under a Nonqualified Stock Option or SAR shall be no less than seventy-five percent (75%) of the fair market value per Share on the date of grant. Notwithstanding the foregoing (or any other provision of the Plan), Options and SARs that are granted to Employees who are non-exempt for purposes of the FLSA, shall satisfy the requirements for exclusion from regular rate of pay for purposes of the FLSA and shall have an exercise price that is at least eighty-five percent (85%) of the fair market value of the underlying Shares at the time of grant; furthermore, such Options or SARs shall not be exercisable within the six (6) month period immediately following the date of grant, except, if so provided in the Award Agreement, in the event of the Awardee's death, disability, or retirement, upon a change in corporate control of the Company, or under such other circumstances as are permitted under the FLSA or rules and regulations thereunder.

(iii) The maximum aggregate number of Shares underlying all Nonqualified Stock Options and SARs with a per Share exercise price of less than fair market value on any grant date that may be granted under this Plan is 50,000,000 Shares (increased, proportionately, in the event of any stock split, or stock dividend or similar event with respect to the Shares); provided that Conversion Options shall not count against the limit of this Section 11(a)(iii).

(b) The fair market value per Share shall be the closing price per share of the Common Share on the Nasdaq Stock Market ("Nasdaq") on the date of grant. If the Shares cease to be listed on Nasdaq, the Board shall designate an alternative method of determining the fair market value of the Shares.

(c) The consideration to be paid for the Shares to be issued upon exercise of an Award, including the method of payment, shall be determined by the Board at the time of grant and may consist of cash and/or check. Payment may also be made by delivering a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company the amount of sale proceeds necessary to pay the exercise price. If the Awardee is an officer of the Company within the meaning of Section 16 of the Exchange Act, the officer may, in addition, be allowed to pay all or part of the purchase price with Shares which, as of the exercise date, the officer has owned for six (6) months or more. If the Awardee is a participant in the 1998 Microsoft Corporation Stock Option Gain And Bonus Deferral Program, he may in addition be allowed to pay all or part of the purchase price of any deferred Option with Shares. Shares used by officers to pay the exercise price shall be valued at their fair market value on the exercise date.

(d) Prior to issuance of the Shares upon exercise of an Award, the Awardee shall pay any federal, state, and local income and employment tax withholding obligations applicable to such Award. If an Awardee is an officer of the Company within the meaning of Section 16 of the Exchange Act, he may elect to pay such withholding tax obligations by having the Company withhold Shares having a value equal to the amount required to be withheld, and any Award under the Plan may permit or require that such withholding tax obligations be paid by having the Company withhold Shares having a value equal to the amount required to be withheld. The value of the Shares to be withheld shall equal the fair market value of the Shares on the day the Award is exercised. The right of an officer to dispose of Shares to the Company in satisfaction of withholding tax obligations shall be deemed to be approved as part of the initial grant of an Award, unless thereafter rescinded, and shall otherwise be made in compliance with Rule 16b-3 and other applicable regulations, and any Award under the Plan may permit or require that such withholding tax obligations be paid by having the Company withhold Shares having a value equal to the amount required to be withheld.

12. Exercise of Award.

(a) Procedure for Exercise; Rights as a Shareholder. Any Award granted hereunder shall be exercisable at such times and under such conditions as determined by the Board at the time of grant, and as shall be permissible under the terms of the Plan.

An Award may not be exercised for a fraction of a Share.

An Award shall be deemed to be exercised when written or electronic notice of such exercise has been given to the Company in accordance with the terms of the Award by the person entitled to exercise the Award and full payment for the Shares with respect to which the Award is exercised has been received by the Company. Full payment may, as authorized by the Board, consist of any consideration and method of payment allowable under Section 11(c) of the Plan. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the share certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Shares subject to the Award, notwithstanding the exercise of the Award. The Company shall issue (or cause to be issued) such share certificate promptly upon exercise of the Award. In the event that the exercise of an Award is treated in part as the exercise of an Incentive Stock Option and in part as the exercise of a Nonqualified Stock Option pursuant to Section 6(a), the Company shall issue a share certificate evidencing the Shares treated as acquired upon the exercise of an Incentive Stock Option and a separate share certificate evidencing the Shares treated as acquired upon the exercise of a Nonqualified Stock Option, and shall identify each such certificate accordingly in its share transfer records. No adjustment will be made for a dividend or other right for which the record date is prior to the date the share certificate is issued, except as provided in Section 14 of the Plan.

Exercise of an Award in any manner and delivery of the Shares subject to such Award shall result in a decrease in the number of Shares which thereafter may be available, both for purposes of the Plan and for sale under the Award, by the number of Shares as to which the Award is exercised.

(b) Termination of Status as a Participant. In the event of termination of an Awardee's Continuous Status as a Participant, such Awardee may exercise his or her rights under any outstanding Awards to the extent exercisable on the date of termination (but in no event later than the date of expiration of the term of such Award as set forth in the Award Agreement). To the extent that the Awardee was not entitled to exercise his or her rights under such Awards at the date of such termination, or does not exercise such rights within the time specified in the individual Award Agreements, the Awards shall terminate, except as otherwise may be provided in the Award Agreement.

(c) Disability of Awardee. Notwithstanding the provisions of Section 12(b) above, in the event of termination of an Awardee's Continuous Status as a Participant as a result of total and permanent disability (i.e., the inability to engage in any substantial gainful activity by reason of any

medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of twelve (12) months):

(i) Any outstanding but unvested Stock Award shall become immediately vested (unless otherwise provided in the Award Agreement); and

(ii) Any outstanding Option or SAR shall vest, but only to the extent of the vesting that would have occurred had the Awardee remained in Continuous Status as a Participant for a period of twelve (12) months after the date on which the Participant ceased performing services as a result of the total and permanent disability. An Option or SAR that is vested pursuant to this Section 12(c) must be exercised within eighteen (18) months (or such shorter time as is specified in the grant) from the date on which the Participant ceased performing services as a result of the total and permanent disability (but in no event later than the date of expiration of the term of such Option or SAR as set forth in the Award Agreement). To the extent that the Awardee was not entitled to exercise such Option or SAR within the time specified herein, the Award shall terminate. This Section 12(c) shall only apply to a Conversion Option to the extent provided in the Award Agreement for the Conversion Option.

