Registration number: 348351

Microsoft Global Finance UC

Annual Report and Financial Statements

for the Financial Year Ended 30 June 2025

Microsoft Global Finance UC

Company Information

Directors	Benjamin Orndorff (US) Leigh Anne Kiviat (US) Mark Buckley Rosa Rivera Bornacely James O'Connor Brad Faulhaber (US) Pankaj Gudimella (US) Jacinta Quigley (Alternate) Donal O'Beirne (Alternate) Sally Deans (Alternate)
Company secretary	Matsack Trust Limited
Registered number	348351
Registered office	70 Sir John Rogerson's Quay Dublin 2
Auditors	Deloitte Ireland LLP Chartered Accountants & Statutory Audit Firm Deloitte & Touche House 29 Earlsfort Terrace Dublin D02 AY28
Bankers	Citi London Citigroup Centre 33 Canada Square Canary Wharf London E14 5LB
Solicitors	Matheson Solicitors 70 Sir John Rogerson's Quay Dublin 2

Microsoft Global Finance UC

Company Information (continued)

Custodians	The Bank of New York Mellon 240 Greenwich Street New York, NY 10286 USA

Microsoft Global Finance UC

Contents

Microsoft Global Finance UC

Directors' Report for the Financial Year Ended 30 June 2025

The directors present their annual report and the audited financial statements for the financial year ended 30 June 2025.

PRINCIPAL ACTIVITIES

The principal activity of the company is that of investment trading and treasury management.

The company also operates as an "In-House Cash Centre" to other Microsoft entities, facilitating cash flow requirements and supporting the settlement of inter-group balances.

RESULTS FOR THE YEAR AND DIVIDENDS

The loss for the financial year, after taxation, amounted to $52,082,000 (2024 - $1,890,504,000).

The company paid no dividend during the financial year (2024 - $Nil).

The company continues to adopt the disclosure exemptions allowed under FRS 101.

The company's key financial and other performance indicators during the year were as follows:

	2025	2024
	$ 000	$ 000
Investment returns	**878,853**	913,184
Operating profit	**2,247,397**	907,488
Loss for the financial year	**(52,082)**	(1,890,504)
Shareholder's equity	**3,952,246**	3,097,255
Average number of employees	**2**	3

Investment returns decreased by $34,331,000 during the financial year. This decrease was driven primarily by a decrease in interest income.

Operating profit increased by $1,339,909,000, mainly due to the increased foreign exchange gains in the current financial year.

Loss for the financial year decreased by $1,838,422,000, driven by those movements noted above, in addition to an increase in receivable due to an increase in the level of lending during the year.

Shareholder's equity increased by $854,991,000, primarily due to fair value gains on investments during the financial year.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

As the company operates in numerous currencies, the directors are conscious of the effect of foreign exchange on the company's results. The company is cognisant of the fact that its investments are largely funded by intercompany loans and the company's continued development is dependent on the availability of such capital. The company is also conscious of its exposure to market based fluctuations due to the volatility in global markets and manages this risk on a continuous basis.

In pursuing its investment objective and policies, the company is exposed to a variety of financial risks: market risk (including market price risk, foreign currency risk, interest rate risk), credit risk and liquidity risk, that could result in a reduction in the company's net assets.

The company has documented financial risk management policies. These policies set out the company's overall business strategies and its risk management philosophy. The company's overall risk management programme seeks to minimise potential adverse effects on the financial performance of the company. A portion of these risks are hedged, but they may impact the company's financial statements.

The company maintains 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 affect global financial markets. A significant part of our investment portfolio comprises U.S. government securities. If global credit and equity markets decline for long periods, or if there is a downgrade of the U.S. government credit rating due to an actual or threatened default on government debt, the investment portfolio may be adversely affected 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 affect our financial results.

Risk management is monitored by the Board of Directors.

The nature and extent of the financial instruments outstanding at the balance sheet date and the policies employed by the company to manage these risks are discussed below:

Currency Risk

Currency risk is defined in IFRS 7 "Financial instruments" as the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates. The risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. Certain forecasted transactions, assets, and liabilities are exposed to foreign currency risk. The Board of Directors monitors the company's foreign currency exposures. Hedges are used, where practical, to offset the risks and maximize the economic effectiveness of our foreign currency positions. The principal currencies hedged during the year include Euro and Japanese Yen.

Market price risk

The company's equity portfolio consists of global, developed, and emerging market securities that are subject to market price risk. Stock markets can be volatile and security prices can change substantially. The value of the assets of the company may be affected by uncertainties such as international political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in applicable laws and regulations. We manage the securities relative to certain global and domestic indices and expect their economic risk and return to correlate with these indices. Details of investments held is provided in Notes 15 & 16.

Interest Rate Risk

Interest rate risk is defined as the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. This risk arises on financial instruments whose fair value is affected by changes in interest rates.

The company's 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 in order achieve economic returns that correlate to certain global and domestic fixed-income indices. The company also pays interest on amounts payable to other group undertakings which are repayable on demand.

Credit risk

The company has exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when they fall due. The company minimizes credit risk by investing primarily in only investment grade securities, which are primarily US government securities. The company minimize concentration of credit risk by undertaking transactions with a large number of customers and counterparties on recognizable and reputable exchanges. As of the balance sheet date, there is minimal exposure to non-investment grade quality securities or concentrations of credit risk and no sensitivity analysis for credit risk was carried out. Details of investments held and receivables are provided in Notes 15, 16 and 17.

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with liabilities. The company acts as an "In-house Cash Centre" (IHCC) for other fellow subsidiary undertakings of Microsoft Corporation and as such the main liquidity risk faced by the company is if those companies sought repayment of amounts owing to them. While these amounts are repayable on demand, such a call would require divestiture of investments in order to have sufficient liquidity to repay any such balances.

Generally investments are readily convertible into cash within 12 months of the balance sheet date. Management believes that liquidity risk is minimal and on that basis an analysis of maturity dates has not been provided.

ACCOUNTING RECORDS

The measures taken by the directors to ensure compliance with the requirements of section 281 to 285 of the Companies Act 2014 with regard to keeping of accounting records, are the employment of appropriately qualified accounting personnel and the maintenance of computerised accounting systems. The company accounting records are maintained at One Microsoft Place, South County Business Park, Leopardstown, Dublin 18.

DIRECTORS' AND SECRETARY'S INTEREST IN SHARES

The directors who served during the financial year were:

Benjamin Orndorff (US)
Leigh Anne Kiviat (US)
Mark Buckley
James O'Connor
Rosa Riveira Bornacely
Oystein Harsvik (US, appointed 28 August 2024, resigned 7 July 2025)
Brad Faulhaber (US)
Sally Deans (Alternate)
Pankaj Gudimella (US, resigned 26 August 2024, re-appointed 29 July 2025)
Jacinta Quigley (Alternate)
Donal O'Beirne (Alternate)

The directors of the company and its secretary, who held office at 30 June 2025, had no interests in the shares of the company at that date or at 1 July 2024.

The directors who held office at 30 June 2025 have advised that they hold some shares in the company's ultimate parent company, Microsoft Corporation, however none of the directors hold more than 1% of voting shares in Microsoft Corporation or in any of Microsoft's subsidiaries.

GOING CONCERN

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern can be found in Note 2 of the financial statements.

FUTURE DEVELOPMENTS IN THE BUSINESS

It is the intention of the directors to continue to develop the activities of the company.

STATEMENT ON RELEVANT AUDIT INFORMATION

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

AUDIT COMMITTEE STATEMENT

Following due review and consideration of the requirement under section 167 of the Companies Act 2014 and the current circumstances of the company, the board has taken the decision not to establish an audit committee at the present time. The reason for the decision is that Microsoft Corporation, the company's ultimate parent company, has established an audit committee which, in the Director's opinion, adequately performs the relevant functions for the Microsoft group as a whole, including the company, and that therefore, the Directors believe there is no necessity for the company itself to establish a committee for the purpose of section 167 of the Companies Act 2014.

AUDITORS

The auditors, Deloitte Ireland LLP, Chartered Accountants & Statutory Audit Firm, continue in office in accordance with Section 383(2) of the Companies Act 2014.

Approved by the Board on 28 January 2026 and signed on its behalf by:

....	....
Benjamin Orndorff (US)	Leigh Anne Kiviat (US)
Director	Director

Microsoft Global Finance UC

Directors' Responsibility Statement

The directors are responsible for preparing the Directors' report and the financial statements in accordance with the Companies Act 2014 and applicable regulations.

Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with FRS 101 'Reduced Disclosure Framework' ("Relevant Financial Reporting Framework") issued by the Financial Reporting Council.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date and of the profit or loss of the company for that financial year and otherwise comply with the Companies Act 2014.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in Ireland governing the preparation and disemination of financial statements may differ from legislation in other jurisdictions. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Deloitte.

Deloitte Ireland LLP
Chartered Accountants &
Statutory Audit Firm

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MICROSOFT GLOBAL FINANCE UC

Report on the audit of the financial statements

Opinion on the financial statements of Microsoft Global Finance UC ("the company")
In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 30 June 2025 and of the loss for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

- the Profit and Loss Account;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 25, including material accounting policy information as set out in note 2.

The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and FRS 101 'Reduced Disclosure Framework' issued by the Financial Reporting Council ("the relevant financial reporting framework").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "*Auditor's responsibilities for the audit of the financial statements*" section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other Information
The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and Financial Statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
MICROSOFT GLOBAL FINANCE UC

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors
As explained more fully in the Directors' Responsibility Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on IAASA's website at: https://iaasa.ie/publications/description-of-the-auditors-responsibilities-for-the-audit-of-the-financial-statements. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014
Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements.
- In our opinion, those parts of the directors' report specified for our review, which does not include sustainability reporting when required by Part 28 of the Companies Act 2014, have been prepared in accordance with the Companies Act 2014.

Matters on which we are required to report by exception
Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
MICROSOFT GLOBAL FINANCE UC

Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Howard

Richard Howard
For and on behalf of Deloitte Ireland LLP

Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, 29 Earlsfort Terrace, Dublin 2

28 January 2026

Microsoft Global Finance UC

Profit and Loss Account for the Financial Year Ended 30 June 2025

	Note	2025 $ 000	2024 $ 000
Investment returns	5	**878,853**	913,184
Administrative income/(expenses)		**1,368,544**	(5,696)
Operating profit		**2,247,397**	907,488
Interest receivable and similar income	6	**903,562**	582,322
Interest payable and similar charges	7	**(3,185,048)**	(3,378,831)
Loss on ordinary activities before tax		**(34,089)**	(1,889,021)
Tax on loss on ordinary activities	12	**(17,993)**	(1,483)
Loss for the financial year		**(52,082)**	(1,890,504)

The above results were derived from continuing operations.

Microsoft Global Finance UC

Statement of Comprehensive Income for the Financial Year Ended 30 June 2025

	2025	2024
	$ 000	$ 000
Loss for the financial year	**(52,082)**	(1,890,504)
Other comprehensive income that will be reclassified to the income statement:		
Fair value gain on investments measured at FVTOCI	**1,174,907**	791,811
Tax impact of fair value movements	**(146,863)**	(98,976)
Deferred tax release on investment settlement	**(120,971)**	(34,715)
Total comprehensive gain/(loss) attributable to owners of the company	**854,991**	(1,232,384)

The notes on pages 14 to 41 form an integral part of these financial statements.

Microsoft Global Finance UC

(Registration number: 348351)
Balance Sheet as at 30 June 2025

	Note	2025 $ 000	2024 $ 000
Fixed assets			
Financial assets	14	**37,917**	49,744
Current assets			
Investments	15	**34,101,461**	40,489,038
Debtors - due within one year	17	**7,602,954**	7,359,392
Cash and cash equivalents		**2,862,506**	3,811,284
Income tax receivable		**46**	-
		44,566,967	51,659,714
Non-current assets			
Debtors - due after one year	17	**25,440,272**	18,651,144
Deferred tax assets	19	**456,883**	724,717
		25,897,155	19,375,861
Total assets		**70,502,039**	71,085,319
Creditors: amounts falling due within one year	18	**(66,549,793)**	(67,988,064)
Net assets		**3,952,246**	3,097,255
Capital and reserves			
Called-up share capital presented as equity	20	**-**	-
Other reserves		**3,596,063**	3,596,063
Investments valuation reserve		**663,177**	(243,896)
Profit and loss account		**(306,994)**	(254,912)
Shareholders' funds		**3,952,246**	3,097,255

Approved by the Board on 28 January 2026 and signed on its behalf by:

....
Benjamin Orndorff (US)
Director

....
Leigh Anne Kiviat (US)
Director

The notes on pages 14 to 41 form an integral part of these financial statements.

Microsoft Global Finance UC

Statement of Changes in Equity for the Financial Year Ended 30 June 2025

	Other reserves $ 000	Investments valuation reserve $ 000	Profit and loss account $ 000	Total $ 000
At 1 July 2024	3,596,063	(243,896)	(254,912)	3,097,255
Loss for the financial year	-	-	(52,082)	(52,082)
Other comprehensive gain	-	907,073	-	907,073
Total comprehensive gain for the financial year	-	907,073	(52,082)	854,991
At 30 June 2025	**3,596,063**	**663,177**	**(306,994)**	**3,952,246**

Other reserves relate to irrevocable and unconditional capital contributions from the parent undertaking.

The investments valuation reserve represents the cumulative gains and losses arising on the revaluation of investments in debt instruments classified as at FVTOCI, net of cumulative loss allowance recognised on these investments and cumulative gain/loss reclassified to profit or loss upon disposal or reclassification of these investments.

Statement of Changes in Equity for the Financial Year Ended 30 June 2024

	Other reserves $ 000	Investments valuation reserve $ 000	Profit and loss account $ 000	Total $ 000
At 1 July 2023	3,596,063	(902,016)	1,635,592	4,329,639
Loss for the financial year	-	-	(1,890,504)	(1,890,504)
Other comprehensive gain	-	658,120	-	658,120
Total comprehensive loss for the financial year	-	658,120	(1,890,504)	(1,232,384)
At 30 June 2024	**3,596,063**	**(243,896)**	**(254,912)**	**3,097,255**

1 GENERAL INFORMATION

Microsoft Global Finance UC is a private unlimited company incorporated in Ireland under the Companies Act 2014. The address of the registered office is given on the company information page of these accounts. The nature of the company's operations and its principal activities are set out in the Directors' Report on pages 1-5. These financial statements are presented in US Dollars because that is the currency of the primary economic environment in which the company operates (its functional currency). The company is exempt from the preparation of consolidated financial statements by virtue of Section 300 of the Companies Act 2014, because it is included in the group accounts of Microsoft Corporation. The group accounts of Microsoft Corporation can be obtained as set out in Note 24.

2 MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with the Companies Act 2014 and Financial Reporting Standard 101, 'Reduced Disclosure Framework', issued by the Financial Reporting Council.

The company meets the definition of a qualifying entity under FRS 100 issued by the Financial Reporting Council.

SUMMARY OF DISCLOSURE EXEMPTIONS

As permitted by FRS 101 Reduced Disclosure Framework, the company has taken advantage of the disclosure exemptions available under that standard in relation to revenue from contracts with customers, business combinations, share-based payment, fair value measurements, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, reasonably estimable information relevant to assessing the possible impact of standards not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the group accounts of Microsoft Corporation. The group accounts of Microsoft Corporation are available to the public and can be obtained as set out in Note 24.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

None of the standards, interpretations and amendments effective for the first time from 1 July 2024 have had a material effect on the financial statements.

Certain comparative balances have been reclassed where necessary to show a consistent presentation with the current year. This includes the reclassification of Deferred Tax assets to present them as being non-current.

2 MATERIAL ACCOUNTING POLICIES (continued)

ACCOUNTING CONVENTION

The principal accounting policies adopted are set out below.

INCOME AND EXPENSES

All income and expenses are recognised on an accruals basis.

INTEREST INCOME ON INVESTMENTS

Interest income and expense are recognised in the profit and loss account for all debt instruments using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability on initial recognition.

INTEREST RECEIVABLE AND PAYABLE

All interest receivable and interest payable is recognised in the profit and loss account on an accruals basis.

2 MATERIAL ACCOUNTING POLICIES (continued)

FAIR VALUE MEASUREMENT AND HIERARCHY

In relation to fair value measurement, the company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements based on the extent to which inputs used are observable in the market. IFRS 7 requires an entity to provide a quantitative and qualitative analysis of those instruments recognised at fair value based on a three level measurement hierarchy.

The fair value hierarchy has the following levels as defined under IFRS 13. The company categorises each of its fair value measurements in one of these three levels based on the lowest level input that is significant to the fair value measurement in its entirety.

• Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets. The company's Level 1 non-derivative investments primarily include U.S. treasuries, domestic and international equities, and actively traded mutual funds. Level 1 derivative assets and liabilities include those actively traded on exchanges.

• Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques (e.g. the Black-Scholes model) for which all significant inputs are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, foreign exchange rates, and forward and spot prices for currencies and commodities. The company's Level 2 non-derivative investments consist primarily of corporate notes and bonds, mortgage- and asset-backed securities, U.S. government and agency securities, and foreign government bonds. Our Level 2 derivative assets and liabilities primarily include certain over-the-counter option and swap contracts.

• Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The company's Level 3 assets primarily comprise of private equity investments. The fair values are determined based on valuation techniques using the best information available, and may include quoted market prices, market comparables, and discounted cash flow projections. The company also holds Level 3 assets in certain corporate bonds. The fair values are determined using model-based techniques, including pricing models and discounted cash flow models. Level 3 derivative assets primarily comprise of equity options. In certain cases, market-based observable inputs are not available and we use management judgment to develop assumptions to determine fair value for these derivatives.

Furthermore, for those instruments which have significant unobservable inputs (Level 3), IFRS13 requires disclosures on the transfers into and out of Level 3; a reconciliation of the opening and closing balances, total gains and losses for the period and a sensitivity analysis of assumptions used in determining the fair value of Level 3 positions.

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiary undertakings are carried at cost less provisions for any impairment. Dividends from subsidiary undertakings are recognised in the profit and loss account in the financial year in which they are received.

2 MATERIAL ACCOUNTING POLICIES (continued)

INVESTMENTS IN ASSOCIATES/ OTHER INVESTMENTS

An associate is an entity over which the company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates (i.e. other investments) are accounted for at cost less, where appropriate, allowances for impairment.

FOREIGN CURRENCY ASSETS AND LIABILITIES

The financial statements are presented in US Dollar, which is the currency of the primary economic environment in which the company operates (its functional currency). Transactions in currencies other than the company's functional currency are translated at the rate of exchange ruling at the date of the transactions. The resulting monetary assets and liabilities are translated at the balance sheet rate. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

2 MATERIAL ACCOUNTING POLICIES (continued)

TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

In assessing tax uncertainties, if it is probable that the tax authority will accept a tax treatment on examination, the company measures its income taxes in the financial statements consistent with the tax treatment used in its income tax return. Otherwise, it measures the effect of the uncertainty using the method that is expected to better predict the resolution of the uncertainty, being:

- most likely amount, representing the single most likely amount in a range of possible outcomes; or
- expected value, representing the sum of the probability-weighted amounts in the range of possible outcomes

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

DIVIDENDS

Dividends from subsidiary undertakings are recognised in the profit and loss account in the financial year in which they are received. Dividends payable are recognised once appropriate approvals or payments have been made.

2 MATERIAL ACCOUNTING POLICIES (continued)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and short-term bank deposits with a maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value.

GOING CONCERN

The financial statements have been prepared on a going concern basis.

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Director's report on pages 1 - 5.

The directors, having assessed the responses of the directors of the company's parent, Microsoft Corporation, to theirenquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Microsoft Corporation, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

2 MATERIAL ACCOUNTING POLICIES (continued)

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised cost:

• the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

• the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the company may make an irrevocable election at initial recognition of a financial asset to designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. For financial assets the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

2 MATERIAL ACCOUNTING POLICIES (continued)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss.

(ii) Debt instruments classified as at FVTOCI

Debt instruments classified as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these instruments as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these financial instruments had been measured at amortised cost. All other changes in the carrying amount of these financial instruments are recognised in other comprehensive income. When these financial instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL
- Debt instruments that do not meet the amortised cost or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'Investment returns' line item (note 5).