(d) Death of Awardee. Notwithstanding the provisions of Section 12(b) above, in the event of the death of an Awardee:

(i) who is at the time of death a Participant with an outstanding Stock Award, all unvested shares under any outstanding Awards shall become immediately vested (unless otherwise provided in the Award Agreement). Such shares may be claimed by the Awardee's estate or by a person who acquired the right to the shares by bequest or inheritance within twelve (12) months following the date of death. Any right to shares not claimed within twelve (12) months from the date of death shall be canceled.

(ii) who is at the time of death a Participant with an outstanding Option or SAR, the Option or SAR will vest, but only to the extent of the vesting that would have occurred had the Awardee continued living and remained in Continuous Status as a Participant twelve (12) months following the date of death. An Option or SAR that is vested pursuant to this Section 12(d)(i) may be exercised, at any time within twelve (12) months following the date of death, by the Awardee's estate or by a person who acquired the right to exercise the Award by bequest or inheritance; or

(iii) whose Option or SAR has not yet expired but whose Continuous Status as a Participant terminated prior to the date of death, the Option or SAR may be exercised, at any time within twelve (12) months following the date of death, by the Awardee's estate or by a person who acquired the right to exercise the Option or SAR by bequest or inheritance, but only to the extent of the right to exercise that had vested at the date of termination.

This Section 12(d) shall only apply to a Conversion Option to the extent provided in the Award Agreement for the Conversion Option.

(e) Notwithstanding subsections (b), (c), and (d) of this Section 12, the Board shall have the authority to extend the expiration date of any outstanding Option in circumstances in which it deems such action to be appropriate (provided that no such extension shall extend the term of an Award beyond the date on which the Award would have expired if no termination of the Employee's Continuous Status as a Participant had occurred).

13. Non-Transferability of Awards. An Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Awardee, only by the Awardee; provided that the Board may permit further transferability, on a general or specific basis, and may impose conditions and limitations on any permitted transferability.

14. Adjustments to Shares Subject to the Plan. If any change is made to the Shares by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Shares as a class without the Company's receipt of consideration, appropriate adjustments shall be made to (i) the maximum number and/or class of securities issuable under the Plan, (ii) the number and/or class of securities and/or the price per Share covered by outstanding Awards under the Plan, (iii) the Maximum Annual Participant Award, (iv) the maximum aggregate number of Shares underlying all Nonqualified Stock Options and SARs with a per Share exercise price of less than fair market value on any grant date that may be granted under the Plan, and (v) the maximum aggregate number of Shares underlying all Awards with a vesting period of less than three years. The Board may also make adjustments described in (i)-(v) of the previous sentence in the event of any distribution of assets to shareholders other than a normal cash dividend. In determining adjustments to be made under this Section 14, the Board may take into account such factors as it deems appropriate, including (i) the restrictions of applicable law, (ii) the potential tax consequences of an adjustment and (iii) the possibility that some Awardees might receive an adjustment and a distribution or other unintended benefit, and in light of such factors or circumstances may make adjustments that are not uniform or proportionate among outstanding Awards, modify vesting dates, defer the delivery of stock certificates or make other equitable adjustments. Any such adjustments to outstanding Awards will be effected in a manner that precludes the enlargement of rights and benefits under such Awards. Adjustments, if any, and any determinations or interpretations, including any determination of whether a distribution is other than a normal cash dividend, made by the Board shall be final, binding and conclusive. For purposes of this Section 14, conversion of any convertible securities of the Company shall not be deemed to have been effected without receipt of consideration. Except as expressly provided herein, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Award.

In the event of the proposed dissolution or liquidation of the Company, the Award will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board. The Board may, in the exercise of its sole discretion in such instances, declare that any Award shall terminate as of a date fixed by the Board and give each Awardee the right to exercise an Award as to all or any part of the Shares subject to an Award, including Shares as to which the Award would not otherwise be exercisable. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each Award shall be assumed or an equivalent award shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless such successor corporation does not agree to assume the Award or to substitute an equivalent award, in which case the Board shall, in lieu of such assumption or substitution, provide for the Awardee to have the right to exercise the Award as to all of the Shares subject to Awards, including Shares as to which the Award would not otherwise be exercisable. If the Board makes an Award fully exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Board shall notify the Awardee that the Award shall be fully exercisable for a period of fifteen (15) days from the date of such notice, and the Award will terminate upon the expiration of such period.

15. Time of Granting Awards. The date of grant of an Award shall, for all purposes, be the date on which the Company completes the corporate action relating to the grant of such Award and all conditions to the grant have been satisfied, provided that conditions to the grant, exercise or vesting of an Award shall not defer the date of grant. Notice of a grant shall be given to each Participant to whom an Award is so granted within a reasonable time after the determination has been made.

16. Substitutions and Assumptions. The Board shall have the right to substitute or assume Awards in connection with mergers, reorganizations, separations, or other transactions to which Section 424(a) of the Code applies, provided such substitutions and assumptions are permitted by Section 424 of the Code and the regulations promulgated thereunder. The number of Shares reserved pursuant to Section 3 may be increased by the corresponding number of Awards assumed and, in the case of a substitution, by the net increase in the number of Shares subject to Awards before and after the substitution.

17. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may amend or terminate the Plan from time to time in such respects as the Board may deem advisable (including, but not limited to amendments which the Board deems appropriate to enhance the Company's ability to claim deductions related to stock option exercises); provided that any increase in the number of Shares subject to the Plan, other than in connection with an adjustment under Section 14 of the Plan, and any amendment described in Section 10(c) of the Plan, shall require approval of or ratification by the shareholders of the Company.

(b) Participants in Foreign Countries. The Board shall have the authority to adopt such modifications, procedures, and subplans as may be necessary or desirable to comply with provisions of the laws of foreign countries in which the Company or its Subsidiaries may operate to assure the viability of the benefits from Awards granted to Participants performing services in such countries and to meet the objectives of the Plan.

(c) Effect of Amendment or Termination. Except as otherwise provided in Sections 4 and 14, any such amendment or termination of the Plan shall not affect Awards already granted and such Awards shall remain in full force and effect as if this Plan had not been amended or terminated, unless mutually agreed otherwise between the Awardee and the Board, which agreement must be in writing and signed by the Awardee and the Company.

18. Conditions Upon Issuance of Shares. Shares shall not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

19. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

20. No Employment/Service Rights. Nothing in the Plan shall confer upon any Participant the right to an Award or to continue in service as an Employee or Consultant for any period of specific duration, or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or retaining such person), or of any Participant or Awardee, which rights are hereby expressly reserved by each, to terminate such person's services at any time for any reason, with or without cause.

*All share numbers in the Plan reflect the 2-for-1 stock split effected February 2003.

EXHIBIT III

**CURRENT REPORT ON FORM 8-K FURNISHED BY MICROSOFT CORPORATION
TO THE SEC ON APRIL 28, 2011**

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

**CURRENT REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported) April 28, 2011

Microsoft Corporation

(Exact Name of Registrant as Specified in Its Charter)

Washington

(State or Other Jurisdiction of Incorporation)

0-14278

(Commission File Number)

91-1144442

(IRS Employer Identification No.)

One Microsoft Way, Redmond, Washington

(Address of Principal Executive Offices)

98052-6399

(Zip Code)

(425) 882-8080

(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition

On April 28, 2011, Microsoft Corporation issued a press release announcing its financial results for the fiscal quarter ended March 31, 2011. A copy of the press release is furnished as Exhibit 99.1 to this report.

In accordance with General Instruction B.2 of Form 8-K, the information in this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits:

99.1 Press release, dated April 28, 2011, issued by Microsoft Corporation

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MICROSOFT CORPORATION
(Registrant)

Date: April 28, 2011

/s/ Frank H. Brod

Frank H. Brod
Corporate Vice President, Finance and Administration;
Chief Accounting Officer

INDEX TO EXHIBITS

Exhibit No.	Description
99.1	Press release dated April 28, 2011

Microsoft Reports Record Third-Quarter Results

Strong enterprise and Xbox momentum drive revenue growth of 13% and earnings per share of \$0.61.

REDMOND, Wash. — Apr. 28, 2011 — Microsoft Corp. today announced third-quarter revenue of \$16.43 billion for the quarter ended Mar. 31, 2011, a 13% increase from the same period of the prior year. Operating income, net income, and diluted earnings per share for the quarter were \$5.71 billion, \$5.23 billion, and \$0.61 per share, which represented increases of 10%, 31%, and 36%, respectively, when compared with the prior year period. Diluted earnings per share included a \$0.05 tax benefit primarily related to an agreement with the U.S. Internal Revenue Service to settle a portion of their audit of tax years 2004 to 2006.

“We delivered strong financial results despite a mixed PC environment, which demonstrates the strength and breadth of our businesses,” said Peter Klein, chief financial officer at Microsoft. “Consumers are purchasing Office 2010, Xbox and Kinect at tremendous rates, and businesses of all sizes are purchasing Microsoft platforms and applications.”

Microsoft Business Division revenue grew 21% year-over-year. Since its release last spring, Office 2010 has become the fastest-selling version of Office in history, and the integrated innovation with SharePoint, Exchange, Lync and Dynamics CRM is driving significant growth for the division.

Server & Tools revenue grew 11% year-over-year, the fourth consecutive quarter of double-digit growth. Strong business adoption of Windows Server 2008 R2, SQL Server 2008 R2, and System Center are driving record revenue and margin expansion.

Windows 7 remains the fastest selling operating system in history with 350 million licenses sold. Revenue for the segment was down 4% in the third quarter, in line with the PC trends, excluding prior year launch impact.

Online Services Division revenue grew 14% year-over-year primarily driven by increases in search revenue. Bing’s US search share increased to 13.9% this quarter.

Entertainment & Devices Division grew 60% year-over-year, fueled by Kinect for Xbox 360, the fastest-selling consumer electronics device in history, continued strong Xbox 360 console sales and growth of Xbox Live.

“We delivered strong third quarter revenue from our business customers, driven by outstanding performance from Windows Server, SQL database, SharePoint, Exchange, Lync and increasingly our cloud services,” said Kevin Turner, chief operating officer at Microsoft. “Office had another huge quarter, again exceeding everyone’s expectations, and the addition of Office 365 will make our cloud productivity solutions even more compelling. We continue to see strong adoption of our cloud-based services among the Fortune 500.”

Business Outlook

Microsoft reaffirms operating expense guidance of \$26.9 billion to \$27.3 billion for the full year ending June 30, 2011. Microsoft also offers preliminary fiscal year 2012 operating expense guidance of 3% to 5% growth from the mid-point of fiscal year 2011 guidance, or \$28.0 billion to \$28.6 billion.

Webcast Details

Peter Klein, chief financial officer, Frank Brod, chief accounting officer, and Bill Koefoed, general manager of Investor Relations, will host a conference call and webcast at 2:30 p.m. PDT (5:30 p.m. EDT) today to discuss details of the company’s performance for the quarter and certain forward-looking information. The session may be accessed at <http://www.microsoft.com/investor> . The webcast will be available for replay through the close of business on Apr. 28, 2012.

About Microsoft

Founded in 1975, Microsoft (Nasdaq “MSFT”) is the worldwide leader in software, services and solutions that help people and businesses realize their full potential.