Impairment of financial assets

Expected credit losses are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2 MATERIAL ACCOUNTING POLICIES (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the company has reasonable and supportable information that demonstrates otherwise.

The company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

2 MATERIAL ACCOUNTING POLICIES (continued)

The company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the company, in full.

Irrespective of the above analysis, the company considers that default has occurred when a financial asset is more than 90 days past due unless the company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a breach of contract, such as a default or past due event; and
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Any recoveries made are recognised in profit or loss.

2 MATERIAL ACCOUNTING POLICIES (continued)

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the company expects to receive, discounted at the original effective interest rate.

The company calculates ECL and allocates financial instruments into one of the following categories:

Stage 1
For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

Stage 2
For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For debt instruments at FVTOCI, the company applies the low credit risk simplification. At every reporting date, the company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the company reassesses the credit rating of the debt instrument. In addition, the company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The majority of the Company's debt instruments at fair value through OCI comprise of US Government securities that are graded in the top investment category by the reputable external credit grading agencies and, therefore, are considered to be low credit risk investments.

The company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment valuation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

2 MATERIAL ACCOUNTING POLICIES (continued)

Derecognition of financial assets

The company de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments valuation reserve is reclassified to profit or loss.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss.

Derecognition of financial liabilities

The company de-recognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

The entity enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

3 AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The financial statements of Microsoft Global Finance UC for the financial year ended 30 June 2025 were authorised for issue by the board of directors on 28 January 2026. The address of the registered office is given on the company information page. The nature of the company's operations and its principal activities are set out in the directors' report on pages 1 - 5.

These financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) issued by Financial Reporting Council and in accordance with applicable accounting standards.

These financial statements are presented in USD because that is the currency of the primary economic environment in which the company operates.

4 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Fair Value Measurement
Management judgement is involved in the valuation of level 2 and level 3 instruments. Refer to notes 15 and 16 for further details. Further details on the basis of measurement is set out in Note 2.

4 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Business model assessment
Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The company determines the business model at a level that reflects how the company's financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The company monitors financial assets measured at amortised cost or FVTOCI that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented. Please refer to Note 16 in respect of financial assets measured at fair value.

KEY SOURCES OF ESTIMATION UNCERTAINTY

Calculation of loss allowance
When measuring ECL the company uses reasonable and supportable forward looking information, which is based on assumptions of the future movement of different economic drivers and how these drivers will affect each other.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The company has considered the requirement to provide for expected credit losses in respect of receivables from other group companies and receivables derived from financial instruments measured at FVTOCI. The company considers that the probability of default on such balances is very low and, as such, any related provision would be immaterial to the financial statements. The determination that the probability of default is very low is considered a significant judgement. The loss allowance as at 30 June 2025 is $24,774,000 (2024: $24,774,000).

5 INVESTMENT RETURNS

	2025 $ 000	2024 $ 000
Investment returns	**878,853**	913,184

The analysis of investment returns is broken down for each type of asset measurement as follows:

	Investments measured at FVTOCI	Investments measured at FVTPL (mandatory)	2025 $000
Interest income/(expense)	871,275	(162)	**871,113**
Dividend income	-	65,585	**65,585**
Realised (losses)/gains on investments	(309)	67,307	**66,998**
Other than temporary impairment	(8,754)	-	**(8,754)**
Unrealised losses on investments	-	(116,089)	**(116,089)**
Total investments return	862,212	16,641	**878,853**

	Investments measured at FVTOCI	Investments measured at FVTPL (mandatory)	2024 $ 000
Interest income/(expense)	1,096,316	(1,441)	**1,094,875**
Dividend income	-	31,038	**31,038**
Realised (losses)/gains on investments	(437)	21,544	**21,107**
Other than temporary impairment	-	(233,836)	**(233,836)**
Total investments return	1,095,879	(182,695)	**913,184**

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2025	2024
	$ 000	$ 000
Interest on intra-group receivables	903,562	582,322

Interest receivable is derived from assets measured at amortised cost.

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2025	2024
	$ 000	$ 000
Interest payable on inter-group payables	3,185,048	3,378,831

Interest payable is on respect of liabilities measured at amortised cost.

8 OPERATING PROFIT

Operating profit for the financial year has been arrived at after (crediting)/charging:

	2025	2024
	$ 000	$ 000
Net foreign exchange gains	(1,400,394)	(17,916)
Losses/(gains) on sale of financial asset (note 14)	10,564	(21,913)

9 AUDITORS' REMUNERATION

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the company:

	2025	2024
	$ 000	$ 000
Audit	125	111
Other fees to auditors		
Taxation compliance services	-	-
All other assurance services	-	-
All other non-audit services	-	-
	125	111

10 STAFF COSTS

The aggregate payroll costs were as follows:

	2025 $ 000	2024 $ 000
Wages and salaries	326	447
Social security costs	40	50
Retirement benefit costs (Note 23)	19	26
	385	523

The monthly average number of persons employed by the company (including directors) during the financial year, analysed by category was as follows:

	2025 No.	2024 No.
Operations and administration	2	3
	2	3

11 DIRECTORS' REMUNERATION

The directors' remuneration for the financial year was as follows:	2025 $ 000	2024 $ 000
Aggregate amount of emoluments in respect of directors qualifying services	326	404
Aggregate amount of money or value of other assets, including shares but excluding share options, paid to or receivable by the directors under long term incentive schemes in respect of qualifying services	62	76
Aggregate Contributions paid, treated as paid or payable during the financial year to a defined contribution retirement benefit scheme in respect of qualifying services of directors (No. of directors : 2 (2024: 3))	19	26
	407	506

12 TAXATION

	2025	2024
	$ 000	$ 000
Current taxation		
Corporation tax for the period	**17,993**	1,483
Deferred taxation		
Deferred tax (Note 19)	**-**	-
Tax expense in the income statement	**17,993**	1,483

Factors affecting tax charge for the financial year

The tax assessed for the financial year is the standard rate of corporation tax in Ireland (12.5%). The differences are explained below:

	2025	2024
	$ 000	$ 000
Loss before tax	**(34,089)**	(1,889,021)
Corporation tax at standard rate	**(4,261)**	(236,128)
Non taxable profits	**(116,524)**	(42,937)
Other adjustments	**17,993**	1,483
Tax loss surrendered to group undertakings	**120,785**	279,065
Total tax charge for the financial year	**17,993**	1,483

The Company is within the scope of the Organisation for Economic Co-Operation and Development (OECD) Pillar Two model rules as it is a member of the Microsoft group, which is a multi-national entity within the scope of Pillar Two. Pillar Two legislation has been enacted and is effective in Ireland.

The Company has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May and June 2023.

The Company's assessment of the expected exposure to Pillar Two income taxes results in there being no additional top-up taxes for the Company.

13 DIVIDENDS

The company did not pay any dividends during the financial year (2024 - Nil).

14 FINANCIAL ASSETS

	Investments in subsidiary companies $ 000	Other investments $ 000	Total $ 000
Cost or valuation			
At 1 July 2024	-	49,744	**49,744**
Additions	-	2,300	**2,300**
Impairement	-	(2,340)	**(2,340)**
Disposals	-	(11,787)	**(11,787)**
At 30 June 2025	**-**	**37,917**	**37,917**
Net book value			
At 30 June 2025	**-**	**37,917**	**37,917**
At 30th June 2024	-	49,744	**49,744**

Subsidiaries:

Details of the subsidiary as at 30 June 2025 are as follows:

Name of subsidiary	Country of incorporation	Details of investment	Proportion held	Principal activity
Microsoft Round Island Three Limited	Ireland	10 ordinary shares of US$1 each	100%	Investment holding

15 INVESTMENTS

	2025 $ 000	2024 $ 000
Investments in debt instruments classified as at FVTOCI	**32,286,669**	38,501,189
Investments mandatorily measured at FVTPL	**1,814,792**	1,987,849
Investments designated as measured at FVTPL	**-**	-
Total investments	**34,101,461**	40,489,038

Investments in debt instruments are short term in nature and if required could be converted to cash.

Investments mandatorily measured at FVTPL include derivatives entered into with economic hedging intent to which the company does not apply hedge accounting.

Impairment loss allowance

	2025 $000
Balance as at 1 July 2024	**24,774**
Increase in loss allowance arising from new financial assets recognized in the year	**-**
Decrease in loss allowance from derecognition of financial assets in the year	**-**
Balance as at 30 June 2025	**24,774**

	2024 $000
Balance as at 1 July 2023	**24,774**
Increase in loss allowance arising from new financial assets recognized in the year	**-**
Balance as at 30 June 2024	**24,774**

Credit impairment losses recognised in the income statement on debt securities at 30 June 2025 amounted to $24,774,000 (2024 - $24,774,000). The loss allowance on debt securities had no impact on either the carrying value of the debt securities or on reserves as this was a transfer between investments valuation reserve and revenue reserves.

15 INVESTMENTS (continued)

As of the reporting date, the company evaluates the credit risk of the debt instrument using reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the company assesses changes in credit risk in order to determine proper stage and recognition of ECL.

The company's debt instruments measured at fair value through OCI are primarily comprised of quoted investment grade bonds and, therefore, are considered to be low credit risk investments. It is the company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

At 30 June 2025 the financial instruments measured at FVTOCI are allocated as Stage 1.

In line with company policy, investments are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The company's maximum exposure to credit risk for the components of the statement of financial position at 30 June 2025 is the carrying amounts as illustrated in Note 16 except for derivative financial instruments.

In determining the expected credit losses for these assets, the company has taken into account the historical default experience, the financial position of the issuers, and their outlook in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

Investments designated at FVTPL

The entity often holds foreign-denominated government bonds and designated them at FVTPL. These financial instruments would typically meet the criteria to be classified as measured at FVTOCI, but were irrevocably designated as FVTPL to align the recognition of movements in the investments with movements in foreign currency hedging activity. The economies of these countries are considered stable. They have a "high" or "very high" credit quality rating, defined as a strong capacity for payment of financial commitments and expectation of low default risk. The maximum credit risk exposure for these holdings is the investment's carrying value.

There were no bonds held as of 30 June 2025.

16 FAIR VALUE OF INVESTMENTS

The following tables represent the fair value hierarchy of the company's investments:

30 June 2025 **Assets**	**Investments measured at FVTPL - mandatory** **$000**	**Investments measured at FVTPL - designated** **$000**	**Investments measured at FVTOCI** **$000**	**Total** **$ 000**	**Level 1** **$ 000**	**Level 2** **$ 000**	**Level 3** **$ 000**
Mutual funds	5,000	-	-	**5,000**	5,000	-	-
Commercial paper	-	-	3,100,000	**3,100,000**	-	3,100,000	-
Certificates of deposit	-	-	41,649	**41,649**	-	41,649	-
U.S. Government securities	-	-	29,145,020	**29,145,020**	29,145,020	-	-
Other investments	1,809,572	-	-	**1,809,572**	88	-	1,809,484
Derivatives	220	-	-	**220**	-	-	220
Total Assets	1,814,792	-	32,286,669	**34,101,461**	29,150,108	3,141,649	1,809,704

16 FAIR VALUE OF INVESTMENTS (continued)

	Investments measured at FVTPL - mandatory $000	Investments measured at FVTPL - designated $000	Investments measured at FVTOCI $000	Total $ 000	Level 1 $ 000	Level 2 $ 000	Level 3 $ 000
30 June 2024							
Assets							
Mutual funds	5,000	-	-	**5,000**	5,000	-	-
Commercial paper	-	-	475,000	**475,000**	-	475,000	-
Certificates of deposit	-	-	41,690	**41,690**	-	41,690	-
U.S. Government securities	-	-	37,984,499	**37,984,499**	37,984,499	-	-
Other investments	1,982,755	-	-	**1,982,755**	5,917	-	1,976,838
Derivatives	94	-	-	**94**	-	-	94
Total Assets	1,987,849	-	38,501,189	**40,489,038**	37,995,416	516,690	1,976,932

16 FAIR VALUE OF INVESTMENTS (continued)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3) at 30 June 2025

	Corporate Notes and Bonds $000	Other $000	Derivatives $000	Total $000
At 1 July 2024	-	1,974,838	94	1,974,932
(Credited)/ charged to P&L	-	(123,079)	126	(122,953)
Purchases	-	4,069	-	4,069
Sales	-	(46,344)	-	(46,344)
At 30 June 2025	-	1,809,484	220	1,809,704

Per IFRS 13, the Company maximises the use of relevant observable inputs meaning orderly transactions of similar securities of the issuer to the extent available. In determining the fair value of these investments, the Company considers prices of comparable securities, volatilities and other relevant parameters. Due to the method used in their valuation equity securities held in our investment portfolio (catagorised within "Other" above) are subject to price risk. A 10% decrease in equity market prices would result in a $181M decrease in the corresponding value of these investments.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3) at 30 June 2024

	Corporate Notes and Bonds $000	Other $000	Derivatives $000	Total $000
At 1 July 2023	-	2,249,282	278	2,249,560
Credited to P&L	-	(232,263)	(184)	(232,447)
Purchases	-	11,013	-	11,013
Sales	-	(53,194)	-	(53,194)
At 30 June 2024	-	1,974,838	94	1,974,932

17 DEBTORS

	2025 $ 000	2024 $ 000
Amounts falling due within one year:		
Amounts owed by group undertakings	7,404,926	5,890,046
Other receivables	198,028	1,469,346
	7,602,954	7,359,392

17 DEBTORS (continued)

	2025 $ 000	2024 $ 000
Amounts falling due after more than one year:		
Amounts owed by group undertakings	**25,440,272**	18,651,144
	25,440,272	18,651,144

Amounts owed by group undertakings are measured at amortised cost.

Amounts owed by group undertakings falling due within one year are repayable on demand, are unsecured and bear interest at a rate equivalent to the US Federal Reserve short term deposit rate.

Amounts owed by group undertakings falling due after more than one year are unsecured, repayable between 2-5 years, and bear interest at rates between 0.0% and 9%. The above balances are stated at an amount which approximates to fair value. Hence, the maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable.

Other receivables relate to amounts receivable following the maturity of external investments and interest receivable.

18 CREDITORS

Amounts falling due within one year:	2025 $ 000	2024 $ 000
Trade and other payables		
Amounts owed to group undertakings	**66,498,953**	67,987,970
Accruals	**55**	64
PAYE/PRSI	**28**	30
Other liabilities	**50,757**	-
	66,549,793	67,988,064

18 CREDITORS (continued)

Amounts owed to group undertakings are measured at amortised cost.

Amounts owed to group undertakings are repayable on demand, are unsecured and bear interest at a rate equivalent to the US Federal Reserve short term deposit rate.

The above balances are stated at an amount which approximates to fair value given the short term nature of these liabilities.

19 DEFERRED TAXATION

	2025	2024
	$ 000	$ 000
At beginning of financial year	**724,717**	858,408
Tax impact of fair value movements	**(146,863)**	(98,976)
Deferred tax release on investment settlement	**(120,971)**	(34,715)
At the end of financial year	**456,883**	724,717

The closing deferred tax asset relates to the revaluation of debt instruments which are FVTOCI. The recoverability of the deferred tax asset is dependent on future taxable profits.

20 CALLED UP SHARE CAPITAL PRESENTED AS EQUITY

Authorised shares

	No. 000	2025 $ 000	No. 000	2024 $ 000
1,000,000 Ordinary shares of $1 each	1,000	1,000	1,000	1,000
100 "A" Ordinary shares of $1 each	-	-	-	-
	1,000	1,000	1,000	1,000

Allotted, called-up and fully paid shares

	No.	2025 $	No.	2024 $
Ordinary of $1 each	10	10	10	10
"A" Ordinary of $1 each	1	1	1	1
	11	11	11	11

The company has two classes of shares:
(i) Ordinary Shares with a par value of US$1.00 each; and
(ii) "A" Ordinary Shares with a par value of US$1.00 each. Neither class of share carries a right to a fixed income.

Holders of both the Ordinary Shares and the "A" Ordinary Shares have the right to vote at general meetings of the company.

Holders of both the Ordinary Shares and the "A" Ordinary Shares have the right to receive dividends declared and paid by the company. Dividends (including interim dividends) may however be declared and paid on one class of shares only to the exclusion of the other class, and a greater dividend may be declared and paid on one class of shares than on any other class.

On a return of assets on liquidation or otherwise the assets of the company available for distribution among the members shall be applied first in repaying to the holders of the Ordinary Shares the amounts paid up or credited as paid up on such shares, and second in repaying to the holders of the "A" Ordinary Shares the amounts paid up or credited as paid up on such shares. The balance of such assets shall belong to and be distributed equally among the holders of the Ordinary Shares only according to the amounts paid up or credited as paid up on such shares.

21 GUARANTEES AND COMMITMENTS

The company has agreements with its bankers, whereby the company pledged certain cash assets as collateral against the issue of standby letters of credit, bank guarantees, derivatives, or other credits or financings which might be entered into by the company from time to time.

22 SUBSEQUENT EVENTS

No event has occurred since the financial year end that materially impact the financial statements for the financial year end 30 June 2025.

23 PENSION COMMITMENTS

Pensions for all eligible employees are funded through a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund, for the benefit of employees and their dependants. The pension cost charge for the financial year represents contributions payable by the company to the scheme and amounted to $19,000 (2024 - $13,000). Included in accruals at financial year end is $3,000 payable to the fund (2024- $3,000).

24 ULTIMATE PARENT UNDERTAKING AND PARENT UNDERTAKINGS OF LARGER GROUPS

The company's ultimate parent undertaking and controlling party is Microsoft Corporation, incorporated in the United States of America. The largest and smallest group in which the results of the company are consolidated is that headed by Microsoft Corporation. The consolidated financial statements of Microsoft Corporation are available at One Microsoft Way, Redmond, Washington 98052-6399.

The company's immediate parent undertaking is Microsoft Round Island One UC, a company incorporated in Ireland.

25 APPROVAL OF FINANCIAL STATEMENTS

The board of directors approved these financial statements for issue on 28 January 2026.

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

FORM 10-K

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

For the Fiscal Year Ended June 30, 2025

OR

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

For the Transition Period From to

Commission File Number 001-37845

MICROSOFT CORPORATION

WASHINGTON	**91-1144442**
(STATE OF INCORPORATION)	**(I.R.S. ID)**

ONE MICROSOFT WAY, REDMOND, WASHINGTON 98052-6399
(425) 882-8080
www.microsoft.com/investor

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

Title of each class	Trading Symbol	Name of exchange on which registered
Common stock, $0.00000625 par value per share	**MSFT**	**NASDAQ**
3.125% Notes due 2028	**MSFT**	**NASDAQ**
2.625% Notes due 2033	**MSFT**	**NASDAQ**

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒	Accelerated Filer ☐
Non-accelerated Filer ☐	Smaller Reporting Company ☐
	Emerging Growth Company ☐

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

As of December 31, 2024, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $3.1 trillion based on the closing sale price as reported on the NASDAQ National Market System. As of July 24, 2025, there were 7,433,166,379 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held on December 5, 2025 are incorporated by reference into Part III.

MICROSOFT CORPORATION

FORM 10-K

For the Fiscal Year Ended June 30, 2025

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Note About Forward-Looking Statements

This report includes estimates, projections, statements relating to our business plans, objectives, and expected operating results that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report, including the following sections: "Business" (Part I, Item 1 of this Form 10-K), "Risk Factors" (Part I, Item 1A of this Form 10-K), and "Management's Discussion and Analysis of Financial Condition and Results of Operations" (Part II, Item 7 of this Form 10-K). These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially. We describe risks and uncertainties that could cause actual results and events to differ materially in "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Quantitative and Qualitative Disclosures About Market Risk" (Part II, Item 7A of this Form 10-K). Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events, or otherwise.

PART I

ITEM 1. BUSINESS

GENERAL

Microsoft is a technology company committed to making digital technology and artificial intelligence ("AI") available broadly and doing so responsibly. Our mission is to empower every person and every organization on the planet to achieve more.

We develop and support a broad portfolio of technology solutions for individuals and businesses, focusing on secure, trusted, and innovative platforms and tools that meet evolving customer needs across cloud computing, productivity and collaboration, and personal computing. We strive to create opportunity, growth, and impact in every country around the world.

AI is fundamentally transforming productivity for every individual, organization, and industry. Microsoft's AI offerings span every layer of the technology stack, enabling transformative outcomes across sectors and unlocking opportunity for every country, community, and individual.

We believe AI should be as empowering as it is powerful, and we're committed to designing and deploying AI responsibly with safety and security from the outset.

What We Offer

Founded in 1975, we develop and support software, services, devices, and solutions that deliver new value for customers and help people and businesses realize their full potential.

We offer an array of services, including cloud-based solutions that provide customers with software, services, platforms, and content, and we provide solution support and consulting services. We also deliver relevant online advertising to a global audience.

Our products include operating systems, cross-device productivity and collaboration applications, server applications, business solution applications, desktop and server management tools, software development tools, and video games. We also design and sell devices, including PCs, tablets, gaming and entertainment consoles, other intelligent devices, and related accessories.

Digital transformation and adoption of AI continues to revolutionize more business workstreams for organizations in every sector across the globe. For enterprises, digital technology empowers employees, optimizes operations, engages customers, and in some cases, changes the very core of products and services.

The Microsoft Cloud provides integration across the technology stack while offering openness, improving time to value, reducing costs, and increasing agility. Our cloud business benefits from three economies of scale: datacenters that deploy computational resources at significantly lower cost per unit than smaller ones; datacenters that coordinate and aggregate diverse customer, geographic, and application demand patterns, improving the utilization of computing, storage, and network resources; and multi-tenancy locations that lower application maintenance labor costs.

We prioritize security above all else and we offer our customers integrated AI-driven products addressing security, compliance, identity, management, and privacy across customers' multi-cloud, application, and device assets.

The Ambitions That Drive Us

To achieve our vision, our research and development efforts focus on three interconnected ambitions:

- Reinvent productivity and business processes to help organizations and individuals work and collaborate more securely and efficiently.
- Build the intelligent cloud and intelligent edge platform to provide a foundation for our customers' digital workloads including hybrid consistency, developer productivity, data and AI capabilities, and trusted security and compliance.
- Create more personal computing to enable users to interact with technology in more intuitive, engaging, and dynamic ways.

Our Future Opportunity

We are focused on helping customers use the breadth and depth of the Microsoft Cloud to get the most value out of their digital spend while leading the AI platform wave across our solution areas. We continue to develop complete, intelligent solutions for our customers that empower people to be productive and collaborate, while safeguarding businesses and simplifying IT management. Our goal is to lead the industry in several distinct areas of technology over the long term, which we expect will translate to sustained growth. We are investing significant resources in:

- Transforming the workplace to deliver new, modern, modular business applications, drive deeper insights, and improve how people communicate, collaborate, learn, work, and interact with one another.
- Building and running cloud-based services in ways that utilize ubiquitous computing to unleash new experiences and opportunities for businesses and individuals.
- Applying AI and ambient intelligence to drive insights, revolutionize many types of work and business processes, and provide substantive productivity gains using Microsoft 365 Copilot and agents.
- Providing training on generative AI and greater access to digital learning and resources through skilling programs and initiatives, grants, and LinkedIn learning pathways.
- Inventing new gaming experiences that bring people together around their shared love for games on any device and pushing the boundaries of innovation with console and PC gaming.
- Leveraging Windows to fuel our cloud business, grow our share of the PC market, and drive increased engagement with our services like Microsoft Edge, Bing, Copilot, Microsoft Teams, Microsoft 365 Consumer, Xbox Game Pass, and more.
- Tackling security from all angles with our integrated, end-to-end solutions spanning security, compliance, identity, and management, across all clouds and platforms.

Our future growth depends on our ability to transcend current product category definitions, business models, and sales motions.

Commitment to Sustainability

Microsoft is committed to sustainability and our approach to addressing climate change starts with the sustainability of our own business. In 2020, we announced goals to become a carbon negative, water positive, and zero waste company by 2030. Since announcing these goals, we have made meaningful progress while having seen major changes in both the technology sector and in our understanding of what it will take to meet our goals. Progress toward these goals can be found in our annual Environmental Sustainability Report.

OPERATING SEGMENTS

We operate our business and report our financial performance using three segments: Productivity and Business Processes, Intelligent Cloud, and More Personal Computing. Our segments provide management with a comprehensive financial view of our key businesses. The segments enable the alignment of strategies and objectives across the development, sales, marketing, and services organizations, and they provide a framework for timely and rational allocation of resources within businesses.

In August 2024, we announced changes to the composition of our segments. These changes align our segments with how we currently manage our business, most notably bringing the commercial components of Microsoft 365 together in the Productivity and Business Processes segment. Beginning in fiscal year 2025, the information that our chief operating decision maker is regularly provided and reviews for purposes of allocating resources and assessing performance reflects these segment changes.

Additional information on our operating segments and geographic and product information is contained in Note 18 – Segment Information and Geographic Data of the Notes to Financial Statements (Part II, Item 8 of this Form 10-K).

Our reportable segments are described below.

Productivity and Business Processes

Our Productivity and Business Processes segment consists of products and services in our portfolio of productivity, communication, and information services, spanning a variety of devices and platforms. This segment primarily comprises:

- Microsoft 365 Commercial products and cloud services, including Microsoft 365 Commercial cloud, comprising Microsoft 365 Commercial, Enterprise Mobility + Security, the cloud portion of Windows Commercial, the per-user portion of Power BI, Exchange, SharePoint, Microsoft Teams, Microsoft 365 Security and Compliance, and Microsoft 365 Copilot; and Microsoft 365 Commercial products, comprising Windows Commercial on-premises and Office licensed on-premises.
- Microsoft 365 Consumer products and cloud services, including Microsoft 365 Consumer subscriptions, Office licensed on-premises, and other consumer services.
- LinkedIn, including Talent Solutions, Marketing Solutions, Premium Subscriptions, and Sales Solutions.
- Dynamics products and cloud services, including Dynamics 365, comprising a set of intelligent, cloud-based applications across ERP, CRM, Power Apps, and Power Automate; and on-premises ERP and CRM applications.

Microsoft 365 Commercial Products and Cloud Services

Microsoft 365 Commercial is an AI-powered business and productivity solutions platform that brings together Office, Windows, Microsoft 365 Copilot, and Enterprise Mobility + Security to help organizations empower their employees. Growth depends on our ability to reach new users in new markets such as frontline workers, small and medium businesses, and growth markets, as well as add AI-enabled tools, features, and agentic scenarios to our core product and service offerings across communication, collaboration, analytics, security, compliance, and other AI business productivity categories. Microsoft 365 Commercial revenue is mainly affected by a combination of continued installed base growth and average revenue per user expansion, as well as the continued shift from Office licensed on-premises to Microsoft 365.

Microsoft 365 Consumer Products and Cloud Services

Microsoft 365 Consumer is designed to increase personal productivity and creativity through a range of products and services. Growth depends on our ability to reach new users, add value to our core product set with new features including AI tools, and continue to expand our product and service offerings into new markets. Microsoft 365 Consumer cloud revenue and Office Consumer products revenue is mainly affected by the percentage of customers that buy Office with their new devices and the continued shift from Office licensed on-premises to Microsoft 365 Consumer subscriptions. Microsoft 365 Consumer cloud revenue is also affected by the demand for communication and storage through Outlook.com and OneDrive, which is largely driven by subscriptions and advertising.

LinkedIn

LinkedIn connects the world's professionals to make them more productive and successful and transforms the way companies hire, market, sell, and learn. In addition to LinkedIn's free services, LinkedIn offers monetized solutions designed to offer AI-enabled insights and productivity: Talent Solutions, Marketing Solutions, Premium Subscriptions, and Sales Solutions. Growth will depend on our ability to increase LinkedIn member engagement on the platform and our ability to continue offering insight and AI-enabled services that provide value for our members and customers. LinkedIn revenue is mainly affected by demand from enterprises and professionals for subscriptions to Talent Solutions, Sales Solutions, and Premium Subscriptions offerings, as well as member engagement and the quality of the sponsored content delivered to those members to drive Marketing Solutions.

Dynamics Products and Cloud Services

Dynamics provides cloud-based and on-premises business solutions for financial management, enterprise resource planning ("ERP"), customer relationship management ("CRM"), and supply chain management, as well as agentic AI and other low code application development platforms, for small and medium businesses, large organizations, and divisions of global enterprises. Dynamics revenue is driven by the number of users licensed and applications consumed, expansion of average revenue per user, and the continued shift to Dynamics 365, a unified set of cloud-based intelligent business applications, including our low code development platforms, such as Power Apps and Power Automate.

Competition

Competitors to Office include software and global application vendors, web-based and mobile application companies, AI-first application companies, as well as local application developers. We compete by providing secure, integrated industry-specific, and easy-to-use productivity and collaboration tools and services that create comprehensive solutions and work well with technologies our customers already have both on-premises or in the cloud.

Windows faces competition from various software products and from alternative platforms and devices. Microsoft Defender for Endpoint competes with endpoint security solution providers.

Our Enterprise Mobility + Security offerings compete with products from a range of competitors including identity vendors, security solution vendors, and numerous other security point solution vendors.

LinkedIn faces competition from online professional networks; recruiting, talent management, and human resource services companies; job boards; companies that provide learning and development products and services; online and offline outlets that generate revenue from advertisers and marketers; and online and offline outlets for companies with lead generation and customer intelligence and insights.

Dynamics competes with cloud-based and on-premises business solution providers.

Intelligent Cloud

Our Intelligent Cloud segment consists of our public, private, and hybrid server products and cloud services that power modern business and developers. This segment primarily comprises:

- Server products and cloud services, including Azure and other cloud services, comprising cloud and AI consumption-based services, GitHub cloud services, Nuance Healthcare cloud services, virtual desktop offerings, and other cloud services; and Server products, comprising SQL Server, Windows Server, Visual Studio, System Center, related Client Access Licenses ("CALs"), and other on-premises offerings.
- Enterprise and partner services, including Enterprise Support Services, Industry Solutions, Nuance professional services, Microsoft Partner Network, and Learning Experience.

Server Products and Cloud Services

Azure is a comprehensive set of cloud services that offer developers, IT professionals, and enterprises freedom to build, deploy, and manage applications on any platform or device. Customers can use Azure through our global network of datacenters for computing, networking, storage, mobile and web application services, AI, Internet of Things, cognitive services, and machine learning. Azure enables customers to devote more resources to development and use of applications that benefit their organizations, rather than managing on-premises hardware and software. Azure revenue is mainly affected by infrastructure-as-a-service and platform-as-a-service consumption-based services.

Azure AI offerings provide a competitive advantage as companies seek ways to optimize and scale their business with AI. We offer supercomputing power for AI at scale to run large workloads, complemented by our rapidly expanding portfolio of AI cloud services (including the latest models) and hardware, which includes custom-built silicon and strong partnerships with chip manufacturers. Azure AI Foundry is a unified platform for developers to design, customize, and manage AI applications and agents.

Our server products are designed to make IT professionals, developers, and their systems more productive and efficient. Server software is integrated server infrastructure and middleware designed to support software applications built on the Windows Server operating system. This includes the server platform, database, business intelligence, storage, management and operations, virtualization, service-oriented architecture platform, security, and identity software. We also license standalone and software development lifecycle tools for software architects, developers, testers, and project managers. Server products revenue is mainly affected by purchases through volume licensing programs, licenses sold to OEMs, and retail packaged products. CALs provide access rights to certain server products, including SQL Server and Windows Server, and revenue is reported along with the associated server product.

GitHub and Nuance Healthcare include both cloud and on-premises offerings. GitHub provides a collaboration platform for developers to manage code and incorporate AI and agent-based tools across the software development lifecycle. Nuance Healthcare provides AI solutions to the healthcare industry.

Enterprise and Partner Services

Enterprise and partner services, including Enterprise Support Services, Industry Solutions, Nuance professional services, Microsoft Partner Network, and Learning Experience, assist customers in developing, deploying, and managing Microsoft server solutions, Microsoft desktop solutions, and Nuance conversational AI and ambient intelligent solutions, along with providing training and certification to developers and IT professionals on various Microsoft products.

Competition

Azure faces diverse competition from cloud service providers and open source offerings. Azure's competitive advantage includes enabling a hybrid cloud, allowing deployment of existing datacenters with our public cloud into a single, cohesive infrastructure, and the ability to run at a scale that meets the needs of businesses of all sizes and complexities. Our AI offerings compete with AI products from hyperscalers, as well as products from other emerging competitors and other open source offerings, many of which are also current or potential partners. Our Azure Security offerings include our cloud security solution and security information and event management solution, which compete with providers in the cybersecurity and cloud security space. We believe our cloud's global scale, coupled with our broad portfolio of identity and security solutions, allows us to effectively solve complex cybersecurity challenges for our customers and differentiates us from the competition.

Our server products face competition from a wide variety of server operating systems and applications offered by companies with a range of market approaches. Vertically integrated computer manufacturers offer their own versions of the Unix operating system preinstalled on server hardware and nearly all computer manufacturers offer server hardware for the Linux operating system.

We compete to provide enterprise-wide computing and point solutions with numerous commercial software vendors that offer solutions and middleware technology platforms, software applications for connectivity, security, hosting, database, and e-business servers.

Our database, business intelligence, and data warehousing solutions offerings compete with products from providers in the data and analytics industry. Our system management solutions compete with server management and server virtualization platform providers. Our products for software developers compete against offerings from major technology providers, as well as open source alternatives.

We believe our server products provide customers with advantages in performance, total costs of ownership, and productivity by delivering superior applications, development tools, compatibility with a broad base of hardware and software applications, security, and manageability.

Our Enterprise and partner services business competes with a wide range of companies that provide strategy and business planning, application development, and infrastructure services, including multinational consulting firms and small niche businesses focused on specific technologies.

More Personal Computing

Our More Personal Computing segment consists of products and services that put customers at the center of the experience with our technology. This segment primarily comprises:

- Windows and Devices, including Windows OEM licensing (Windows Pro and non-Pro licenses sold through the OEM channel) and Devices, comprising Surface and PC accessories.
- Gaming, including Xbox hardware and Xbox content and services, comprising first- and third-party content (including games and in-game content), Xbox Game Pass and other subscriptions, Xbox Cloud Gaming, advertising, and other cloud services.
- Search and news advertising, comprising Bing and Copilot, Microsoft News, Microsoft Edge, and third-party affiliates.

Windows and Devices

The Windows operating system is designed to deliver a more personal computing experience for users by enabling consistency of experience, applications, and information across their devices. Windows OEM revenue is impacted significantly by the number of Windows operating system licenses purchased by OEMs, which they pre-install on the devices they sell. In addition to computing device market volume, Windows OEM revenue is impacted by:

- The mix of computing devices based on form factor and screen size.
- Differences in device market demand between developed markets and growth markets.
- Growth of the AI PC category.
- Attachment of Windows to devices shipped.
- Customer mix between consumer, small and medium businesses, and large enterprises.
- Changes in inventory levels in the OEM channel.
- Pricing changes and promotions, pricing variation that occurs when the mix of devices manufactured shifts from local and regional system builders to large multinational OEMs, and different pricing of Windows versions licensed.
- Constraints in the supply chain of device components.
- Piracy.

We design and sell devices, such as Surface (including Copilot+ PCs) and PC accessories. Our devices are designed to enable people and organizations to connect to the people and content that matter most using Windows and integrated Microsoft products and services. Surface is designed to help organizations, students, and consumers be more productive. Growth in Devices is dependent on total PC shipments, the ability to attract new customers, our product roadmap, and expanding into new categories.

Gaming

Microsoft is expanding how billions of people globally access and play video games on PC, console, mobile, and cloud. Our game content is developed through a collection of first-party studios creating iconic and differentiated gaming experiences. We continue to invest in gaming studios and content to expand our intellectual property roadmap and leverage new content creators. These unique gaming experiences are the cornerstone of Xbox Game Pass, a subscription service and gaming community with access to a curated library of first- and third-party titles.

The gamer remains at the heart of the Xbox ecosystem. We are identifying new opportunities to attract gamers across a variety of different end points through our first- and third-party content and business diversification across subscriptions, ads, and digital stores. We've seen new devices from third-party manufacturers along with key PC and mobile end points that help us empower gamers to play in a way that is most convenient to them. We are focused on growing the platform and expanding to new ecosystems to engage as many gamers as possible.

Xbox enables people to connect and share online gaming experiences that are accessible on Xbox consoles, Windows-enabled devices, and other devices. Xbox is designed to benefit users by providing access to a network of certified applications and services and to benefit our developer and partner ecosystems by providing access to a large customer base. Xbox revenue is mainly affected by subscriptions and sales of first- and third-party content, as well as advertising. Growth of our Gaming business is determined by the overall active user base through Xbox enabled content, availability of games, providing exclusive game content that gamers seek, the computational power and reliability of the devices used to access our content and services, and the ability to create new experiences.

Search and News Advertising

Our Search and news advertising business is designed to deliver relevant search, native, and display advertising to a global audience. Microsoft Copilot is a digital companion designed to inform, entertain, and inspire. Our Microsoft Edge browser and Bing search engine with Copilot are key tools to enable user acquisition and engagement, while our technology platform enables accelerated delivery of digital advertising solutions. In addition to first-party tools, we have several partnerships with companies through which we provide and monetize search offerings. Growth depends on our ability to attract new users, understand intent, and match intent with relevant content on advertising offerings.

Competition

Windows faces competition from various software products and from alternative platforms and devices. We believe Windows competes effectively by giving customers choice, value, flexibility, security, an easy-to-use interface, and compatibility with a broad range of hardware and software applications, including those that enable productivity.

Devices face competition from various computer, tablet, and hardware manufacturers who offer a unique combination of high-quality industrial design and innovative technologies across various price points. Many of these manufacturers are also current or potential partners and customers, including our Windows OEMs.

Xbox and our cloud gaming services face competition from various online gaming ecosystems and game streaming services. We also compete with other providers of entertainment services such as video streaming platforms. Our gaming platform competes with other console platforms. We believe our gaming platform is effectively positioned against, and uniquely differentiated from, competitive products and services based on significant innovation in hardware architecture, user interface, developer tools, online gaming and entertainment services, and continued strong content from our own first-party game franchises as well as other digital content offerings.

Our Search and news advertising business competes with search engines, and a wide array of websites, social platforms, and portals that provide content and online offerings to end users.

HUMAN CAPITAL RESOURCES

As of June 30, 2025, we employed approximately 228,000 people on a full-time basis, 125,000 in the U.S. and 103,000 internationally. Of the total employees, 89,000 were in operations, including product support and consulting services, datacenter operations, and manufacturing and distribution; 80,000 were in product research and development; 44,000 were in sales and marketing; and 15,000 were in general and administration. Certain employees are subject to collective bargaining agreements.

We design our programs to attract, reward, and retain top talent while fostering continuous employee development and reinforcing our organizational culture and values. Our total compensation offering is both highly differentiated and competitive within the market, and we also monitor pay equity across multiple dimensions. We have invested significantly in employee wellbeing and offer a differentiated benefits package which includes many physical, emotional, and financial wellness programs. We also provide access to continuous learning through a wide range of internal and external content, supporting professional growth across roles and disciplines. Through our employee listening systems, we gather direct feedback from our workforce, enabling us to adapt our programs and address employee needs globally with real-time insights. Additionally, our culture prioritizes the security of both our customers and Microsoft, embedding this responsibility across all teams and functions.

OPERATIONS

We have regional operations service centers in the Americas, Asia Pacific, Europe, and the Middle East that support our business operations, including customer contract and order processing, billing, credit and collections, customer lifecycle AI and cloud operations, and vendor management and logistics.

In addition to our operations centers, we also operate datacenters throughout each of these regions. We continue to align our datacenter locations and server capacity to meet the evolving needs of our customers, particularly given the growing demand for AI services. Our datacenters depend on the availability of permitted and buildable land, predictable energy, networking supplies, and servers, including graphics processing units ("GPUs") and other components.

We engage third-party manufacturers to produce our devices and have implemented measures to enhance supply chain efficiency and resilience, including the ability to relocate production geographically.

There are few qualified suppliers for certain components of our servers and devices. Extended or unforeseen disruptions at these suppliers could impact our ability to operate our datacenters and manufacture devices on time to meet consumer demand.