Forward-Looking Statements

Statements in this release that are “forward-looking statements” are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of factors such as:

- execution and competitive risks in transitioning to cloud-based computing;
- challenges to Microsoft’s business model;
- intense competition in all of Microsoft’s markets;
- Microsoft’s continued ability to protect its intellectual property rights;
- claims that Microsoft has infringed the intellectual property rights of others;
- the possibility of unauthorized disclosure of significant portions of Microsoft’s source code;
- actual or perceived security vulnerabilities in Microsoft products that could reduce revenue or lead to liability;
- improper disclosure of personal data could result in liability and harm to Microsoft’s reputation;
- outages and disruptions of services provided to customers directly or through third parties if Microsoft fails to maintain an adequate operations infrastructure;
- government litigation and regulation affecting how Microsoft designs and markets its products;
- Microsoft’s ability to attract and retain talented employees;
- delays in product development and related product release schedules;
- significant business investments that may not gain customer acceptance and produce offsetting increases in revenue;
- unfavorable changes in general economic conditions, disruption of our partner networks or sales channels, or the availability of credit that affect demand for Microsoft’s products and services or the value of our investment portfolio;
- adverse results in legal disputes;
- unanticipated tax liabilities;
- quality or supply problems in Microsoft’s consumer hardware or other vertically integrated hardware and software products;

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- impairment of goodwill or amortizable intangible assets causing a charge to earnings;
 - exposure to increased economic and regulatory uncertainties from operating a global business;
 - geopolitical conditions, natural disaster, cyberattack or other catastrophic events disrupting Microsoft's business; and
 - acquisitions and joint ventures that adversely affect the business.

For further information regarding risks and uncertainties associated with Microsoft's business, please refer to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" sections of Microsoft's SEC filings, including, but not limited to, its annual report on Form 10-K and quarterly reports on Form 10-Q, copies of which may be obtained by contacting Microsoft's Investor Relations department at (800) 285-7772 or at Microsoft's Investor Relations website at <http://www.microsoft.com/investor> .

All information in this release is as of Apr. 28, 2011. The company undertakes no duty to update any forward-looking statement to conform the statement to actual results or changes in the company's expectations.

For more information, press only:

Rapid Response Team, Waggener Edstrom Worldwide, (503) 443-7070,
rrt@waggeneredstrom.com

For more information, financial analysts and investors only:

Bill Koefoed, general manager, Investor Relations, (425) 706-3703

Note to editors: For more information, news and perspectives from Microsoft, please visit the Microsoft News Center at <http://www.microsoft.com/news> . Web links, telephone numbers and titles were correct at time of publication, but may since have changed. Shareholder and financial information, as well as today's 2:30 p.m. PDT conference call with investors and analysts, is available at <http://www.microsoft.com/investor> .

MICROSOFT CORPORATION

INCOME STATEMENTS

(In millions, except per share amounts) (Unaudited)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2011	2010	2011	2010
Revenue	\$ 16,428	\$ 14,503	\$ 52,576	\$ 46,445
Operating expenses:				
Cost of revenue	3,897	2,755	11,869	9,225
Research and development	2,269	2,220	6,650	6,364
Sales and marketing	3,393	3,203	10,024	9,612
General and administrative	1,160	1,152	3,043	3,076
Total operating expenses	10,719	9,330	31,586	28,277
Operating income	5,709	5,173	20,990	18,168
Other income	316	168	762	821
Income before income taxes	6,025	5,341	21,752	18,989
Provision for income taxes	793	1,335	4,476	4,747
Net income	<u>\$ 5,232</u>	<u>\$ 4,006</u>	<u>\$ 17,276</u>	<u>\$ 14,242</u>
Earnings per share:				
Basic	\$ 0.62	\$ 0.46	\$ 2.03	\$ 1.61
Diluted	\$ 0.61	\$ 0.45	\$ 2.01	\$ 1.59
Weighted average shares outstanding:				
Basic	8,420	8,767	8,511	8,846
Diluted	8,510	8,876	8,609	8,955
Cash dividends declared per common share	\$ 0.16	\$ 0.13	\$ 0.48	\$ 0.39

MICROSOFT CORPORATION

BALANCE SHEETS

(In millions)

	March 31, 2011 (Unaudited)	June 30, 2010 (1)
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,021	\$ 5,505
Short-term investments (including securities loaned of \$1,171 and \$62)	43,129	31,283
Total cash, cash equivalents, and short-term investments	50,150	36,788
Accounts receivable, net of allowance for doubtful accounts of \$304 and \$375	10,033	13,014
Inventories	1,056	740
Deferred income taxes	2,586	2,184
Other	2,438	2,950
Total current assets	66,263	55,676
Property and equipment, net of accumulated depreciation of \$9,564 and \$8,629	7,969	7,630
Equity and other investments	10,748	7,754
Goodwill	12,554	12,394
Intangible assets, net	840	1,158
Other long-term assets	1,353	1,501
Total assets	<u>\$ 99,727</u>	<u>\$ 86,113</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 3,829	\$ 4,025
Short-term debt	0	1,000
Accrued compensation	2,917	3,283
Income taxes	839	1,074
Short-term unearned revenue	11,887	13,652
Securities lending payable	1,245	182
Other	3,325	2,931
Total current liabilities	24,042	26,147
Long-term debt	11,915	4,939
Long-term unearned revenue	1,132	1,178
Deferred income taxes	1,185	229
Other long-term liabilities	8,001	7,445
Total liabilities	46,275	39,938
Commitments and contingencies		
Stockholders' equity:		
Common stock and paid-in capital—shares authorized 24,000; outstanding 8,431 and 8,668	63,234	62,856
Retained deficit, including accumulated other comprehensive income of \$1,810 and \$1,055	(9,782)	(16,681)
Total stockholders' equity	53,452	46,175
Total liabilities and stockholders' equity	<u>\$ 99,727</u>	<u>\$ 86,113</u>