RESEARCH AND DEVELOPMENT

Product and Service Development

Our success is based on our ability to create new and compelling products, services, and experiences for our users, initiate and embrace disruptive technology trends, enter new geographic and product markets, and drive broad adoption of our products and services. We make significant investments in research and development for new and existing products, services, and technologies, including tools and platforms spanning digital work and life experiences, cloud computing, AI, devices, security, and operating systems.

We develop most of our products and services internally which allows us to maintain competitive advantages that come from product differentiation and closer technical control over our products and services. It also gives us the freedom to decide which modifications and enhancements are most important and when they should be implemented. We strive to obtain information as early as possible about changing usage patterns and hardware advances that may affect software and hardware design. Before releasing new software platforms, and as we make significant modifications to existing platforms, we provide application vendors with a range of resources and guidelines for development, training, and testing.

We plan to continue to make significant investments in a broad range of product research and development activities, and as appropriate, we will coordinate our research and development across operating segments and leverage the results across the company. This includes continuing to support fundamental research, which provides us with a unique perspective on future trends and contributes to our innovation.

Intellectual Property

We protect our intellectual property investments in a variety of ways. We work actively in the U.S. and internationally to ensure the enforcement of copyright, patent, trademark, trade secret, and other protections that apply to our software and hardware products, services, business plans, and branding. While we employ much of our internally-developed intellectual property in our products and services, we also engage in outbound licensing of specific patented technologies that are incorporated into licensees' products. From time to time, we enter into broader cross-license agreements with other technology companies covering entire groups of patents. We may also purchase or license technology that we incorporate into our products and services. At times, we make select intellectual property broadly available at no or low cost to achieve a strategic objective, such as promoting industry standards, advancing interoperability, supporting societal and/or environmental efforts, or attracting and enabling our external development community. Our engagement with open source software also causes us to license our intellectual property rights broadly in certain situations.

While it may be necessary in the future to seek or renew licenses relating to various aspects of our products and services, we believe, based upon past experience and industry practice, such licenses generally can be obtained on commercially reasonable terms. We believe our continuing research and product development are not materially dependent on any single license or other agreement with a third-party relating to the development of our products.

DISTRIBUTION, SALES, AND MARKETING

Our customers include individual consumers, small and medium organizations, large global enterprises, public-sector institutions, service providers, application developers, and OEMs. We market and distribute our products and services through the following channels: direct, distributors and resellers, and OEMs. Our sales organization performs a variety of functions, including working directly with commercial enterprises and public-sector organizations worldwide to identify and meet their technology and digital transformation requirements; supporting system integrators, independent software vendors, and other partners who engage directly with our customers to perform sales, consulting, and fulfillment functions for our products and services; and managing OEM relationships.

Direct

Many organizations that license our products and services transact directly with us through Enterprise Agreements and Enterprise Services contracts, with sales support from system integrators, independent software vendors, web agencies, and partners that advise organizations on licensing our products and services ("Enterprise Agreement Software Advisors" or "ESA"). Microsoft offers direct sales programs targeted to reach small, medium, and corporate customers, in addition to those offered through the reseller channel. A large network of partner advisors support many of these sales.

We also sell commercial and consumer products and services directly to customers, such as cloud services, search, and gaming, through our digital marketplaces and online stores. Additionally, our Microsoft Experience Centers are designed to facilitate deeper engagement with our partners and customers across industries.

Distributors and Resellers

Organizations also license our products and services indirectly, primarily through licensing solution partners ("LSP"), distributors, value-added resellers ("VAR"), and retailers. Although each type of reselling partner may reach organizations of all sizes, LSPs are primarily engaged with large organizations, distributors resell primarily to VARs, and VARs typically reach small and medium organizations. ESAs are also typically authorized as LSPs and operate as resellers for our other volume licensing programs. Microsoft Cloud Solution Provider is our main partner program for reselling cloud services.

We distribute our retail packaged products primarily through independent non-exclusive distributors, authorized replicators, resellers, and retail outlets. Individual consumers obtain these products primarily through retail outlets. We distribute our devices through third-party retailers. We have a network of field sales representatives and field support personnel that solicit orders from distributors and resellers and provide product training and sales support.

Our Dynamics business solutions are also licensed to enterprises through a global network of channel partners providing vertical solutions and specialized services.

OEMs

We distribute our products and services through OEMs that pre-install our software on new devices and servers they sell. The largest component of the OEM business is the Windows operating system pre-installed on devices. OEMs also sell devices pre-installed with other Microsoft products and services, including applications such as Office and the capability to subscribe to Microsoft 365 Consumer.

There are two broad categories of OEMs. The largest category of OEMs are direct OEMs as our relationship with them is managed through a direct agreement between Microsoft and the OEM. We have distribution agreements covering one or more of our products with virtually all the multinational OEMs, including Dell, Hewlett-Packard, Lenovo, and with many regional and local OEMs. The second broad category of OEMs are system builders consisting of lower-volume PC manufacturers, which source Microsoft software for pre-installation and local redistribution primarily through the Microsoft distributor channel rather than through a direct agreement or relationship with Microsoft.

LICENSING OPTIONS

We offer options for organizations of varying sizes that want to purchase our cloud services and on-premises software. We license these organizations under volume licensing agreements to allow the customer to acquire multiple licenses of products and services instead of having to acquire separate licenses through retail channels. These volume licensing programs have varying programmatic requirements and benefits to best meet the needs of our customers.

Software Assurance ("SA") conveys rights to new software and upgrades for perpetual licenses released over the contract period. It also provides support, tools, training, and other licensing benefits to help customers deploy and use software efficiently. SA is required to be purchased with certain volume licensing agreements and is an optional purchase with others.

Volume Licensing Programs

Enterprise Agreement

Enterprise Agreements offer large organizations a manageable volume licensing program that gives them the flexibility to buy cloud services and software licenses under one agreement. Enterprise Agreements are designed for medium or large organizations that want to license Microsoft products and services organization-wide over a three-year period. Organizations can elect to purchase perpetual licenses (covered with SA) and/or subscribe to cloud services.

Microsoft Customer Agreement

Microsoft Customer Agreements are simplified purchase agreements presented, accepted, and stored through a digital experience. Microsoft Customer Agreements are non-expiring agreements that are designed to support all customers over time, whether purchasing through a partner or directly from Microsoft.

Microsoft Online Subscription Agreement

Microsoft Online Subscription Agreements are designed for small and medium organizations that want to subscribe to, activate, provision, and maintain cloud services seamlessly and directly via the web. These agreements allow customers to acquire monthly or annual subscriptions for cloud-based services.

Microsoft Products and Services Agreement

Microsoft Products and Services Agreements are designed for medium and large organizations that want to license cloud services and on-premises software as needed, with no organization-wide commitment, under a single, non-expiring agreement. Organizations purchase perpetual licenses or subscribe to licenses. SA is optional for customers that purchase perpetual licenses.

Open Value

Open Value agreements are a simple, cost-effective way to acquire the latest Microsoft technology. These agreements are designed for small and medium organizations that want to license cloud services and on-premises software over a three-year period. Under Open Value agreements, organizations can elect to purchase perpetual licenses or subscribe to licenses and SA is included.

Select Plus

A Select Plus agreement is designed for government and academic organizations to acquire on-premises licenses at any affiliate or department level, while realizing advantages as one organization. Organizations purchase perpetual licenses and SA is optional.

Partner Programs

The Microsoft Cloud Solution Provider Program offers customers an easy way to license the cloud services they need in combination with the value-added services offered by their systems integrator, managed services provider, or cloud reseller partner. Partners in this program can easily package their own products and services to directly provision, manage, and support their customer subscriptions.

The Microsoft Services Provider License Agreement allows hosting service providers and independent software vendors who want to license eligible Microsoft software products to provide hosted applications and software services to their end customers. Partners license software over a three-year period and are billed monthly based on units licensed.

The Independent Software Vendor Royalty Program enables partners to integrate Microsoft products into other applications and then license the unified business solution to their end users.

GOVERNMENT REGULATION

We are subject to a wide range of laws, regulations, and legal requirements in the U.S. and globally, including those that may apply to our products and online services offerings, and those that impose requirements related to user privacy, telecommunications, data storage and protection, advertising, and online content. These requirements are continually evolving, and they can be unclear and vary significantly across jurisdictions. We have implemented comprehensive compliance programs across our operations to adapt to these changes and to maintain customer and regulator confidence. We monitor regulatory developments around the world and implement policies, controls, and technical safeguards so that our operations, products, and services meet applicable legal standards. Our business teams, with legal support, manage the compliance programs and prepare external regulatory and commercial reporting, and our internal audit teams conduct reviews of the programs and processes. While we have a unified approach to regulatory compliance, some of the programs and processes are tailored to meet specific regulatory obligations, such as with the creation of independent compliance functions required by the European Union (“EU”) Digital Markets Act and the EU Digital Services Act, which oversee, monitor, and assess the company’s compliance with these acts.

For a description of the risks we face related to regulatory matters, refer to Risk Factors (Part I, Item 1A of this Form 10-K).

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Our executive officers as of July 30, 2025 were as follows:

Name	Age	Position with the Company
Satya Nadella	57	Chairman and Chief Executive Officer
Judson B. Althoff	52	Executive Vice President and Chief Commercial Officer
Amy L. Coleman	53	Executive Vice President and Chief Human Resources Officer
Kathleen T. Hogan	59	Executive Vice President, Office of Strategy and Transformation
Amy E. Hood	53	Executive Vice President and Chief Financial Officer
Takeshi Numoto	54	Executive Vice President and Chief Marketing Officer
Bradford L. Smith	66	Vice Chair and President

Mr. Nadella was appointed Chairman of the Board in June 2021 and Chief Executive Officer in February 2014. He served as Executive Vice President, Cloud and Enterprise from July 2013 until that time. From 2011 to 2013, Mr. Nadella served as President, Server and Tools. From 2009 to 2011, he was Senior Vice President, Online Services Division. From 2008 to 2009, he was Senior Vice President, Search, Portal, and Advertising. Since joining Microsoft in 1992, Mr. Nadella’s roles also included Vice President of the Business Division.

Mr. Althoff was appointed Executive Vice President and Chief Commercial Officer in July 2021. He served as Executive Vice President, Worldwide Commercial Business from July 2017 until that time. Prior to that, Mr. Althoff served as the President of Microsoft North America. Mr. Althoff joined Microsoft in March 2013 as President of Microsoft North America. Mr. Althoff also serves on the Board of Directors of Ecolab Inc.

Ms. Coleman was appointed Executive Vice President and Chief Human Resources Officer in March 2025. She previously served as Corporate Vice President, Human Resources and Corporation Functions since January 2021. Prior to that, Ms. Coleman served as Vice President Human Resources and Corporate Functions since September 2020. Since joining Microsoft in 2009, Ms. Coleman has held various positions of increasing authority.

Ms. Hogan was appointed Executive Vice President, Office of Strategy and Transformation in March 2025. She previously served as Executive Vice President and Chief Human Resources Officer since June 2023. Ms. Hogan had been Executive Vice President, Human Resources since November 2014. Prior to that, Ms. Hogan was Corporate Vice President of Microsoft Services. She also served as Corporate Vice President of Customer Service and Support. Ms. Hogan joined Microsoft in 2003. Ms. Hogan also serves on the Board of Directors of Alaska Air Group, Inc.

Ms. Hood was appointed Executive Vice President and Chief Financial Officer in July 2013, subsequent to her appointment as Chief Financial Officer in May 2013. From 2010 to 2013, Ms. Hood was Chief Financial Officer of the Microsoft Business Division. Since joining Microsoft in 2002, Ms. Hood has also held finance-related positions in the Server and Tools Business and the corporate finance organization.

Mr. Numoto was appointed Executive Vice President and Chief Marketing Officer in October 2023. He served as Executive Vice President and Commercial Chief Marketing Officer from March 2020. Mr. Numoto served as a Corporate Vice President, Cloud Marketing from January 2012. Prior to that, Mr. Numoto served as a Corporate Vice President for Office 365 Marketing from 2004, where he led the transformation from traditional on-premises packaged software to the introduction of Office 365. Since joining Microsoft in 1997, Mr. Numoto has held multiple roles in Windows Program Management and Office Marketing.

Mr. Smith was appointed Vice Chair and President in September 2021. Prior to that, he served as President and Chief Legal Officer since September 2015. He served as Executive Vice President, General Counsel, and Secretary from 2011 to 2015, and served as Senior Vice President, General Counsel, and Secretary from 2001 to 2011. Mr. Smith was also named Chief Compliance Officer in 2002. Since joining Microsoft in 1993, he was Deputy General Counsel for Worldwide Sales and previously was responsible for managing the European Law and Corporate Affairs Group, based in Paris. Mr. Smith also serves on the Board of Directors of Netflix, Inc.

AVAILABLE INFORMATION

Our Internet address is www.microsoft.com. At our Investor Relations website, www.microsoft.com/investor, we make available free of charge a variety of information for investors. Our goal is to maintain the Investor Relations website as a portal through which investors can easily find or navigate to pertinent information about us, including:

- Our 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 we electronically file that material with or furnish it to the Securities and Exchange Commission (“SEC”) at www.sec.gov.
- Information on our business strategies, financial results, and metrics for investors.
- Announcements of investor conferences, speeches, and events at which our executives talk about our product, service, and competitive strategies. Archives of these events are also available.
- Press releases on quarterly earnings, product and service announcements, legal developments, and international news.
- Corporate governance information including our articles of incorporation, bylaws, governance guidelines, committee charters, codes of conduct and ethics, global corporate social responsibility initiatives, and other governance-related policies.
- Other news and announcements that we may post from time to time that investors might find useful or interesting.
- Opportunities to sign up for email alerts to have information pushed in real time.

We publish a variety of reports and resources related to our Corporate Social Responsibility programs and progress on our Reports Hub website, www.microsoft.com/corporate-responsibility/reports-hub, including reports on responsible AI, sustainability, responsible sourcing, accessibility, digital trust, and public policy engagement.

The information found on these websites is not part of, or incorporated by reference into, this or any other report we file with, or furnish to, the SEC. In addition to these channels, we use social media to communicate to the public. It is possible that the information we post on social media could be deemed to be material to investors. We encourage investors, the media, and others interested in Microsoft to review the information we post on the social media channels listed on our Investor Relations website.

ITEM 1A. RISK FACTORS

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

STRATEGIC AND COMPETITIVE RISKS

We face intense competition across all markets for our products and services, which could adversely affect our results of operations.

Competition in the technology sector

Our competitors range in size from diversified global companies with significant research and development resources to small, specialized firms whose narrower product lines may let them be more effective in deploying technical, marketing, and financial resources. Barriers to entry in many of our businesses are low and many of the areas in which we compete evolve rapidly with changing and disruptive technologies, shifting user needs, and frequent introductions of new products and services. If we do not continue to innovate and provide products, devices, and services that appeal to businesses and consumers, we may not remain competitive, which could adversely affect our business, financial condition, and results of operations.

Competition among platform-based ecosystems

An important element of our business model has been to create platform-based ecosystems on which many participants can build diverse solutions. A well-established ecosystem creates beneficial network effects among users, application developers, and the platform provider that can accelerate growth. Establishing significant scale in the marketplace is necessary to meet consumer demand and to achieve and maintain attractive margins. We face significant competition from firms that provide competing platforms.

- A competing vertically-integrated model, in which a single firm controls the hardware and software elements of a product and related services, has succeeded with some consumer products such as PCs, tablets, smartphones, gaming consoles, wearables, and other endpoint devices. Competitors pursuing this model also earn revenue from services integrated with the hardware and software platform, including applications and content sold through their integrated marketplaces. They may also be able to claim security and performance benefits from their vertically-integrated offer. We also offer some vertically-integrated hardware and software products and services. Shifting a portion of our business to a vertically-integrated model may increase our cost of revenue and reduce our operating margins.
- We derive substantial revenue from licenses of Windows operating systems on PCs. We face significant competition from competing platforms developed for new devices and form factors such as smartphones and tablets. These devices compete on multiple bases including price and the perceived utility of the device and its platform. Users continue to turn to these devices to perform functions that in the past were performed by PCs. Even if many users view these devices as complementary to a PC, the prevalence of these devices may make it more difficult to attract application developers to our PC operating system platforms. Competing with operating systems licensed at low or no cost may decrease our PC operating system margins. Popular products or services offered on competing platforms could increase their competitive strength. In addition, some of our devices compete with products made by our OEM partners, which may affect their commitment to our platform.
- Competing platforms have content and application marketplaces with scale and significant installed bases. The variety and utility of content and applications available on a platform are important to device purchasing decisions. Users may incur costs to move data and buy new content and applications when switching platforms. To compete, we must successfully enlist developers to write applications for our platform and ensure that these applications have high quality, security, customer appeal, and value. Efforts to compete with competitors' content and application marketplaces may increase our cost of revenue and lower our operating margins. Competitors' rules governing their content and applications marketplaces may restrict our ability to distribute products and services through them in accordance with our technical and business model objectives.

For all of these reasons, we may not be able to compete successfully against our current and future competitors, which could adversely affect our business, operations, financial condition, and results of operations.

Business model competition

Companies compete with us based on a growing variety of business models.

- A material part of our business involves cloud-based services available across the spectrum of computing devices. We and our competitors continue to devote significant resources to developing and deploying cloud-based strategies and services for consumers and business customers, and pricing and delivery models are evolving.
- We are investing in artificial intelligence ("AI") across the entire company and infusing generative AI capabilities into our consumer and commercial offerings. AI technology and services are a highly competitive and rapidly evolving market, and new competitors continue to enter the market. We will bear significant development and operational costs to build and support the AI models, services, platforms, and infrastructure necessary to meet the needs of our customers. To compete effectively we must also be responsive to technological change, new and potential regulatory developments, and public scrutiny.
- Even as we transition more of our business to infrastructure-, platform-, and software-as-a-service business models, the license-based proprietary software model generates a substantial portion of our software revenue. We bear the costs of converting original ideas into software products through investments in research and development, offsetting these costs with the revenue received from licensing our products. Many of our competitors also develop and sell software to businesses and consumers under this model.
- Other competitors develop and offer free applications, online services, and content, and make money by selling third-party advertising. Advertising revenue funds development of products and services these competitors provide to users at little or no cost, competing directly with our revenue-generating products.
- Some companies compete with us by modifying and then distributing open source software at little or no cost to end users, developing, making available, or using AI models that are open, and earning revenue on advertising or integrated products and services. These firms do not bear the full costs of research and development for the open source products. Some open source products mimic the features and functionality of our products.

The competitive pressures described above may cause decreased sales volumes, price reductions, and/or increased operating costs, such as for research and development, marketing, and sales incentives, which could adversely affect our financial condition and results of operations.

Our focus on cloud-based and AI services presents execution and competitive risks. We are incurring significant costs to build and maintain infrastructure to support cloud-based and AI services, reducing operating margins. Whether we succeed in cloud-based and AI services depends on our execution in several areas, including:

- Continuing to bring to market compelling cloud-based and AI services and products that generate increasing traffic and market share.
- Maintaining the utility, compatibility, and performance of our cloud-based and AI services on the growing array of computing devices, including PCs, smartphones, tablets, gaming consoles, and other devices.
- Continuing to enhance the attractiveness of our cloud platforms to third-party developers.
- Ensuring our cloud-based services meet the reliability expectations and specific requirements of our customers and maintain the security of their data as well as help them meet their own compliance needs.
- Making our suite of cloud-based services platform-agnostic, available on a wide range of devices and ecosystems, including those of our competitors.

It is uncertain whether our strategies will continue to attract users or generate the revenue required to succeed. If we are not effective in executing organizational and technical changes to increase efficiency and accelerate innovation, or if we fail to generate sufficient usage of our new products and services, we may not grow revenue in line with the infrastructure and development investments described above. This could adversely affect our operations, financial condition, and results of operations.

Our AI systems offer users powerful tools and capabilities. However, there may be instances where these systems are used in ways that are unintended or inappropriate. In addition, some users may also engage in fraudulent or abusive activities through our cloud-based and AI services, such as unauthorized account access, payment fraud, or terms of service violations including cryptocurrency mining or launching cyberattacks. While we are committed to detecting and controlling such misuse of our cloud-based and AI services, our efforts may not be effective, and we may incur reputational damage or experience adverse impacts to our business and results of operations.

RISKS RELATING TO THE EVOLUTION OF OUR BUSINESS

We make significant investments in products and services that may not achieve expected returns. We will continue to make significant investments in research, development, and marketing for existing products, services, and technologies, including AI-based products and services. We also invest in the development and acquisition of a variety of hardware for productivity, communication, and entertainment, including PCs, tablets, and gaming devices. Investments in new technology are speculative. Commercial success depends on many factors, including innovation, developer support, and effective distribution and marketing. If customers do not perceive our latest offerings as providing significant new functionality or other value, they may reduce their purchases of new software and hardware products or upgrades, unfavorably affecting revenue. We may not achieve significant revenue from new product, service, and distribution channel investments for several years, if at all. New products and services may not be profitable or may not achieve operating margins as high as we have experienced historically. We may not get engagement in certain features that drive post-sale monetization opportunities. Our data-handling practices across our products and services will continue to be under scrutiny. Perceptions of mismanagement, driven by regulatory activity or negative public reaction to our practices or product experiences, could negatively impact product and feature adoption. Developing new technologies is complex. It can require long development and testing periods. We could experience significant delays in new releases or significant problems in creating new products or services. These factors could adversely affect our business, financial condition, and results of operations.

Acquisitions, joint ventures, and strategic alliances could have an adverse effect on our business. We expect to continue making acquisitions and entering into joint ventures and strategic alliances as part of our long-term business strategy. For example, in October 2023 we completed our acquisition of Activision Blizzard, Inc. (“Activision Blizzard”). In January 2023 we announced the third phase of our OpenAI strategic partnership. Acquisitions and other transactions and arrangements involve significant challenges and risks, including that they do not advance our business strategy, that we get an unsatisfactory return on our investment, that they raise new compliance-related obligations and challenges, that we have difficulty integrating and retaining new employees, business systems, and technology, that they distract management from our other businesses, or that announced transactions may not be completed. If an arrangement fails to adequately anticipate changing circumstances and interests of a party, it may result in early termination or renegotiation of the arrangement. We also have limited ability to control or influence third parties with whom we have arrangements, which may impact our ability to realize the anticipated benefits. The success of these transactions and arrangements depend in part on our ability to leverage them to enhance our existing products and services or develop compelling new ones, as well as the acquired companies’ ability to meet our policies and processes in areas such as data governance, privacy, digital safety, responsible AI, and cybersecurity. It may take longer than expected to realize the full economic benefits from these transactions and arrangements, such as increased revenue or enhanced efficiencies, or the benefits may ultimately be smaller than we expected, which could cause an impairment of goodwill or intangibles. We have recorded, and may in the future be required to record, a significant charge in our consolidated financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined, negatively affecting our results of operations. In addition, an acquisition may be subject to challenge even after it has been completed. These events could adversely affect our business, operations, financial condition, and results of operations.

CYBERSECURITY, DATA PRIVACY, AND PLATFORM ABUSE RISKS

Cyberattacks and security vulnerabilities could lead to reduced revenue, increased costs, liability claims, or harm to our reputation or competitive position.

Security of our information technology

Threats to security can take a variety of forms. Threat actors, including individual and groups of hackers and sophisticated organizations, including nation-states, state-sponsored organizations, or cybercriminal groups, continuously undertake attacks that pose threats to our customers and our internal infrastructure, and we have experienced cybersecurity incidents in which such actors have gained unauthorized access to our systems and data, including customer systems and data. These actors use a wide variety of methods, which include developing and deploying malicious software; exploiting known and potential vulnerabilities or intentionally designed processes in our or third-party hardware, software, or other infrastructure to attack our products and services or gain access to our networks and datacenters; using social engineering techniques to induce our employees, users, partners, or customers to disclose sensitive information, such as passwords, or take other actions to gain access to our data or our users' or customers' data; or acting in a coordinated manner or conducting coordinated attacks. For example, as previously disclosed in our Form 8-K filed with the Securities and Exchange Commission on January 19, 2024 and amended on March 8, 2024, beginning in late November 2023, a nation-state associated threat actor used a password spray attack to compromise a legacy test account and, in turn, gain access to Microsoft email accounts. The threat actor used information it obtained to gain unauthorized access to some of our source code repositories and internal systems, and the threat actor could continue to utilize this and other information to attempt to gain access to our systems or otherwise adversely affect our business and results of operations. This incident has and may continue to result in harm to our reputation and customer relationships. Nation-state and state-sponsored actors can sustain malicious activities for extended periods and deploy significant resources to plan and carry out attacks. Nation-state attacks against us, our customers, or our partners have and may continue to intensify due to our transparency to our customers, other stakeholders, and the public about cyberattacks, and during elections or periods of intense diplomatic or armed conflict. Challenges or failures in applying security patches to all hardware and devices connected to our systems, including end-of-life and end-of-support equipment, have and may continue to result in unauthorized access to our systems and data in the future. Cyber incidents and attacks, individually or in the aggregate, could adversely affect our financial condition, results of operations, competitive position, and reputation, or expose us to legal or regulatory risk.

Inadequate account security or organizational security practices, including those of companies we have acquired or those of the third parties we utilize, have resulted and may result in unauthorized access to our systems and data, including customer systems and data. For example, passwords may not be rotated and employee access may not be updated or removed on a timely basis. Employees or third parties may intentionally compromise our or our users' security or systems or reveal confidential information, and laws in foreign jurisdictions may compel actions by such parties against our interests and could limit our recourse. Malicious actors may employ the supply chain to introduce malware through software updates or compromised supplier accounts or hardware.

Cyberthreats are constantly evolving and becoming increasingly sophisticated and complex, increasing the difficulty of detecting and successfully defending against them. Threat actors may also utilize emerging technologies, such as AI and machine learning. Our current capabilities may not detect certain vulnerabilities or new attack methods, which may allow them to persist in the environment over long periods of time. It may be difficult to determine the best way to investigate, mitigate, contain, and remediate the harm caused by a cyber incident. Such efforts may not be successful, and we may make errors or fail to take necessary actions. It is possible that threat actors may gain undetected access to other networks and systems after establishing a foothold on an internal system. Cyber incidents and attacks can have cascading impacts that unfold with increasing speed across our internal networks and systems, as well as those of our partners and customers. In addition, it may take considerable time for us to investigate and evaluate the full impact of incidents, particularly for sophisticated attacks. As a result of these and other factors, we may not be able to provide prompt, full, and reliable information about the incident to our customers, partners, regulators, and the public. Breaches of our facilities, network, or data security can disrupt the security of our systems and business applications, impair our ability to provide services to our customers and protect the privacy of their data, result in product development delays, compromise confidential or technical business information, result in theft or misuse of our intellectual property or other assets, subject us to ransomware attacks, require us to allocate more resources to improve technologies or remediate the impacts of attacks, or otherwise adversely affect our business. In addition, actions taken to remediate an incident could result in outages, data losses, and disruptions of our services.

Our internal environment continues to evolve. Often, we are early adopters of new devices and technologies. We embrace new ways of sharing data and communicating internally and with partners and customers using methods such as social networking and other consumer-oriented technologies. Increasing use of generative AI models in our internal systems may create new attack surfaces or methods for adversaries. Our business policies and internal security controls may not keep pace with these changes as new threats emerge or the emerging cybersecurity regulations in jurisdictions worldwide.

Security of our products, services, devices, and customers' data

The security of our products and services is important in our customers' decisions to purchase or use our products or services across cloud and on-premises environments. Security threats are a significant challenge to companies like us, whose business is providing technology products and services to others. Threats to or attacks on our own infrastructure, such as the nation-state attack described in the prior risk factor, have also affected our customers and may do so in the future. The reliability of our cloud-based services and the protection of customer data depend on the security of our infrastructure, which includes hardware and other elements provided by third parties. Adversaries tend to focus their efforts on the most popular operating systems, programs, and services, including many of ours, as well as customers with sensitive data, and we expect that to continue. In addition, adversaries can attack our customers' on-premises or cloud environments, sometimes exploiting previously unknown ("zero-day") vulnerabilities. Product vulnerabilities can persist even after we have issued security patches if customers have not installed the most recent updates, or if the attackers exploited the vulnerabilities before patching to install additional malware to further compromise customers' systems. Adversaries will continue to attack customers using our cloud services as customers embrace digital transformation. Adversaries that acquire user account information can use that information to compromise our users' accounts, including where accounts share the same attributes such as passwords. Inadequate account security practices may also result in unauthorized access, and user activity may result in ransomware or other malicious software impacting a customer's use of our products or services. Weaknesses in our development processes can result in vulnerabilities in our products. Open source software can also contain vulnerabilities that may make our products susceptible to cyberattacks as we increasingly incorporate open source software into our products. Additionally, features that rely on generative AI can be susceptible to security threats.

Our customers operate complex systems with third-party hardware and software from multiple vendors that may include systems acquired over many years. They expect our products and services to support all these systems and products, including those that no longer incorporate the strongest current security advances or standards. As a result, we may not be able to discontinue support in our services for a product, service, standard, or feature solely because a more secure alternative is available. Failure to utilize the most current security advances and standards can increase our customers' vulnerability to attack. Further, customers of widely varied sizes and technical sophistication use our technology, and consequently may still have limited capabilities and resources to help them adopt and implement state-of-the-art cybersecurity practices and technologies. In addition, we must account for this wide variation of technical sophistication when defining default settings for our products and services, including security default settings, as these settings may limit or otherwise impact other aspects of operations and some customers may have limited capability to review and reset these defaults.

Cyberattacks could adversely impact our customers even if our production services are not directly compromised. We are committed to notifying our customers whose systems have been impacted as we become aware and have actionable information for customers to help protect themselves. We are also committed to providing guidance and support on detection, tracking, and remediation. We may not be able to detect the existence or extent of these attacks for all of our customers or have information on how to detect or track an attack, especially where an attack involves on-premises software such as Exchange Server where we may have no or limited visibility into our customers' computing environments.

Any of the foregoing events could result in reputational harm, loss of revenue, increased costs, or otherwise adversely affect our business, financial condition, and results of operations.

Development and deployment of defensive measures

To defend against security threats to our internal infrastructure, our cloud-based services, and our customers' systems, we must take a complex and multifaceted approach. This includes continuously engineering more secure products and services, and enhancing security, threat detection, and reliability features. We must also escalate and improve our development processes and the deployment of software updates to address security vulnerabilities in our own products as well as those provided by others in a timely manner. In addition, we must develop mitigation technologies that help to secure customers from attacks even when software updates are not deployed, and maintain the digital security infrastructure that protects the integrity of our network, products, and services. Further, we must provide security tools such as firewalls, anti-virus software, and advanced security and information about the need to deploy security measures and the impact of doing so.

The cost of these measures to protect products and customer-facing services could reduce our operating margins. If we fail to do these things well, actual or perceived security vulnerabilities in our processes, products, and services, data corruption issues, or reduced performance could harm our reputation and lead customers to exercise contractual or other remedies against us, reduce or delay future purchases of products or subscriptions to services, or to use competing products or services. Customers and third parties granted access to customer systems may fail to update their systems, continue to run software or operating systems we no longer support, may fail to timely install or enable security patches, or may otherwise fail to adopt adequate security practices. Customers may also spend more on protecting their existing computer systems from attack, which could delay adoption of additional products or services. Customers in certain industries such as financial services, health care, and government have enhanced or specialized expectations and requirements to which we must develop and engineer our products and services. Any of these could adversely affect our reputation and results of operations. Actual or perceived vulnerabilities may lead to claims against us. Our license agreements typically contain provisions that eliminate or limit our exposure to liability, but there is no assurance these provisions will withstand legal challenges. At times, to achieve commercial objectives, we may enter into agreements with larger liability exposure to customers.

Our products operate in conjunction with and are dependent on products and components across a broad ecosystem of third parties. If there is a security vulnerability in one of these components, and if there is a security exploit targeting it, we could experience adverse impacts to our results of operations, reputation, or competitive position.

Disclosure and misuse of personal data could result in liability and harm our reputation. As we continue to grow the number, breadth, and scale of our cloud-based offerings, we store and process increasingly large amounts of personal data of our customers and users. The continued occurrence of high-profile data breaches provides evidence of an external environment increasingly hostile to information security. Despite our efforts to improve the security controls across our business groups and geographies, it is possible our security controls over personal data, our training of employees and third parties on data security, and other practices we follow may not prevent the improper disclosure or misuse of customer or user data we or our vendors store and manage. Relatedly, despite our efforts to continuously improve security controls, it is possible that we may fail to identify or mitigate insider threat activities that could lead to the misuse of our systems or customer and user data. In addition, third parties who have limited access to our customer or user data may use this data in unauthorized ways. Improper disclosure or misuse could harm our reputation, lead to legal exposure to customers or users, 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 and users to store and process personal data on-premises or in a cloud-based environment we host. Government authorities can sometimes require us to produce customer or user data in response to valid legal orders. In the U.S. and elsewhere, we advocate for transparency concerning these requests and appropriate limitations on government authority to compel disclosure. Despite our efforts to protect customer and user data, perceptions that the collection, use, and retention of personal information is not satisfactorily protected could inhibit sales of our products or services and could limit adoption of our cloud-based solutions by consumers, businesses, and government entities. Additional security measures we take to address customer or user concerns, or constraints on our flexibility to determine where and how to operate datacenters in response to customer or user expectations or governmental rules or actions, may increase costs or hinder sales of our products and services.

We may not be able to protect information in our products and services from use by others. LinkedIn and other Microsoft products and services contain valuable information and content protected by contractual restrictions or technical measures. In certain cases, we have made commitments to our members and users to limit access to or use of this information. Changes in the law or interpretations of the law may weaken our ability to prevent third parties from scraping or gathering information or content through use of bots or other measures and using it for their own benefit which could adversely affect our business, financial condition, and results of operations.

Abuse of our platforms may harm our reputation or user engagement.

Advertising, professional, marketplace, and gaming platform abuses

For platform products and services that provide content or host ads that come from or can be influenced by third parties, our reputation or user engagement may be negatively affected by activity that is hostile or inappropriate. This activity may come from users impersonating other people or organizations, including through the use of AI technologies, dissemination of information that may be viewed as misleading or intended to manipulate the opinions of our users, or the use of our products or services that violates our terms of service or otherwise for objectionable or illegal ends. Preventing or responding to these actions may require us to make substantial investments in people and technology and these investments may not be successful, adversely affecting our business, financial condition, and results of operations.

Other digital safety abuses

Our consumer services as well as our enterprise services may be used to find, generate, store, or disseminate harmful or illegal content in violation of our terms or applicable law. We may not proactively discover such content due to scale, the limitations of existing technologies, and conflicting legal frameworks. When discovered by users and others, such content may negatively affect our reputation, our brands, and user engagement. Regulations and other initiatives have been enacted to make platforms responsible for preventing or eliminating harmful content online, and we expect this to continue with focused attention on child safety. At the same time, regulations and other initiatives regarding freedom of expression may conflict with such content moderation regulations. The legal and regulatory environment in this area is complex and continues to evolve across multiple jurisdictions. As a result, there is considerable uncertainty regarding both current and future compliance obligations. Failure to comply with content requirements may subject us to enhanced regulatory oversight, civil or criminal liability, or reputational damage, which could adversely affect our business, financial condition, and results of operations.

Our products and services, how they are used by customers, and how third-party products and services interact with them, may present security, privacy, and execution risks. Our products and services may contain defects in design, manufacture, or operation that make them insecure or ineffective for their intended purposes. For example, customers control our products and services, including our AI products, within their environments, and may deploy them in high-risk scenarios or utilize them inappropriately. Our products may also collect large amounts of data in manners which may not satisfy customers or regulatory requirements. Our customers also operate complex systems with third-party hardware and software from multiple vendors whose products or personnel may take or fail to take actions which impact the reliability or security of our products and services. If our products and services do not work as intended, are utilized in methods not intended, violate the law, or harm individuals or businesses, we may be subject to legal claims or enforcement actions. These risks, if realized, may increase our costs, damage our reputation, or adversely affect our results of operations.

Issues in the development, deployment, and use of AI may result in reputational or competitive harm or liability. We are building AI into many of our offerings, including our productivity services, and we are also making AI available for our customers to use in solutions that they build. This AI may be developed by Microsoft or others, including our strategic partner, OpenAI. We expect these elements of our business to grow. We envision a future in which AI operating in devices, applications, and the cloud helps our customers be more productive in their work and personal lives. As with many innovations, AI presents risks and challenges that could affect its adoption, and therefore our business. AI algorithms or training methodologies may be flawed. Datasets may be overbroad, insufficient, or contain biased or inaccurate information. Content generated by AI systems may be offensive, illegal, inaccurate, or otherwise harmful. Ineffective or inadequate AI development or deployment practices by Microsoft or others could result in incidents that impair the acceptance of AI solutions, cause harm to individuals, customers, or society, or result in our products and services not working as intended. Human review of certain inputs and outputs may be required, including for agentic AI systems that can take actions autonomously. Our implementation of AI systems could result in legal liability, regulatory action, brand, reputational, or competitive harm, or other adverse impacts. These risks may stem from issues related to intellectual property, data privacy, and other claims associated with AI training and outputs. They are further compounded by the evolving regulatory landscape, with new laws emerging globally, including the European Union (“EU”). Some AI scenarios present ethical issues or may have broad impacts on society. There is also rising divergence globally in how to address these issues and impacts, with the result that we will need to navigate a web of different tensions across geographies. Finally, if we enable or offer AI solutions that have unintended consequences, unintended usage or customization by our customers and partners, are contrary to our responsible AI policies and practices, or are otherwise controversial because of the impact on human rights, privacy, employment, or other social, economic, or political issues, our reputation, competitive position, business, financial condition, and results of operations could be adversely affected.

OPERATIONAL RISKS

We may have excessive outages, data losses, and disruptions of our online services if we fail to maintain an adequate operations infrastructure. Our increasing user traffic, growth in services, and the complexity of our products and services demand more computing power. We spend substantial amounts to build, purchase, or lease datacenters and equipment and to upgrade our technology and network infrastructure to handle more traffic on our websites and in our datacenters. Our datacenters depend on the availability of permitted and buildable land, predictable energy, networking supplies, and servers, including graphics processing units and other components. The cost or availability of these dependencies could be adversely affected by a variety of factors, including the transition to a clean energy economy, local and regional environmental regulations, and geopolitical disruptions. These demands continue to increase as we introduce new products and services and support the growth and the augmentation of existing services, including through the incorporation of AI features and/or functionality. We are rapidly growing our business of providing a platform and back-end hosting for services provided by third parties to their end users. Maintaining, securing, and expanding this infrastructure is expensive and complex, and requires development of principles for datacenter builds in geographies with higher safety and reliability risks. It requires that we maintain an Internet connectivity infrastructure and storage and compute capacity that is robust and reliable within competitive and regulatory constraints that continue to evolve. Inefficiencies or operational failures, including temporary or permanent loss of customer data, outages, insufficient Internet connectivity, insufficient or unavailable power or water supply, or inadequate storage and compute capacity could diminish the quality of our products, services, and user experience, resulting in contractual liability, claims by customers and other third parties, regulatory actions, damage to our reputation, and loss of current and potential users, subscribers, and advertisers, each of which could adversely affect our business, operations, financial condition, and results of operations.

We may experience supply or quality problems. There are limited suppliers for certain device and datacenter components. We continue to identify and evaluate opportunities to expand our datacenter locations and increase our server capacity to meet the evolving needs of our customers, particularly given the growing demand for AI services. Capacity available to us may be affected as competitors use some of the same suppliers and materials for hardware components. If components are delayed or become unavailable, whether because of supplier capacity constraint, industry shortages, legal or regulatory changes that restrict supply sources, or other reasons, we may not obtain timely replacement supplies, resulting in reduced sales or inadequate datacenter capacity to support the delivery and continued development of our products and services. Component shortages, excess or obsolete inventory, or price reductions resulting in inventory adjustments may increase our cost of revenue. Datacenter servers, Xbox consoles, Surface devices, and other hardware are assembled in Asia and other geographies that may be subject to disruptions in the supply chain, resulting in shortages which could adversely affect our business, operations, financial condition, and results of operations.