(1) *Derived from audited financial statements.*

MICROSOFT CORPORATION

CASH FLOWS STATEMENTS

(In millions) (Unaudited)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2011	2010	2011	2010
Operations				
Net income	\$ 5,232	\$ 4,006	\$ 17,276	\$ 14,242
Adjustments to reconcile net income to net cash from operations:				
Depreciation, amortization, and other	720	694	2,077	1,955
Stock-based compensation expense	541	481	1,622	1,409
Net recognized gains on investments and derivatives	(122)	(68)	(377)	(322)
Excess tax benefits from stock-based compensation	(5)	(14)	(14)	(38)
Deferred income taxes	(59)	(241)	(324)	263
Deferral of unearned revenue	6,616	6,087	19,331	19,692
Recognition of unearned revenue	(7,026)	(6,395)	(21,189)	(21,758)
Changes in operating assets and liabilities:				
Accounts receivable	3,031	1,947	3,435	1,906
Inventories	(170)	77	(258)	216
Other current assets	(618)	(361)	(487)	90
Other long-term assets	(8)	(81)	172	(143)
Accounts payable	(51)	122	(235)	89
Other current liabilities	237	775	(1,174)	(146)
Other long-term liabilities	354	364	1,197	1,014
Net cash from operations	8,672	7,393	21,052	18,469
Financing				
Short-term debt repayments, maturities of 90 days or less, net	0	(349)	(186)	(446)
Proceeds from issuance of debt, maturities longer than 90 days	2,239	851	6,960	2,592
Repayments of debt, maturities longer than 90 days	0	(502)	(814)	(1,898)
Common stock issued	1,405	422	2,242	1,399
Common stock repurchased	(848)	(2,023)	(10,299)	(7,430)
Common stock cash dividends paid	(1,349)	(1,139)	(3,830)	(3,448)
Excess tax benefits from stock-based compensation	5	14	14	38
Other	(15)	0	(40)	0
Net cash from (used in) financing	1,437	(2,726)	(5,953)	(9,193)
Investing				
Additions to property and equipment	(658)	(408)	(1,713)	(1,219)
Acquisition of companies, net of cash acquired	0	(143)	(69)	(245)
Purchases of investments	(14,394)	(11,217)	(27,707)	(25,994)
Maturities of investments	2,286	1,054	4,992	6,448
Sales of investments	5,738	4,927	9,768	12,705
Securities lending payable	(111)	(117)	1,063	1,110
Net cash used in investing	(7,139)	(5,904)	(13,666)	(7,195)
Effect of exchange rates on cash and cash equivalents	28	(30)	83	(2)
Net change in cash and cash equivalents	2,998	(1,267)	1,516	2,079
Cash and cash equivalents, beginning of period	4,023	9,422	5,505	6,076
Cash and cash equivalents, end of period	\$ 7,021	\$ 8,155	\$ 7,021	\$ 8,155

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MICROSOFT CORPORATION

SEGMENT REVENUE AND OPERATING INCOME (LOSS)

(In millions) (Unaudited)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2011	2010	2011	2010
Revenue				
Windows & Windows Live Division	\$ 4,445	\$ 4,650	\$ 14,284	\$ 14,713
Server and Tools	4,104	3,706	12,453	11,229
Online Services Division	648	566	1,866	1,633
Microsoft Business Division	5,252	4,341	16,409	13,701
Entertainment and Devices Division	1,935	1,210	7,428	5,024
Unallocated and other	44	30	136	145
Consolidated	<u>\$ 16,428</u>	<u>\$ 14,503</u>	<u>\$ 52,576</u>	<u>\$ 46,445</u>
Operating income (loss)				
Windows & Windows Live Division	\$ 2,764	\$ 3,073	\$ 9,338	\$ 9,968
Server and Tools	1,419	1,270	4,834	3,979
Online Services Division	(726)	(709)	(1,829)	(1,649)
Microsoft Business Division	3,165	2,542	10,506	8,285
Entertainment and Devices Division	225	150	1,292	790
Corporate-level activity	(1,138)	(1,153)	(3,151)	(3,205)
Consolidated	<u>\$ 5,709</u>	<u>\$ 5,173</u>	<u>\$ 20,990</u>	<u>\$ 18,168</u>

EXHIBIT IV

**CURRENT REPORT ON FORM 8-K FILED BY MICROSOFT CORPORATION
WITH THE SEC ON MAY 10, 2011**

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported): May 10, 2011

Microsoft Corporation
(Exact Name of Registrant as Specified in Charter)

Washington
(State or Other Jurisdiction
of Incorporation)

0-14278
(Commission
File Number)

91-1144442
(IRS Employer
Identification No.)

One Microsoft Way, Redmond, Washington
(Address of Principal Executive Offices)

98052-6399
(Zip Code)

Registrant's telephone number, including area code: (425) 882-8080

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2.):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 8.01 Other Events.

On May 10, 2011, Microsoft Corporation (the “Company”) and Skype Global S.à r.l. (“Skype”) issued a joint press release announcing that the Company had entered into a purchase agreement to acquire Skype for \$8.5 billion in cash. A copy of the press release is attached hereto as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits* .

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release dated May 10, 2011.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MICROSOFT CORPORATION

By: /s/ Keith R. Dolliver

Name: Keith R. Dolliver

Title: Associate General Counsel, Legal and
Corporate Affairs, and Assistant Secretary

Date: May 10, 2011

INDEX OF EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release dated May 10, 2011.

Microsoft to Acquire Skype

Combined companies will benefit consumers, businesses and increase market opportunity.

REDMOND, Wash., and LUXEMBOURG – May 10, 2011 – Microsoft Corp. (Nasdaq: “MSFT”) and Skype Global S.à r.l today announced that they have entered into a definitive agreement under which Microsoft will acquire Skype, the leading Internet communications company, for \$8.5 billion in cash from the investor group led by Silver Lake. The agreement has been approved by the boards of directors of both Microsoft and Skype.