Our software products and services also have and may in the future experience quality or reliability problems. The processes we use to develop our software are imperfect. Like all software, our software contains bugs and other defects that interfere with their intended operation. Our customers increasingly rely on us for critical business functions and multiple workloads. Many of our products and services are interdependent on one another. Our products and services may be impacted by interaction with third-party products and services. Our customers may also utilize their own or third-party products and services whose reliability is dependent on interaction with our products and services. Each of these circumstances potentially magnifies the impact of quality or reliability issues. Weaknesses in our processes could result in defects we do not detect and fix in pre-release testing, which could cause reduced sales, damage to our reputation, repair or remediation costs, delays in the release of new products or versions, or legal liability, and could adversely affect our business, financial condition, and results of operations. Although our license agreements typically contain provisions that eliminate or limit our exposure to liability, there is no assurance these provisions will withstand legal challenge.

Our hardware products such as Xbox consoles, Surface devices, and other devices we design and market are highly complex. Failure to prevent, detect, or address defects in design, manufacture, or associated software could result in recalls, safety alerts, or product liability claims, which could adversely affect our business and results of operations.

LEGAL, REGULATORY, AND LITIGATION RISKS

We are subject to a variety of new, existing, and evolving legal and regulatory requirements that could adversely affect our results of operations. We are subject to a wide range of laws, regulations, and legal requirements in the U.S. and globally, including those that may apply to our products and online services offerings, and those that impose requirements related to user privacy, telecommunications, data storage and protection, digital accessibility, advertising, and online safety. Laws in several jurisdictions, including EU Member State laws under the European Electronic Communications Code, increasingly define certain of our services as regulated services. This trend may continue with our offerings becoming subject to additional data protection, security, digital safety, law enforcement surveillance, and other obligations. Regulators and private litigants may assert that our collection, use, and management of customer data and other information is inconsistent with their laws and regulations, including laws that apply to the tracking of users via technology such as cookies. In addition, laws requiring us to retrieve and produce customer data in response to compulsory legal demands from law enforcement and governmental authorities are expanding and the requests we are experiencing are increasing in volume and complexity.

New, existing, and evolving laws and regulations, or interpretations or applications of existing laws and regulations in a manner inconsistent with our interpretations of such laws and regulations or our practices, may result in modification of our products and services, altered business models and operations, increased costs, reputational damage, and civil or criminal liability. Examples include laws and regulations regarding:

- **Competition laws and new market regulation:** Government agencies closely scrutinize us under U.S. and foreign competition laws. Governments are actively enforcing competition laws and regulations and enacting new regulations to intervene in digital markets, and this includes markets such as the EU, the United Kingdom, the U.S., and China. Some jurisdictions also allow competitors or consumers to assert claims of anti-competitive conduct. U.S. and foreign antitrust authorities have previously brought enforcement actions and continue to scrutinize our business. Competition law enforcement actions and court decisions along with new market regulations may result in fines or hinder our ability to provide the benefits of our software to consumers and businesses, reducing the attractiveness of our products and the revenue that comes from them. New competition law actions or obligations under market regulation schemes could be initiated, potentially using previous actions as precedent.

- **AI:** Legislative and regulatory action is emerging in AI, which could increase costs or restrict opportunity. For example, the EU's AI Act may increase costs or impact the provision or operation of our AI models and services in the European market. AI regulatory areas include model and system development and deployment, frontier model safety, transparency, and content provenance.
- **Anti-corruption:** The Foreign Corrupt Practices Act ("FCPA") and other anti-corruption laws and regulations ("Anti-Corruption Laws") prohibit corrupt payments by our employees, vendors, or agents, and the accounting provisions of the FCPA require us to maintain accurate books and records and adequate internal controls. From time to time, we receive inquiries from authorities in the U.S. and elsewhere which may be based on reports from employees and others about our business activities and our compliance with Anti-Corruption Laws. Periodically, we receive such reports directly and investigate them and also cooperate with investigations by U.S. and foreign law enforcement authorities.
- **Trade**: Increasing trade laws, policies, sanctions, and other regulatory requirements also affect our operations in and outside the U.S. relating to trade and investment. Economic sanctions in the U.S., the EU, and other countries prohibit most business with restricted entities or countries. U.S. export controls restrict Microsoft from offering many of its products and services to, or making investments in, certain entities in specified countries. U.S. import controls restrict us from integrating certain information and communication technologies into our supply chain and allow for government review of transactions involving information and communications technology from countries determined to be foreign adversaries. Supply chain regulations may impact the availability of goods or result in additional regulatory scrutiny. Restrictions on data flows and outbound investment and customer sensitivities may limit our ability to leverage parts of our global engineering footprint to provide services in certain jurisdictions. Increased geopolitical instabilities and changing U.S. Administration priorities create an unpredictable trade landscape. U.S. tariff and shifting AI export controls policies, like the AI Diffusion Rule, could increase operational costs, create uncertainty in the continuity of our products, and accelerate sovereignty initiatives among international partners and customers. The volatility of U.S. tariffs has triggered economic uncertainty and could impact cloud and devices supply chain cost competitiveness. The potential replacement of the recently rescinded AI Diffusion Rule and other potential AI-related rulemakings could adversely affect Microsoft's business, strategy, and operations. Periods of intense diplomatic or armed conflict like the ongoing conflict in Ukraine and the Israel-Hamas conflict could result in (1) new and rapidly evolving sanctions and trade restrictions, which may impair trade with sanctioned individuals and countries, and (2) negative impacts to regional trade ecosystems among our customers, partners, and us.
- **Cybersecurity:** Legislative and regulatory actions related to cybersecurity may increase the costs associated with developing, implementing, or securing our products and services. The legal and regulatory environment in this area is complex and continues to evolve across multiple jurisdictions. As a result, there is considerable uncertainty regarding both current and future compliance obligations. This uncertainty increases the risk that we may incur additional operational costs, face regulatory enforcement actions, or encounter challenges in the development and deployment of our products.
- **Handling of personal data:** Legal requirements relating to the collection, storage, handling, and transfer of personal data globally continue to evolve. The growth of our Internet- and cloud-based services internationally relies on the movement of data across national boundaries. Data protection authorities and governments in the EU and other markets have and may again restrict and/or block the use of services that involve the transfer of data across borders. New and evolving rules and restrictions on the flow of data across borders could increase the cost and complexity of delivering our products and services. In addition, the EU General Data Protection Regulation ("GDPR") and other similar regulations impose a range of compliance obligations regarding the handling of personal data. New requirements related to the use of data, including the Data Act, add additional rules and restrictions on the use of data in our products and services.
- **Environmental, Social, and Governance:** Laws, regulations, and policies relating to environmental, social, and governance matters are being developed and formalized in Europe, the U.S., and elsewhere, which may include greenhouse gas emissions and energy usage caps, as well as specific, target-driven environmental, social, and governance frameworks and disclosure requirements. In addition, in 2020 we announced goals to become carbon negative, water positive, and zero waste by 2030. Any failure or perceived failure to meet our sustainability goals, or to meet various sustainability regulatory requirements,

could result in claims and lawsuits, regulatory actions, penalties, or damage to our reputation, each of which could adversely affect our business, operations, financial condition, and results of operations.

How these laws and regulations apply to our business is often unclear, subject to change, and sometimes may be inconsistent from jurisdiction to jurisdiction. In addition, governments' approach to enforcement, and our products and services, are continuing to evolve. Compliance with existing, expanding, or new laws and regulations may involve significant costs and operational efforts, or require changes in products or business practices that could adversely affect our results of operations. Noncompliance could result in the imposition of penalties, criminal sanctions, or orders to cease the alleged noncompliant activity. If our products do not meet customer expectations or legal requirements, we could face regulatory or legal actions, and our business, operations, financial condition, and results of operations could be adversely affected.

We have claims and lawsuits against us that may result in adverse outcomes. We are subject to a variety of claims and lawsuits. These claims may arise from a wide variety of business practices and initiatives, including major new product releases, AI services, significant business transactions, warranty or product claims, employment practices, and regulation. As we continue to expand our business and offerings, we may experience new and novel legal claims. 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. Litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. An adverse impact to our financial condition and results of operations could occur for the period in which the effect of an unfavorable outcome becomes probable and reasonably estimable.

Our business with government customers may present additional uncertainties. We derive substantial revenue from government contracts. Government contracts and regulatory requirements can present risks and challenges not present in private commercial agreements. For instance, we are subject to government audits and investigations relating to these contracts, and we are required to provide assurance and attestations about our products and processes. If we do not satisfy contractual or regulatory requirements, we could be suspended or debarred as a governmental contractor, we could incur civil and criminal fines and penalties, and under certain circumstances contracts may be rescinded. Some agreements may allow a government to terminate without cause and provide for higher liability limits for certain losses. Some contracts may be subject to periodic funding approval, reductions, cancellations, or delays which could adversely impact public-sector demand for our products and services. These events could negatively impact our financial condition, results of operations, and reputation.

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 course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We may recognize additional tax expense and be subject to additional tax liabilities due to changes in tax laws, regulations, and administrative practices and principles, including changes to the global tax framework, in various jurisdictions. In recent years, multiple domestic and international tax proposals were proposed to impose greater tax burdens on large multinational enterprises. For example, the Organisation for Economic Co-operation and Development continues to advance proposals or guidance in international taxation, including the establishment of a global minimum tax.

We are regularly under audit by tax authorities in different jurisdictions. Although we believe that our provision for income taxes and our tax estimates are reasonable, tax authorities may disagree with certain positions we have taken. In addition, economic and political pressures to increase tax revenue in various jurisdictions may make resolving tax disputes favorably more difficult. We are currently under IRS audit for prior tax years and have received Notices of Proposed Adjustment ("NOPAs") from the IRS for the tax years 2004 to 2013. The primary issues in the NOPAs relate to intercompany transfer pricing. In the NOPAs, the IRS is seeking an additional tax payment of $28.9 billion plus penalties and interest. The final resolution of the proposed adjustments, and other audits or litigation, may differ from the amounts recorded in our consolidated financial statements and adversely affect our results of operations in the period or periods in which that determination is made.

We earn a significant amount of our operating income outside the U.S. A change in the mix of earnings and losses in countries with differing statutory tax rates, changes in our business or structure, or the expiration of or disputes about certain tax agreements in a particular country may result in higher effective tax rates for the company. In addition, changes in U.S. federal and state or international tax laws applicable to corporate multinationals, other global fundamental law changes currently being considered by many countries, including in the U.S., and changes in taxing jurisdictions' administrative interpretations, decisions, policies, and positions could adversely affect our financial condition and results of operations.

INTELLECTUAL PROPERTY RISKS

We face risks related to the protection and utilization of our intellectual property that may result in our business and operating results being harmed. Protecting our intellectual property rights and combating unlicensed copying and use of our software, source code, and other intellectual property on a global basis is difficult. Similarly, the absence of harmonized patent laws makes it more difficult to ensure consistent respect for patent rights.

Changes in the law may continue to weaken our ability to prevent the use of patented technology. Our increasing engagement with open source software will also cause us to license our intellectual property rights broadly in certain situations. If we are unable to protect our intellectual property, our results of operations could be adversely affected.

Source code, the detailed program commands for our operating systems and other software programs, is critical to our business. If our source code leaks, we might lose future trade secret protection for that code. It may then become easier for third parties to compete with our products by copying functionality, which could adversely affect our results of operations. Unauthorized access to or disclosure of source code or other intellectual property also increases the security risks described elsewhere in these risk factors.

Third parties may claim that we infringe their intellectual property. From time to time, others claim we infringe their intellectual property rights, including current copyright infringement and other claims arising from AI training and output. To resolve these claims, we may enter into royalty-bearing data access or licensing agreements on terms that are less favorable than currently available, stop selling or redesign affected products or services, or pay damages to satisfy indemnification commitments with our customers. Adverse outcomes could also include monetary damages or injunctive relief that may limit or prevent importing, marketing, and selling our products or services that have infringing technologies. We have paid significant amounts to settle claims related to the use of technology and intellectual property rights and to procure intellectual property rights as part of our strategy to manage this risk, and may continue to do so, which could adversely affect our results of operations.

GENERAL RISKS

If our reputation or our brands are damaged, our business and results of operations may be harmed. Our reputation and brands are globally recognized and are important to our business. Our reputation and brands affect our ability to attract and retain consumer, business, and public-sector customers. There are numerous ways our reputation or brands could be damaged. These include product safety or quality issues, our environmental impact and sustainability, supply chain practices, or human rights record. We may experience backlash from customers, government entities, advocacy groups, employees, and other stakeholders that disagree with our product offering decisions, public policy positions, or corporate philanthropic initiatives. Damage to our reputation or our brands may occur from, among other things:

- The introduction of new features, products, services, or terms of service that customers, users, or partners do not like.
- Public scrutiny of our decisions regarding user privacy, data practices, content, or development and deployment of AI.
- Data security breaches, cybersecurity incidents, responsible AI failures, compliance failures, or actions of partners or individual employees.

Social media may increase the likelihood, speed, and magnitude of negative brand events. If our brands or reputation are damaged, it could adversely affect our business, results of operations, or ability to attract the most highly qualified employees.

Adverse economic or market conditions could harm our business. Worsening economic conditions, including inflation, recession, pandemic, or other changes in economic conditions, may cause lower IT spending and adversely affect our results of operations. If demand for computing power, PCs, servers, and other computing devices declines, or consumer or business spending for those products declines, our results of operations could be adversely affected.

Our product distribution system relies on an extensive partner and retail network. OEMs building devices that run our software have also been a significant means of distribution. The impact of economic conditions on our partners, such as the bankruptcy of a major distributor, OEM, or retailer, could cause 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, allowances 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 market downturns or events that affect global financial markets. A significant part of our investment portfolio comprises U.S. government securities. If global financial markets decline for long periods, or if there is a downgrade of the U.S. government credit rating due to an actual or threatened default on government debt, our investment portfolio could be adversely affected and we could determine that more of our investments have experienced a decline in fair value, requiring impairment charges that could adversely affect our financial condition and results of operations.

Catastrophic events or geopolitical conditions could disrupt our business. A disruption or failure of our systems, operations, or supply chain because of a major earthquake, weather event, cyberattack, terrorist attack, pandemic, or other catastrophic event could cause delays in completing sales, providing services, or performing other critical functions. Our corporate headquarters, a significant portion of our research and development activities, and certain other essential business operations are in the Seattle, Washington area, and we have other business operations in the Silicon Valley area of California, both of which are seismically active regions. A catastrophic event that results in the destruction or disruption of any of our critical business or systems, or the infrastructure or systems they rely on, such as power grids, could harm our ability to conduct normal business operations or adversely affect our results of operations. Providing our customers with more services and solutions in the cloud puts a premium on the resilience of our systems and strength of our business continuity management plans and magnifies the potential negative consequences of prolonged service outages.

Abrupt political change, terrorist activity, and armed conflict, such as the ongoing conflict in Ukraine, pose economic and other risks, which may negatively impact our ability to sell to and collect from customers, increase our operating costs, or otherwise disrupt our operations in markets both directly and indirectly impacted by such events. These conditions also may add uncertainty to the timing and budget for technology investment decisions by our customers and may cause supply chain disruptions for hardware manufacturers. Geopolitical change may result in changing regulatory systems and requirements and market interventions that could impact our operating strategies, access to national, regional, and global markets, hiring, and profitability. Geopolitical instability may lead to sanctions and impact our ability to do business in some markets or with some public-sector customers. Any of these changes could adversely affect our results of operations. Changes in geopolitical conditions also increase the security risks described elsewhere in these risk factors.

The occurrence of regional epidemics or a global pandemic, such as COVID-19, could adversely affect our business, operations, financial condition, and results of operations. The extent to which global pandemics impact our business going forward will depend on factors such as the duration and scope of the pandemic; governmental, business, and individuals' actions in response to the pandemic; and the impact on economic activity, including the possibility of recession or financial market instability. Measures to contain a global pandemic may intensify other risks described in these Risk Factors.

The long-term effects of climate change on the global economy and the IT industry in particular are unclear. Environmental regulations or changes in the supply, demand, or available sources of energy or other resources may affect the availability or cost of goods and services, including natural resources, necessary to run our business. Changes in climate where we operate may increase the costs of powering and cooling computer hardware we use to develop software and provide cloud-based services.

Our global business exposes us to operational and economic risks. Our customers, employees, and infrastructure are located throughout the world and a significant part of our revenue comes from international sales. The global nature of our business creates operational, economic, and geopolitical risks. Global, regional, and local economic developments, monetary policy, geopolitical tension, particularly between the U.S. and Europe, restrictions on international trade, such as tariffs and other controls on imports or exports, inflation, and recession, as well as political and military disputes, could adversely affect our results of operations. Non-compliance with sanctions as well as general ecosystem disruptions could result in reputational harm, operational delays, monetary fines, loss of revenue, increased costs, loss of export privileges, or criminal sanctions, which could adversely affect our business, financial condition, and results of operations.

In addition, our international growth strategy includes certain markets, the developing nature of which presents several risks, including deterioration of social, political, labor, or economic conditions in a country or region, and difficulties in staffing and managing foreign operations. Emerging nationalist and protectionist trends and concerns about human rights, the environment, and political expression in specific countries may significantly alter the trade and commercial environments. Changes to trade policy or agreements as a result of populism, protectionism, or economic nationalism may result in higher tariffs, local sourcing initiatives, and non-local sourcing restrictions, export controls, investment restrictions, or other developments that make it more difficult to operate and sell our products in foreign countries.

Disruptions of these kinds in developed or emerging markets could negatively impact demand for our products and services, impair our ability to operate in certain regions, or increase operating costs. Although we hedge a portion of our international currency exposure, significant fluctuations in foreign exchange rates between the U.S. dollar and foreign currencies could adversely affect our results of operations.

Our business depends on our ability to attract and retain talented employees. Our business is based on successfully attracting, training, and retaining talented employees representing diverse backgrounds, experiences, and skill sets. The market for highly skilled workers and leaders in our industry is extremely competitive. Maintaining our brand and reputation, as well as an inclusive work environment that enables all our employees to thrive, are important to our ability to recruit and retain employees. We are also limited in our ability to recruit internationally by restrictive domestic immigration laws. Restraints on the flow of technical and professional talent, including those derived from changes to U.S. immigration policies or laws, may inhibit our ability to adequately staff our research and development efforts. If we are less successful in our recruiting efforts, or if we cannot retain highly skilled workers and key leaders, our ability to develop and deliver successful products and services could 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. How employment-related laws are interpreted and applied to our workforce practices may result in increased operating costs and less flexibility in how we meet our workforce needs. Our global workforce is predominantly non-unionized, although we do have some employees in the U.S. and internationally who are represented by unions or works councils. In the U.S., there has been a general increase in workers exercising their right to form or join a union. The unionization of significant employee populations could result in higher costs and other operational changes necessary to respond to changing conditions and to establish new relationships with worker representatives.

ITEM 1B. UNRESOLVED STAFF COMMENTS

We have received no written comments regarding our periodic or current reports from the staff of the Securities and Exchange Commission that were issued 180 days or more preceding the end of our fiscal year 2025 that remain unresolved.

ITEM 1C. CYBERSECURITY

RISK MANAGEMENT AND STRATEGY

Microsoft plays a central role in the world’s digital ecosystem. We have made it the top corporate priority to protect the computing environment used by our customers and employees and to support the resiliency of our cloud infrastructure and services, products, devices, and our internal corporate resources from determined adversaries. In response to the evolving cybersecurity threat landscape, we launched the Secure Future Initiative (“SFI”) in November 2023 and expanded the scope of SFI in May 2024. The SFI focuses our business strategy and efforts on continual improvement in cybersecurity protection, and is aligned around three security principles:

- **Secure by Design:** Security comes first when designing any product or service.
- **Secure by Default:** Security protections are enabled and enforced by default, require no extra effort, and are not optional.
- **Secure Operations:** Security controls and monitoring will continuously be improved to meet current and future threats.