The acquisition will increase the accessibility of real-time video and voice communications, bringing benefits to both consumers and enterprise users and generating significant new business and revenue opportunities. The combination will extend Skype’s world-class brand and the reach of its networked platform, while enhancing Microsoft’s existing portfolio of real-time communications products and services.

With 170 million connected users and over 207 billion minutes of voice and video conversations in 2010, Skype has been a pioneer in creating rich, meaningful connections among friends, families and business colleagues globally. Microsoft has a long-standing focus and investment in real-time communications across its various platforms, including Lync (which saw 30 percent revenue growth in Q3), Outlook, Messenger, Hotmail and Xbox LIVE.

Skype will support Microsoft devices like Xbox and Kinect, Windows Phone and a wide array of Windows devices, and Microsoft will connect Skype users with Lync, Outlook, Xbox Live and other communities. Microsoft will continue to invest in and support Skype clients on non-Microsoft platforms.

“Skype is a phenomenal service that is loved by millions of people around the world,” said Microsoft CEO Steve Ballmer. “Together we will create the future of real-time communications so people can easily stay connected to family, friends, clients and colleagues anywhere in the world.”

Skype will become a new business division within Microsoft, and Skype CEO Tony Bates will assume the title of president of the Microsoft Skype Division, reporting directly to Ballmer.

“Microsoft and Skype share the vision of bringing software innovation and products to our customers,” said Tony Bates. “Together, we will be able to accelerate Skype’s plans to extend our global community and introduce new ways for everyone to communicate and collaborate,” Bates said.

“Tony Bates has a great track record as a leader and will strengthen the Microsoft management team. I’m looking forward to Skype’s talented global workforce bringing its insights, ideas and experience to Microsoft,” Ballmer said.

Speaking on behalf of the investor group that sold Skype to Microsoft, Egon Durban, managing director of Silver Lake, said: “We are thrilled with Skype’s transformation during the period of our ownership and grateful for the extraordinary commitment of its management team and employees. We are excited about Skype’s long-term future with Microsoft, as it is poised to become one of the world’s most dynamic and comprehensive communications platforms.”

Founded in 2003, Skype was acquired by eBay in September 2005, and then acquired by an investment group led by Silver Lake in November 2009. Skype has made impressive progress over the past 18 months under Silver Lake's leadership, increasing monthly calling minutes by 150 percent, developing new revenue streams and strategic partnerships, acquiring the intellectual property powering its peer-to-peer network, and recruiting an outstanding senior management team.

Other members of the selling investor group led by Silver Lake include eBay International AG, CPP Investment Board, Joltid Limited in partnership with Europlay Capital Advisors; and Andreessen Horowitz.

The acquisition is subject to regulatory approvals and other customary closing conditions. The parties hope to obtain all required regulatory clearances during the course of this calendar year.

About Skype

Skype is communications software whose purpose is to break down barriers to communication. With an Internet-connected device, families, friends and colleagues can get together for free with messaging, voice and video. At low cost, they can also call landlines or mobiles virtually anywhere in the world. Skype has recently introduced group video, allowing groups of more than two people to do things together whenever they're apart.

Founded in 2003 and based in Luxembourg. Skype can be downloaded onto computers, mobile phones and other connected devices for free.

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Founded in 1975, Microsoft (Nasdaq "MSFT") is the worldwide leader in software, services and solutions that help people and businesses realize their full potential.

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For more information, press only:

Rapid Response Team, Waggener Edstrom Worldwide for Microsoft, 503-443-7070, rrt@waggeneredstrom.com

Press Conference/Conference Call/Webcast

On Tuesday, May 10, at 8 a.m. PDT, [Microsoft and Skype] will host a press conference at the Four Seasons Hotel in San Francisco and at Microsoft Ltd, Customer Centre, Cardinal Place, 100 Victoria Street London, UK SW1E 5JL.

The conference will also be webcast. Links to the webcast and accompanying documents will stream live on the Microsoft News Center at 8:00 a.m. PDT.

For dial-in access, please dial 888-942-9536 within the U.S. or 212-547-0187 outside the U.S. Enter passcode MICROSOFT to join.

Note to editors : For more information, news and perspectives from Microsoft, please visit the Microsoft News Center. Web links, telephone numbers and titles were correct at time of publication, but may have changed. For additional assistance, journalists and analysts may contact Microsoft's Rapid Response Team or other appropriate contacts listed at <http://www.microsoft.com/news/contactpr.mspx> .

CROSS-REFERENCE LISTS

ANNEX I

**MINIMUM DISCLOSURE REQUIREMENTS FOR THE SHARE REGISTRATION DOCUMENT
(SCHEDULE)**

(Page numbering refers to the page contained in the relevant document)

Item #	Item contents	Chapter/Exhibit	Page/Section
1.	Persons Responsible		
1.1.	All persons responsible for the information given in the prospectus;	Prospectus	5 (Company Representative for Prospectus)
1.2.	A declaration by those responsible for the prospectus.	Prospectus	5 (Company Representative for Prospectus)
2.	Statutory Auditors		
2.1.	Names and addresses of the issuer's auditors;	Chapter E	47 (10.2 Independent Registered Public Accounting Firm)
2.2.	If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, indicate details if material.	Not applicable	Not applicable
3.	Selected Financial Information		
3.1.	Selected historical financial information	Chapter E	46 – 47 (10.1 Selected Financial Data)
3.2.	Interim periods	Chapter E	46 – 47 (10.1 Selected Financial Data)
4.	Risk Factors	Chapter D	15 – 22 (Risk Factors)
5.	Information about the Issuer		
5.1.	History and Development of the Issuer		

Item #	Item contents	Chapter/Exhibit	Page/Section
5.1.1.	the legal and commercial name of the issuer;	Chapter A	7 (Introduction)
12.	Trend Information		
12.1.	Significant trends that affected production, sales and inventory, and costs and selling prices since the end of the last financial year to the date of the prospectus;	Exhibits III and IV	All pages
12.2.	Trends, uncertainties or events that are likely to affect the issuer for at least the current financial year.	Chapter D	15 – 22 (Risk Factors)
		Exhibit III	All pages
13.	Profit Forecasts or Estimates	Not applicable	Not applicable
14.	Administrative, Management, Supervisory Bodies and Senior Management		
14.1	Names, business addresses and functions in the issuer of the following persons and an indication of the principal activities performed by them outside the issuer where these are significant with respect to that issuer: a) members of the administrative, management or supervisory bodies;	Chapter E	36 – 38 (7.1 Board of Directors as of September 3, 2010) and 41 – 42 (8.1 Directors' and Executive Officers' Holdings of Shares and Options)
	b) partners with unlimited liability, in the case of a limited partnership with a share capital;	Not applicable	Not applicable
	c) founders, if the issuer has been established for fewer than five years; and	Not applicable	Not applicable
	d) any senior manager who is relevant to establishing that the issuer has the appropriate expertise and experience for the management of the issuer's business.	Chapter E	38 – 39 (7.2 Executive Officers as of September 10, 2010) and 41 – 42 (8.1 Directors' and Executive Officers' Holdings of Shares and

Item #	Item contents	Chapter/Exhibit	Page/Section
			Options)
	The nature of any family relationship between any of those persons.	Chapter E	39 – 40 (7.3 Fraudulent Offences and Bankruptcy, Etc.)
	<p>In the case of each member of the administrative, management or supervisory bodies of the issuer and each person mentioned in points (b) and (d) of the first subparagraph, details of that person’s relevant management expertise and experience and the following information:</p> <p>(a) the nature of all companies and partnerships of which such person has been a member of the administrative, management and supervisory bodies or partner at any time in the previous five years, indicating whether or not the individual is still a member of the administrative, management or supervisory bodies or partner. It is not necessary to list all the subsidiaries of an issuer of which the person is also a member of the administrative, management or supervisory bodies or partner. It is not necessary to list all the subsidiaries of an issuer of which the person is also a member of the administrative, management or supervisory bodies.</p>	Chapter E	<p>36 – 38 (7.1 Board of Directors as of September 3, 2010) and</p> <p>38 – 39 (7.2 Executive Officers as of September 10, 2010)</p>
	<p>(b) any convictions in relation to fraudulent offences for at least the previous five years;</p> <p>(c) details of any bankruptcies, receiverships or liquidations with which a person described in (a) and (d) of the first subparagraph who was acting in the capacity of any of the positions set out in (a) and (d) of the first subparagraph was associated for at least the previous five years;</p> <p>(d) details of any official public incrimination and/or sanctions of such person by statutory or regulatory authorities (including designated professional bodies) and whether such person has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.</p> <p>If there is no such information to be disclosed, a statement to that effect is to be made.</p>	Chapter E	39 – 40 (7.3 Fraudulent Offences and Bankruptcy, Etc.)
14.2.	Administrative, management, and supervisory bodies and senior management conflicts of interests.	Chapter E	40 – 41 (7.4 Conflicts of Interest)

Item #	Item contents	Chapter/Exhibit	Page/Section
17.	Employees		
17.2.	With respect to each person referred to in points (a) and (d) of the first subparagraph of item 14.1. provide information as to their share ownership and any options over such shares in the issuer as of the most recent practicable date.	Chapter E	41 – 42 (8.1 Directors' and Executive Officers' Holdings of Shares and Options)
17.3	Description of any arrangements for involving the employees in the capital of the issuer.	Exhibits I and II	All sections
		Chapter E	42 – 46 (8.2 Stock and Savings Plans)
20.7.	Dividend policy		
20.7.1	The amount of the dividend per share for each financial year for the period covered by the historical financial information	Chapter E	28 (Dividend Rights)
20.8.	Legal and arbitration proceedings	Chapter E	32 – 35 (5.3 Indirect and Contingent Indebtedness)
20.9.	Significant change in the issuer's financial or trading position	Not Applicable	Not Applicable
23.	Third Party Information and Statement by Experts and Declarations of Any Interest		
23.1.	Where a statement or report attributed to a person as an expert is included in the Registration Document, provide such person's name, business address, qualifications and material interest if any in the issuer.	Not applicable	Not applicable
23.2.	Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced.	Not applicable	Not applicable
24.	Documents On Display	Chapter E	47 (XI. Documents on Display)

ANNEX III

MINIMUM DISCLOSURE REQUIREMENTS FOR THE SHARE SECURITIES NOTE (SCHEDULE)

(Page numbering refers to the page contained in the relevant document)

Item #	Item contents	Chapter/Exhibit	Page/Section
1.	Persons Responsible		
1.1.	All persons responsible for the information given in the prospectus.	Prospectus	5 (Company Representative for Prospectus)
1.2.	A declaration by those responsible for the prospectus.	Prospectus	5 (Company Representative for Prospectus)
2.	Risk Factors	Chapter D	15 – 22 (Risk Factors)
		Chapter E	27 (4.4 Currency of the Securities Issue)
3.	Key Information		
3.1	Working capital statement	Chapter E	46 (IX. Working Capital Statement)
3.2	Capitalization and indebtedness	Chapter E	31 – 35 (V. Statement of Capitalization and Indebtedness as of March 31, 2011)
3.4	Reasons for the offer and use of proceeds	Chapter E	23 (1.1 Purpose of the ESPP)
		Exhibit II	Section 1
4.	Information Concerning the Securities to be Offered/ Admitted to Trading		
4.1	Type and the class of the securities being offered, including the security identification code.	Chapter E	26 (4.1 Type and the Class of the Securities being Offered, Including the Security Identification)