We operate a cybersecurity program and governance framework designed to protect our computing environments against cybersecurity threats, and we have controls, policies, and procedures to identify, manage, and mitigate cybersecurity threats. Annually, we assess our cybersecurity program’s alignment with the National Institute of Standards & Technology’s Cyber Security Framework (“NIST”) and other applicable industry standards. We also undertake integrated planning and preparedness activities to support business continuity and operational resiliency. We assess our program's effectiveness through various exercises, including tabletop simulations and production environment tests, penetration and vulnerability tests, red team exercises, and other related activities. We conduct mandatory cybersecurity training, provide employees with tools to report suspected incidents and assess their own security posture, and conduct real-time simulated employee education exercises, such as phishing email campaigns designed to emulate real-world attacks. We also engage in robust cybersecurity assessments and remediation efforts for acquired companies.

Our computing environments, products, and services are reviewed by our internal audit teams as well as independent third-party assessors. We are committed to managing the most significant risks to our strategies and ambitions, including cybersecurity risks. The Enterprise Risk Management (“ERM”) organization supports management in this commitment by facilitating the semiannual risk assessment, which documents the priority and status of these risks and aligns them with our strategic mitigation efforts. ERM is structured using a framework based on the Committee of Sponsoring Organization (“COSO”) guidance on Enterprise Risk Management Integrating Strategy with Performance and it also aligns with the International Organization for Standardization 31000:2018 Risk Management Standard.

We continuously monitor our computing environments, products, and services for vulnerabilities and signs of compromise, and we utilize our own security products to combat cybersecurity threats. We integrate security into our computing environments, products, and services through our Security Development Lifecycle (“SDL”). Our SDL introduces security and privacy considerations throughout all phases of our development process and through the adoption of zero-trust end-to-end architecture. We utilize machine learning and AI-powered security tools to gain insights from 84 trillion signals per day. We track over 1,500 unique threat actors, including more than 600 nation-state actors, 300 cybercriminal groups, 200 influence operation groups, and hundreds of others. To support our efforts, we operate a Cyber Defense Operations Center connected to over 10,000 security and threat intelligence experts, including engineers, researchers, data scientists, cybersecurity experts, threat hunters, geopolitical analysts, investigators, and frontline responders across the globe.

When appropriate, we utilize external service providers to assess, test, or otherwise assist our program. We also leverage third parties by working with external researchers, operating bug bounty programs, and managing coordinated vulnerability disclosure programs with security organizations. We maintain a systematic approach to assessing and controlling the cybersecurity risks presented by third-party service providers. We require third-party service providers to manage their cybersecurity risks in defined ways, undergo cybersecurity reviews, notify us of cyber events, and satisfy additional contractual requirements.

We seek to improve the entire cybersecurity ecosystem through multistakeholder diplomacy to set and uphold expectations for state behavior, advancement of government policy that strengthens cybersecurity and resiliency, disruption and deterrence of cybercrime, protection of national security interests, and disruption of digital threats to democracies. We also establish processes and innovate solutions for us and our customers to address the growing number and complexity of cybersecurity regulations.

When we experience a cybersecurity incident, we utilize our well-established incident response plans that operate both across the company and at the product and services level. Incidents are first triaged for severity, and then more deeply assessed to establish a plan of record and activate internal and external notification, disclosure, and communication plans, as applicable. Engineering and development resources are mobilized to resolve or remediate the incident. After the incident is resolved, a comprehensive post-incident review process is conducted.

We describe the risks from cybersecurity threats, including previous cybersecurity incidents, in section "Risk Factors" (Part I, Item 1A of this Form 10-K). As of the date of this Form 10-K, we do not believe any risks from cybersecurity threats have materially affected or are reasonably likely to materially affect us, including our results of operations or financial condition. However, the cybersecurity threat environment is increasingly challenging, and we, along with the entire digital ecosystem, are under constant and increasing threat. As discussed above, our business strategy is tied to the SFI and we are committed to continuously monitoring cybersecurity threats, enhancing the security of our products, investing in our cybersecurity infrastructure, and collaborating with peers, customers, service providers, regulators, and governments to advance our and the entire digital ecosystem's cybersecurity defenses and resiliency.

GOVERNANCE

Our Board of Directors oversees cybersecurity risk. Cybersecurity reviews by the Board are scheduled to occur at least quarterly, or more frequently as determined to be necessary or advisable. Presentations to the Board of Directors are made by senior management, including our Chief Information Security Officer ("CISO"), our EVP of Microsoft Security, our EVP of Cloud + AI, and the head of our Customer Security and Trust organization. The presentations address topics such as cybersecurity threats, incidents, top risks and related remediation efforts, results from internal and third-party assessments, progress towards risk-mitigation goals, the functioning of our incident response program, regulatory developments, and digital diplomacy efforts. In addition, we have an escalation process in place to inform senior management and the Board of significant issues. Cybersecurity issues are also considered during separate Board meeting discussions regarding important matters like ERM, audit issues, operational budgeting, business continuity planning, mergers and acquisitions, brand management, and other relevant matters.

Our CISO leads the strategy, engineering, and operations of cybersecurity across the company, and reports to the EVP of Cloud + AI. Our CISO has extensive experience assessing and managing cybersecurity programs and cybersecurity risk. Before joining Microsoft, our CISO served in a prior Chief Technology Officer role as well as in senior leadership, engineering, and operational roles within multiple organizations. In addition to the Board's oversight of cybersecurity risk, to support the CISO, we have established a Cybersecurity Governance Council ("CGC") charged with overseeing initiatives that safeguard Microsoft's computing environments, products, and services. The CGC is comprised of an executive-level team of Deputy CISOs with cybersecurity backgrounds and expertise relevant to their roles. The CGC responsibilities include approving our enterprise security risk assessment process and results, determining the appropriate cybersecurity risk level and mitigations, reviewing the NIST CSF alignment, and supporting compliance with cybersecurity regulations. Our cybersecurity efforts are supported directly by Microsoft's security and threat intelligence experts and our employees across the company, all of whom receive cybersecurity awareness training and education and are expected to support our efforts.

ITEM 2. PROPERTIES

Our corporate headquarters are located in Redmond, Washington. We have approximately 15 million square feet of space located in King County, Washington that is used for engineering, sales, marketing, and operations, among other general and administrative purposes. These facilities include approximately 12 million square feet of owned space situated on approximately 530 acres of land we own at our corporate headquarters, and approximately 3 million square feet of space we lease.

We own and lease other facilities domestically and internationally, primarily for offices, datacenters, and research and development. The largest owned international properties include space in the following locations: China, India, Ireland, and the Netherlands. The largest leased international properties include space in the following locations: Australia, Canada, China, France, Germany, India, Ireland, Israel, Japan, the Netherlands, and the United Kingdom. Refer to Research and Development (Part I, Item 1 of this Form 10-K) for further discussion of our research and development facilities.

The table below shows a summary of the square footage of our properties owned and leased domestically and internationally as of June 30, 2025:

(Square feet in millions)

Location	Owned	Leased	Total
U.S.	**34**	**23**	**57**
International	**13**	**27**	**40**
Total	**47**	**50**	**97**

ITEM 3. LEGAL PROCEEDINGS

Refer to Note 14 – Contingencies of the Notes to Financial Statements (Part II, Item 8 of this Form 10-K) for information regarding legal proceedings in which we are involved.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET AND STOCKHOLDERS

Our common stock is traded on the NASDAQ Stock Market under the symbol MSFT. On July 24, 2025, there were 77,014 registered holders of record of our common stock.

SHARE REPURCHASES AND DIVIDENDS

Following are our monthly share repurchases for the fourth quarter of fiscal year 2025:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
				(In millions)
April 1, 2025 – April 30, 2025	**3,180,776**	**$ 376.90**	**3,180,776**	**$ 59,350**
May 1, 2025 – May 31, 2025	**2,360,700**	**448.01**	**2,360,700**	**58,293**
June 1, 2025 – June 30, 2025	**1,979,017**	**476.78**	**1,979,017**	**57,349**
	7,520,493		**7,520,493**	

All share repurchases were made using cash resources. Our share repurchases may occur through open market purchases or pursuant to a Rule 10b5-1 trading plan. The above table excludes shares repurchased to settle employee tax withholding related to the vesting of stock awards.

On September 16, 2024, our Board of Directors approved a share repurchase program authorizing up to $60.0 billion in share repurchases. This share repurchase program commenced in April 2025, following completion of the program approved on September 14, 2021, has no expiration date, and may be terminated at any time.

Our Board of Directors declared the following dividends during the fourth quarter of fiscal year 2025:

Declaration Date	Record Date	Payment Date	Dividend Per Share	Amount
				(In millions)
June 10, 2025	**August 21, 2025**	**September 11, 2025**	**$ 0.83**	**$ 6,170**

We returned $9.4 billion to shareholders in the form of share repurchases and dividends in the fourth quarter of fiscal year 2025. Refer to Note 15 – Stockholders' Equity of the Notes to Financial Statements (Part II, Item 8 of this Form 10-K) for further discussion regarding share repurchases and dividends.

RECENT SALES OF UNREGISTERED SECURITIES

In May 2025, as consideration for the acquisition of a business, we issued 117,623 shares of common stock to the seller in connection with the closing in reliance on exemption from the registration requirements of the Securities Act of 1933 pursuant to Section 4(a)(2) thereof because the issuance of securities did not involve a public offering.

ITEM 6. [RESERVED]

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand the results of operations and financial condition of Microsoft Corporation. MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying Notes to Financial Statements (Part II, Item 8 of this Form 10-K). This section generally discusses the results of our operations for the year ended June 30, 2025 compared to the year ended June 30, 2024. For a discussion of the year ended June 30, 2024 compared to the year ended June 30, 2023, please refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended June 30, 2024 and our Form 8-K filed on December 3, 2024.

OVERVIEW

Microsoft is a technology company committed to making digital technology and artificial intelligence ("AI") available broadly and doing so responsibly, with a mission to empower every person and every organization on the planet to achieve more. We create platforms and tools, powered by AI, that deliver innovative solutions that meet the evolving needs of our customers.

We generate revenue by offering a wide range of cloud-based solutions, content, and other services to people and businesses; licensing and supporting an array of software products; delivering relevant online advertising to a global audience; and designing and selling devices. Our most significant expenses are related to compensating employees; supporting and investing in our cloud-based services, including datacenter operations; designing, manufacturing, marketing, and selling our other products and services; and income taxes.

Highlights from fiscal year 2025 compared with fiscal year 2024 included:

- Microsoft Cloud revenue increased 23% to $168.9 billion.
- Microsoft 365 Commercial products and cloud services revenue increased 14% driven by Microsoft 365 Commercial cloud revenue growth of 15%.
- Microsoft 365 Consumer products and cloud services revenue increased 11% driven by Microsoft 365 Consumer cloud revenue growth of 11%.
- LinkedIn revenue increased 9%.
- Dynamics products and cloud services revenue increased 15% driven by Dynamics 365 revenue growth of 19%.
- Server products and cloud services revenue increased 23% driven by Azure and other cloud services revenue growth of 34%.
- Windows OEM and Devices revenue increased 3%.
- Xbox content and services revenue increased 16%.
- Search and news advertising revenue excluding traffic acquisition costs increased 20%.

Industry Trends and Opportunities

Our industry is dynamic and highly competitive, with frequent changes in both technologies and business models. Each industry shift is an opportunity to conceive new products, new technologies, or new ideas that can further transform the industry and our business. At Microsoft, we push the boundaries of what is possible through a broad range of research and development activities that seek to identify and address the changing demands of customers and users, industry trends, and competitive forces.

Microsoft and OpenAI maintain a long-term strategic partnership originally established in 2019. Microsoft is a major investor in OpenAI, and the companies have reciprocal revenue-sharing arrangements. We hold rights to OpenAI's intellectual property, including models and infrastructure, for integration into our products. The OpenAI API is exclusive to Azure, runs on Azure, and is available through the Azure OpenAI Service. We also have a right of first refusal on OpenAI's new capacity needs.

Economic Conditions, Challenges, and Risks

The markets for software, devices, and cloud-based services are dynamic and highly competitive. Our competitors are developing new software and devices, while also deploying competing cloud-based services for consumers and businesses. The devices and form factors customers prefer evolve rapidly, influencing how users access services in the cloud and, in some cases, the user's choice of which suite of cloud-based services to use. Aggregate demand for our software, services, and devices is also correlated to global macroeconomic and geopolitical factors, which remain dynamic. We must continue to evolve and adapt over an extended time in pace with this changing environment.

The investments we are making in cloud and AI infrastructure and devices will continue to increase our operating costs and may decrease our operating margins. We continue to identify and evaluate opportunities to expand our datacenter locations and increase our server capacity to meet the evolving needs of our customers, particularly given the growing demand for AI services. Our datacenters depend on the availability of permitted and buildable land, predictable energy, networking supplies, and servers, including graphics processing units ("GPUs") and other components. Our devices are primarily manufactured by third-party contract manufacturers. For the majority of our products, we have the ability to use other manufacturers if a current vendor becomes unavailable or unable to meet our requirements. However, some of our products contain certain components for which there are very few qualified suppliers. Extended disruptions at these suppliers could impact our ability to manufacture devices on time to meet consumer demand.

Our success is highly dependent on our ability to attract and retain qualified employees. We hire a mix of university and industry talent worldwide. We compete for talented individuals globally by offering an exceptional working environment, broad customer reach, scale in resources, the ability to grow one's career across many different products and businesses, and competitive compensation and benefits.

Our international operations provide a significant portion of our total revenue and expenses. Many of these revenue and expenses are denominated in currencies other than the U.S. dollar. As a result, changes in foreign exchange rates may significantly affect revenue and expenses. Fluctuations in the U.S. dollar relative to certain foreign currencies did not have a material impact on reported revenue and expenses from our international operations in fiscal year 2025.

Further, global, regional, and local economic developments and changes in global trade policies such as restrictions on international trade, including tariffs and other controls on imports or exports, could result in increased supply chain challenges, cost volatility, and consumer and economic uncertainty which may adversely affect our results of operations.

Refer to Risk Factors (Part I, Item 1A of this Form 10-K) for a discussion of these factors and other risks.

Seasonality

Our revenue fluctuates quarterly and is generally higher in the fourth quarter of our fiscal year. Fourth quarter revenue is driven by a higher volume of multi-year contracts executed during the period.

Reportable Segments

We report our financial performance based on the following segments: Productivity and Business Processes, Intelligent Cloud, and More Personal Computing. The segment amounts included in MD&A are presented on a basis consistent with our internal management reporting.

In August 2024, we announced changes to the composition of our segments. These changes align our segments with how we currently manage our business, most notably bringing the commercial components of Microsoft 365 together in the Productivity and Business Processes segment. Beginning in fiscal year 2025, the information that our chief operating decision maker is regularly provided and reviews for purposes of allocating resources and assessing performance reflects these segment changes. Prior period segment information has been recast to conform to the way we internally manage and monitor our business during fiscal year 2025.

Additional information on our reportable segments is contained in Note 18 – Segment Information and Geographic Data of the Notes to Financial Statements (Part II, Item 8 of this Form 10-K).

Metrics

We use metrics in assessing the performance of our business and to make informed decisions regarding the allocation of resources. We disclose metrics to enable investors to evaluate progress against our ambitions, provide transparency into performance trends, and reflect the continued evolution of our products and services. Our commercial and other business metrics are fundamentally connected based on how customers use our products and services. The metrics are disclosed in the MD&A or the Notes to Financial Statements (Part II, Item 8 of this Form 10-K). Financial metrics are calculated based on financial results prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), and growth comparisons relate to the corresponding period of last fiscal year.

In the first quarter of fiscal year 2025, we made updates to our metrics in connection with the segment changes described above. These changes align our metrics with how we manage and monitor certain businesses. The key change was bringing the commercial components of Microsoft 365 together and creating a new Microsoft 365 Commercial cloud revenue growth metric. Other changes include combining Windows OEM and Devices into a single revenue growth metric that brings revenue from PC market-driven businesses together, as well as elevating our cloud revenue growth metrics to align to our strategic focus on cloud growth.

Commercial

Our commercial business primarily consists of Server products and cloud services, Microsoft 365 Commercial products and cloud services, the commercial portion of LinkedIn, Dynamics products and cloud services, and Enterprise and partner services. Our commercial metrics allow management and investors to assess the overall health of our commercial business and include leading indicators of future performance.

Commercial remaining performance obligation	Commercial portion of revenue allocated to remaining performance obligations, which includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods
Microsoft Cloud revenue and revenue growth	Revenue from Microsoft 365 Commercial cloud, Azure and other cloud services, the commercial portion of LinkedIn, and Dynamics 365
Microsoft Cloud gross margin percentage	Gross margin percentage for our Microsoft Cloud business

Productivity and Business Processes and Intelligent Cloud

Metrics related to our Productivity and Business Processes and Intelligent Cloud segments assess the health of our core businesses within these segments. The metrics primarily reflect growth across our cloud services.

Microsoft 365 Commercial cloud revenue growth	Revenue from Microsoft 365 Commercial subscriptions, comprising Microsoft 365 Commercial, Enterprise Mobility + Security, the cloud portion of Windows Commercial, the per-user portion of Power BI, Exchange, SharePoint, Microsoft Teams, Microsoft 365 Security and Compliance, and Microsoft 365 Copilot
Microsoft 365 Commercial seat growth	The number of Microsoft 365 Commercial seats at end of period where seats are paid users covered by a Microsoft 365 Commercial subscription
Microsoft 365 Consumer cloud revenue growth	Revenue from Microsoft 365 Consumer subscriptions and other consumer services
Microsoft 365 Consumer subscribers	The number of Microsoft 365 Consumer subscribers at end of period
LinkedIn revenue growth	Revenue from LinkedIn, including Talent Solutions, Marketing Solutions, Premium Subscriptions, and Sales Solutions
Dynamics 365 revenue growth	Revenue from Dynamics 365, including a set of intelligent, cloud-based applications across ERP, CRM, Power Apps, and Power Automate
Azure and other cloud services revenue growth	Revenue from Azure and other cloud services, including cloud and AI consumption-based services, GitHub cloud services, Nuance Healthcare cloud services, virtual desktop offerings, and other cloud services

More Personal Computing

Metrics related to our More Personal Computing segment assess the performance of our key consumer businesses.

Windows OEM and Devices revenue growth	Revenue from sales of Windows Pro and non-Pro licenses sold through the OEM channel and sales of first-party Devices, including Surface and PC accessories
Xbox content and services revenue growth	Revenue from Xbox content and services, comprising first- and third-party content (including games and in-game content), Xbox Game Pass and other subscriptions, Xbox Cloud Gaming, advertising, and other cloud services
Search and news advertising revenue (ex TAC) growth	Revenue from search and news advertising excluding traffic acquisition costs ("TAC") paid to Bing Ads network publishers and news partners

SUMMARY RESULTS OF OPERATIONS

(In millions, except percentages and per share amounts)	2025	2024	Percentage Change
Revenue	**$ 281,724**	$ 245,122	15%
Gross margin	**193,893**	171,008	13%
Operating income	**128,528**	109,433	17%
Net income	**101,832**	88,136	16%
Diluted earnings per share	**13.64**	11.80	16%

Fiscal Year 2025 Compared with Fiscal Year 2024

Revenue increased $36.6 billion or 15% with growth across each of our segments. Intelligent Cloud revenue increased driven by Azure. Productivity and Business Processes revenue increased driven by Microsoft 365 Commercial cloud. More Personal Computing revenue increased driven by Gaming and Search and news advertising.

Cost of revenue increased $13.7 billion or 19% driven by growth in Microsoft Cloud.

Gross margin increased $22.9 billion or 13% with growth across each of our segments.

- Gross margin percentage decreased slightly driven by Intelligent Cloud, offset in part by More Personal Computing.
- Microsoft Cloud gross margin percentage decreased to 69% driven by the impact of scaling our AI infrastructure, offset in part by efficiency gains in Azure.

Operating expenses increased $3.8 billion or 6% driven by investments in cloud and AI engineering and Gaming, including the impact of the Activision Blizzard acquisition.

Operating income increased $19.1 billion or 17% with growth across each of our segments.