Item #	Item contents	Chapter/Exhibit	Page/Section
			Code)
		Exhibit II	Section 3
4.2	Legislation under which the securities have been created.	Chapter E	26 (4.2 Legislation Under Which the Securities Have Been Created)
4.3	Form of securities, name and address of the entity in charge of keeping the records.	Chapter E	26 – 27 (4.3 Form of Securities, Name and address of the Entity in Charge of Keeping the Records)
4.4	Currency of the securities issue.	Chapter E	27 (4.4 Currency of the Securities Issue)
4.5	Rights attached to the securities	Chapter E	27 – 30 (4.5 Rights Attached to the Securities)
4.6	Statement of the resolutions, authorizations and approvals by virtue of which the securities have been or will be created and/or issued.	Chapter E	23 (1.1 Purpose of the ESPP)
		Exhibit I	Section 1 (Subheader)
		Exhibit II	Section 1 (Subheader)
4.7	Expected issue date of the securities.	Chapter E	23 (1.3 Purchase Period)
4.8	Description of any restrictions on the free transferability of the securities.	Chapter E	25 – 26 (III. Delivery and Sale of the Shares) and 31 (4.6 Transferability)
		Exhibit II	Section 13
4.9	Mandatory takeover bids and/or squeeze-out and sell-	Chapter E	31 (4.7 General Provisions)

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	out rules in relation to the securities.		Applying to Business Combinations)
4.11	Information on taxes on the income from the securities withheld at source	Chapter E	48 – 78 (XII. Tax Consequences)
5.	Terms and Conditions of the Offer		
5.1	Conditions, offer statistics, expected timetable and action required to apply for the offer		
5.1.1	Conditions to which the offer is subject.	Chapter E	23 – 26 (I. The Outline, II. Eligibility and III. Delivery and Sale of the Shares)
		Exhibit I	All sections
		Exhibit II	All sections
5.1.2	Total amount of the issue/offer.	Chapter E	36 (6.2 Net Proceeds)
		Exhibit II	Section 3
5.1.3	Time period during which the offer will be open and description of the application process.	Chapter E	23 – 26 (I. The Outline, II. Eligibility and III. Delivery and Sale of the Shares)
		Exhibit II	Sections 5 and 7
5.1.4	Circumstances under which the offer may be revoked or suspended and whether revocation can occur after dealing has begun.	Chapter E	24 (1.7 Termination or Amendment of the ESPP) and 25 (2.5 Termination of Employment of Participating Employees)
		Exhibit II	Sections 10 and 12(b), (c), (d) and (e)

Item #	Item contents	Chapter/Exhibit	Page/Section
5.1.5	Possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants.	Chapter E	25 (2.4 Discontinuance of Participation of Participating Employees)
5.1.6	Minimum and /or maximum amount of application.	Exhibit I	Section 6
		Exhibit II	Section 3
5.1.7	Period during which an application may be withdrawn.	Chapter E	23 (1.2 Shares Offered Under the ESPP), 24 (2.2 Participation of Eligible Employees) and 25 (2.4 Discontinuance of Participation of Participating Employees)
5.1.8	Method and time limits for paying up the securities and for delivery of the securities.	Chapter E	24 (1.5 Purchase of Stock) 25 (2.3 Payroll Deductions) and 25 – 26 (III. Delivery and Sale of the Shares)
		Exhibit II	Sections 11(d) and 12(a)
5.3	Pricing		
5.3.1.	An indication of the price at which the securities will be offered.	Chapter E	24 (1.4 Purchase Price)
		Exhibit II	Sections 7(a) and 11(b)
5.3.2.	Process for the disclosure of the offer price.	Chapter E	24 (1.4 Purchase Price) and

Item #	Item contents	Chapter/Exhibit	Page/Section
			26 – 27 (4.3 Form of Securities, Name and Address of the Entity in Charge of Keeping the Records)
		Exhibit II	Sections 7(a) and 11(b)
5.3.3.	If the issuer's equity holders have pre-emptive purchase rights and this right is restricted or withdrawn.	Chapter E	30 (No Preemptive, Redemptive or Conversion Provisions)
5.3.4	Where there is or could be a material disparity between the public offer price and the effective cash cost to members of the administrative, management or supervisory bodies or senior management, or affiliated persons, of securities acquired by them in transactions during the past year.	Not applicable	Not applicable
5.4.	Placing and Underwriting		
5.4.2	Name and address of any paying agents and depository agents in each country.	Chapter E	26 – 27 (4.3 Form of Securities, Name and Address of the Entity in Charge of Keeping the Records)
6.	Admission to Trading and Dealing Arrangements		
6.1	Whether the securities offered are or will be the object of an application for admission to trading.	Chapter E	26 (4.1 Type and Class of the Securities being Offered, Including the Security Identification Code)
6.2	Regulated markets or equivalent markets on which securities of the same class of the securities to be offered or admitted to trading are already admitted to trading.	Chapter E	26 (4.1 Type and Class of the Securities being Offered, Including the

Item #	Item contents	Chapter/Exhibit	Page/Section
			Security Identification Code)
8.	Expense of the Issue/Offer		
8.1.	The total net proceeds and an estimate of the total expenses of the issue/offer.	Chapter E	36 (6.2 Net Proceeds)
9.	Dilution		
9.1.	The amount and percentage of immediate dilution resulting from the offer.	Chapter A	8 – 9 (Section II. The Stock Plan)
		Chapter E	35 – 36 (6.1 Maximum Dilution)
9.2.	In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer.	Not applicable	Not applicable
10.	Additional Information		
10.1.	If advisors connected with an issue are mentioned in the Securities Note, a statement of the capacity in which the advisors have acted.	Not applicable	Not applicable
10.3.	Where a statement or report attributed to a person as an expert is included in the Securities Note, provide such persons' name, business address, qualifications and material interest if any in the issuer.	Not applicable	Not applicable
10.4.	Where information has been sourced from a third party.	Not applicable	Not applicable