SEGMENT RESULTS OF OPERATIONS

(In millions, except percentages)	2025	2024	Percentage Change
Productivity and Business Processes			
Revenue	**$ 120,810**	$ 106,820	13%
Cost of revenue	**22,422**	19,611	14%
Operating expenses	**28,615**	27,548	4%
Operating Income	**$ 69,773**	$ 59,661	17%
Intelligent Cloud			
Revenue	**$ 106,265**	$ 87,464	21%
Cost of revenue	**40,171**	29,611	36%
Operating expenses	**21,505**	20,040	7%
Operating Income	**$ 44,589**	$ 37,813	18%
More Personal Computing			
Revenue	**$ 54,649**	$ 50,838	7%
Cost of revenue	**25,238**	24,892	1%
Operating expenses	**15,245**	13,987	9%
Operating Income	**$ 14,166**	$ 11,959	18%
Total			
Revenue	**$ 281,724**	$ 245,122	15%
Cost of revenue	**87,831**	74,114	19%
Operating expenses	**65,365**	61,575	6%
Operating Income	**$ 128,528**	$ 109,433	17%

Reportable Segments

Fiscal Year 2025 Compared with Fiscal Year 2024

Productivity and Business Processes

Revenue increased $14.0 billion or 13%.

- Microsoft 365 Commercial products and cloud services revenue increased $10.8 billion or 14%. Microsoft 365 Commercial cloud revenue grew 15% with Microsoft 365 Commercial seat growth of 6% driven by small and medium businesses and frontline worker offerings, as well as growth in revenue per user. Microsoft 365 Commercial products revenue grew 7% driven by the Windows Commercial on-premises components of Microsoft 365 suite sales and an increase in Office transactional purchasing with the launch of Office 2024.
- Microsoft 365 Consumer products and cloud services revenue increased $756 million or 11%. Microsoft 365 Consumer cloud revenue grew 11% driven by Microsoft 365 Consumer subscriber growth of 8% to 89.0 million, as well as growth in revenue per user from the price increase announced in January 2025.
- LinkedIn revenue increased $1.4 billion or 9% with growth across all lines of business.
- Dynamics products and cloud services revenue increased $996 million or 15% driven by growth in Dynamics 365, offset in part by a decline in Dynamics on-premises products. Dynamics 365 revenue grew 19% with growth across all workloads.

Operating income increased $10.1 billion or 17%.

- Cost of revenue increased $2.8 billion or 14% driven by growth in Microsoft 365 Commercial cloud.
- Gross margin increased $11.2 billion or 13% driven by growth in Microsoft 365 Commercial cloud. Gross margin percentage decreased slightly primarily driven by the impact of scaling our AI infrastructure, offset in part by efficiency gains in Microsoft 365 Commercial cloud.
- Operating expenses increased $1.1 billion or 4% driven by investments in cloud and AI engineering and commercial sales.

Intelligent Cloud

Revenue increased $18.8 billion or 21%.

- Server products and cloud services revenue increased $18.6 billion or 23% driven by Azure and other cloud services. Azure and other cloud services revenue grew 34% driven by demand for our portfolio of services. Server products revenue decreased 3% driven by a decrease in transactional purchasing with continued customer shift to cloud offerings.
- Enterprise and partner services revenue increased $166 million or 2% driven by growth in Enterprise Support Services, offset in part by a decline in Industry Solutions.

Operating income increased $6.8 billion or 18%.

- Cost of revenue increased $10.6 billion or 36% driven by growth in Azure.
- Gross margin increased $8.2 billion or 14% driven by growth in Azure. Gross margin percentage decreased driven by the impact of scaling our AI infrastructure, offset in part by efficiency gains in Azure.
- Operating expenses increased $1.5 billion or 7% driven by investments in cloud and AI engineering.

More Personal Computing

Revenue increased $3.8 billion or 7%.

- Windows and Devices revenue increased $288 million or 2%. Windows OEM and Devices revenue increased 3% driven by growth in Windows OEM, offset in part by a decline in Devices.
- Gaming revenue increased $2.0 billion or 9% driven by growth in Xbox content and services, offset in part by a decline in Xbox hardware. Xbox content and services revenue increased 16% driven by the impact of the Activision Blizzard acquisition and Xbox Game Pass. Xbox hardware revenue decreased 25% driven by lower volume of consoles sold.
- Search and news advertising revenue increased $1.6 billion or 13%. Search and news advertising revenue excluding traffic acquisition costs increased 20% driven by higher search volume and higher revenue per search.

Operating income increased $2.2 billion or 18%.

- Cost of revenue increased $346 million or 1% driven by growth in Search and news advertising.
- Gross margin increased $3.5 billion or 13% with growth across all businesses. Gross margin percentage increased with improvement across all businesses.
- Operating expenses increased $1.3 billion or 9% driven by Gaming, including the impact of the Activision Blizzard acquisition.

OPERATING EXPENSES

Research and Development

(In millions, except percentages)	2025	2024	Percentage Change
Research and development	**$ 32,488**	$ 29,510	10%
As a percent of revenue	**12%**	12%	0ppt

Research and development expenses include payroll, employee benefits, stock-based compensation expense, and other headcount-related expenses associated with product development. Research and development expenses also include technology development costs, including AI training and other infrastructure costs, third-party development and programming costs, and the amortization of purchased software code and services content.

Fiscal Year 2025 Compared with Fiscal Year 2024

Research and development expenses increased $3.0 billion or 10% driven by investments in cloud and AI engineering and Gaming, including the impact of the Activision Blizzard acquisition.

Sales and Marketing

(In millions, except percentages)		2025		2024	Percentage Change
Sales and marketing	**$**	**25,654**	$	24,456	5%
As a percent of revenue		**9%**		10%	(1)ppt

Sales and marketing expenses include payroll, employee benefits, stock-based compensation expense, and other headcount-related expenses associated with sales and marketing personnel, and the costs of advertising, promotions, trade shows, seminars, and other programs.

Fiscal Year 2025 Compared with Fiscal Year 2024

Sales and marketing expenses increased $1.2 billion or 5% driven by investments in commercial sales and Gaming, including the impact of the Activision Blizzard acquisition.

General and Administrative

(In millions, except percentages)		2025		2024	Percentage Change
General and administrative	**$**	**7,223**	$	7,609	(5)%
As a percent of revenue		**3%**		3%	0ppt

General and administrative expenses include payroll, employee benefits, stock-based compensation expense, employee severance expense incurred as part of a corporate program, and other headcount-related expenses associated with finance, legal, facilities, certain human resources and other administrative personnel, certain taxes, and legal and other administrative fees.

Fiscal Year 2025 Compared with Fiscal Year 2024

General and administrative expenses decreased $386 million or 5% driven by Gaming, including the impact of the Activision Blizzard acquisition.

OTHER INCOME (EXPENSE), NET

The components of other income (expense), net were as follows:

(In millions)

Year Ended June 30,		2025		2024
Interest and dividends income	**$**	**2,647**	$	3,157
Interest expense		**(2,385)**		(2,935)
Net recognized losses on investments		**(349)**		(118)
Net losses on derivatives		**(260)**		(187)
Net gains (losses) on foreign currency remeasurements		**171**		(244)
Other, net		**(4,725)**		(1,319)
Total	**$**	**(4,901)**	$	(1,646)

We use derivative instruments to manage risks related to foreign currencies, interest rates, equity prices, and credit; to enhance investment returns; and to facilitate portfolio diversification. Gains and losses from changes in fair values of derivatives that are not designated as hedging instruments are primarily recognized in other income (expense), net.

Fiscal Year 2025 Compared with Fiscal Year 2024

Interest and dividends income decreased primarily due to lower portfolio balances. Interest expense decreased primarily due to maturities of commercial paper and higher capitalization of debt interest expense, offset in part by higher finance lease interest expense. Net recognized losses on investments increased primarily due to higher impairments, offset in part by higher gains on equity investments in the current period. Net losses on derivatives increased primarily due to higher losses on equity derivatives in the current period. Other, net primarily reflects net recognized losses on equity method investments, including OpenAI.

INCOME TAXES

Effective Tax Rate

Our effective tax rate for both fiscal years 2025 and 2024 was 18%. Our effective tax rate for the fiscal year ended June 30, 2025 was primarily impacted by changes in the mix of our earnings and tax expenses between the U.S. and foreign countries.

Our effective tax rate was lower than the U.S. federal statutory rate, primarily due to earnings taxed at lower rates in foreign jurisdictions resulting from producing and distributing our products and services through our foreign regional operations center in Ireland.

The mix of income before income taxes between the U.S. and foreign countries impacted our effective tax rate as a result of the geographic distribution of, and customer demand for, our products and services. In fiscal year 2025, our U.S. income before income taxes was $69.2 billion and our foreign income before income taxes was $54.4 billion. In fiscal year 2024, our U.S. income before income taxes was $62.9 billion and our foreign income before income taxes was $44.9 billion.

The Organisation for Economic Co-operation and Development ("OECD") published its model rules "Tax Challenges Arising From the Digitalisation of the Economy - Global Anti-Base Erosion Model Rules (Pillar Two)" which established a global minimum corporate tax rate of 15% for certain multinational enterprises. Many countries have implemented or are in the process of implementing the Pillar Two legislation, which applies to Microsoft beginning in fiscal year 2025. While we do not currently estimate a material impact to our consolidated financial statements, we continue to monitor the impact as countries implement legislation and the OECD provides additional guidance.

We are currently assessing the One Big Beautiful Bill Act ("OBBBA") which was enacted on July 4, 2025. The OBBBA provides a U.S. global intangible low-taxed income effective tax rate of 14% effective fiscal year 2027 for Microsoft. It also provides bonus depreciation for certain assets placed into service after January 19, 2025 and an election to expense U.S. incurred research or experimental expenditures.

Uncertain Tax Positions

We remain under audit by the IRS for tax years 2014 to 2017. With respect to the audit for tax years 2004 to 2013, on September 26, 2023, we received Notices of Proposed Adjustment ("NOPAs") from the IRS. The primary issues in the NOPAs relate to intercompany transfer pricing. In the NOPAs, the IRS is seeking an additional tax payment of $28.9 billion plus penalties and interest. As of June 30, 2025, we believe our allowances for income tax contingencies are adequate. We disagree with the proposed adjustments and will vigorously contest the NOPAs through the IRS's administrative appeals office and, if necessary, judicial proceedings. We do not expect a final resolution of these issues in the next 12 months. Based on the information currently available, we do not anticipate a significant increase or decrease to our income tax contingencies for these issues within the next 12 months.

We are subject to income tax in many jurisdictions outside the U.S., some of which are currently under audit by local tax authorities. The resolution of these audits is not expected to be material to our consolidated financial statements. Our operations in Ireland remain subject to examination for tax years 2020 and thereafter.

LIQUIDITY AND CAPITAL RESOURCES

We expect existing cash, cash equivalents, short-term investments, cash flows from operations, and access to capital markets to continue to be sufficient to fund our operating activities and cash commitments for investing and financing activities, such as dividends, share repurchases, debt maturities, material capital expenditures, and the transition tax related to the Tax Cuts and Jobs Act ("TCJA"), for at least the next 12 months and thereafter for the foreseeable future.

Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and short-term investments totaled $94.6 billion and $75.5 billion as of June 30, 2025 and 2024, respectively. Equity and other investments were $15.4 billion and $14.6 billion as of June 30, 2025 and 2024, respectively. Our short-term investments are primarily intended to facilitate liquidity and capital preservation. They consist predominantly of highly liquid investment-grade fixed-income securities, diversified among industries and individual issuers. The investments are predominantly U.S. dollar-denominated securities, but also include foreign currency-denominated securities to diversify risk. Our fixed-income investments are exposed to interest rate risk and credit risk. The credit risk and average maturity of our fixed-income portfolio are managed to achieve economic returns that correlate to certain fixed-income indices. The settlement risk related to these investments is insignificant given that the short-term investments held are primarily highly liquid investment-grade fixed-income securities.

Valuation

In general, and where applicable, we use quoted prices in active markets for identical assets or liabilities to determine the fair value of our financial instruments. This pricing methodology applies to our Level 1 investments, such as U.S. government securities, common and preferred stock, and mutual funds. If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, then we use quoted prices for similar assets and liabilities or inputs other than the quoted prices that are observable either directly or indirectly. This pricing methodology applies to our Level 2 investments, such as commercial paper, certificates of deposit, U.S. agency securities, foreign government bonds, mortgage- and asset-backed securities, corporate notes and bonds, and municipal securities. Level 3 investments are valued using internally-developed models with unobservable inputs. Assets and liabilities measured at fair value on a recurring basis using unobservable inputs are an immaterial portion of our portfolio.

A majority of our investments are priced by pricing vendors and are generally Level 1 or Level 2 investments as these vendors either provide a quoted market price in an active market or use observable inputs for their pricing without applying significant adjustments. Broker pricing is used mainly when a quoted price is not available, the investment is not priced by our pricing vendors, or when a broker price is more reflective of fair values in the market in which the investment trades. Our broker-priced investments are generally classified as Level 2 investments because the broker prices these investments based on similar assets without applying significant adjustments. In addition, all our broker-priced investments have a sufficient level of trading volume to demonstrate that the fair values used are appropriate for these investments. Our fair value processes include controls that are designed to ensure appropriate fair values are recorded. These controls include model validation, review of key model inputs, analysis of period-over-period fluctuations, and independent recalculation of prices where appropriate.

Cash Flows

Cash from operations increased $17.6 billion to $136.2 billion for fiscal year 2025, primarily due to an increase in cash received from customers, offset in part by an increase in cash paid to suppliers and employees and cash used to pay income taxes. Cash used in financing increased $13.9 billion to $51.7 billion for fiscal year 2025, primarily due to a $9.5 billion increase in cash used for repayments of debt, net of proceeds. Cash used in investing decreased $24.4 billion to $72.6 billion for fiscal year 2025, primarily due to a $63.2 billion decrease in cash used for acquisitions of companies, net of cash acquired and divestitures, and purchases of intangible and other assets, offset in part by a $22.3 billion increase in cash used in net investment purchases, sales, and maturities, and a $20.1 billion increase in additions to property and equipment.

Debt Proceeds

We issue debt to take advantage of favorable pricing and liquidity in the debt markets, reflecting our credit rating. The proceeds of these issuances were or will be used for general corporate purposes, which may include, among other things, funding for working capital, capital expenditures, repurchases of capital stock, acquisitions, and repayment of existing debt. Refer to Note 10 – Debt of the Notes to Financial Statements (Part II, Item 8 of this Form 10-K).

Unearned Revenue

Unearned revenue comprises mainly unearned revenue related to volume licensing programs, which may include cloud services and Software Assurance (“SA”). Unearned revenue is generally invoiced annually at the beginning of each contract period for multi-year agreements and recognized ratably over the coverage period. Unearned revenue also includes payments for other offerings for which we have been paid in advance and earn the revenue when we transfer control of the product or service. Refer to Note 1 – Accounting Policies of the Notes to Financial Statements (Part II, Item 8 of this Form 10-K).

The following table outlines the expected future recognition of unearned revenue as of June 30, 2025:

(In millions)	
Three Months Ending	
September 30, 2025	$ **25,191**
December 31, 2025	**19,733**
March 31, 2026	**13,742**
June 30, 2026	**5,889**
Thereafter	**2,710**
Total	$ **67,265**

If our customers choose to license cloud-based versions of our products and services rather than licensing transaction-based products and services, the associated revenue will shift from being recognized at the time of the transaction to being recognized over the subscription period or upon consumption, as applicable. Refer to Note 12 – Unearned Revenue of the Notes to Financial Statements (Part II, Item 8 of this Form 10-K).

Material Cash Requirements and Other Obligations

Contractual Obligations

The following table summarizes the payments due by fiscal year for our outstanding contractual obligations as of June 30, 2025:

(In millions)	2026	Thereafter	Total
Long-term debt: [(a)]			
Principal payments	$ **3,000**	$ **46,206**	$ **49,206**
Interest payments	**1,509**	**25,527**	**27,036**
Construction commitments [(b)]	**26,859**	**5,290**	**32,149**
Operating and finance leases, including imputed interest [(c)]	**12,798**	**165,903**	**178,701**
Purchase commitments [(d)]	**103,940**	**6,013**	**109,953**
Total	$ **148,106**	$ **248,939**	$ **397,045**

(a) *Refer to Note 10 – Debt of the Notes to Financial Statements (Part II, Item 8 of this Form 10-K).*
(b) *Refer to Note 6 – Property and Equipment of the Notes to Financial Statements (Part II, Item 8 of this Form 10-K).*
(c) *Refer to Note 13 – Leases of the Notes to Financial Statements (Part II, Item 8 of this Form 10-K).*
(d) *Purchase commitments primarily relate to datacenters and include open purchase orders and take-or-pay contracts that are not presented as construction commitments above.*

Income Taxes

As a result of the TCJA, we are required to pay a one-time transition tax on deferred foreign income not previously subject to U.S. income tax. Under the TCJA, the transition tax is payable in interest-free installments over eight years, with 8% due in each of the first five years, 15% in year six, 20% in year seven, and 25% in year eight. As of June 30, 2025, our eighth transition tax installment of $4.4 billion is short-term and payable in the first quarter of fiscal year 2026.

Share Repurchases

During fiscal years 2025 and 2024, we repurchased 31 million shares and 32 million shares of our common stock for $13.0 billion and $12.0 billion, respectively, through our share repurchase program. All repurchases were made using cash resources. As of June 30, 2025, $57.3 billion remained of our $60 billion share repurchase program. Refer to Note 15 – Stockholders' Equity of the Notes to Financial Statements (Part II, Item 8 of this Form 10-K).

Dividends

During fiscal years 2025 and 2024, our Board of Directors declared dividends totaling $24.7 billion and $22.3 billion, respectively. We intend to continue returning capital to shareholders in the form of dividends, subject to declaration by our Board of Directors. Refer to Note 15 – Stockholders' Equity of the Notes to Financial Statements (Part II, Item 8 of this Form 10-K).

Other Planned Uses of Capital

We will continue to invest in sales, marketing, product support infrastructure, and existing and advanced areas of technology, as well as acquisitions that align with our business strategy. Additions to property and equipment will continue, including new facilities, datacenters, and computer systems for research and development, sales and marketing, support, and administrative staff. We will continue to invest in capital expenditures to support growth in our cloud offerings and our investments in AI infrastructure and training. We have operating and finance leases for datacenters, corporate offices, research and development facilities, Microsoft Experience Centers, and certain equipment. We have not engaged in any related party transactions or arrangements with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of capital resources.

RECENT ACCOUNTING GUIDANCE

Refer to Note 1 – Accounting Policies of the Notes to Financial Statements (Part II, Item 8 of this Form 10-K).

CRITICAL ACCOUNTING ESTIMATES

Our consolidated financial statements and accompanying notes are prepared in accordance with GAAP. Preparing consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Critical accounting estimates are those estimates that involve a significant level of estimation uncertainty and could have a material impact on our financial condition or results of operations. We have critical accounting estimates in the areas of revenue recognition, impairment of investment securities, goodwill, research and development costs, legal and other contingencies, and income taxes.

Revenue Recognition

Our contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. When a cloud-based service includes both on-premises software licenses and cloud services, judgment is required to determine whether the software license is considered distinct and accounted for separately, or not distinct and accounted for together with the cloud service and recognized over time. Certain cloud services, primarily Office 365, depend on a significant level of integration, interdependency, and interrelation between the desktop applications and cloud services, and are accounted for together as one performance obligation. Revenue from Office 365 is recognized ratably over the period in which the cloud services are provided.

Judgment is required to determine the standalone selling price (“SSP") for each distinct performance obligation. We use a single amount to estimate SSP for items that are not sold separately, including on-premises licenses sold with SA or software updates provided at no additional charge. We use a range of amounts to estimate SSP when we sell each of the products and services separately and need to determine whether there is a discount to be allocated based on the relative SSP of the various products and services.

In instances where SSP is not directly observable, such as when we do not sell the product or service separately, we determine the SSP using information that may include market conditions and other observable inputs. We typically have more than one SSP for individual products and services due to the stratification of those products and services by customers and circumstances. In these instances, we may use information such as the size of the customer and geographic region in determining the SSP.

Due to the various benefits from and the nature of our SA program, judgment is required to assess the pattern of delivery, including the exercise pattern of certain benefits across our portfolio of customers.

Our products are generally sold with a right of return, we may provide other credits or incentives, and in certain instances we estimate customer usage of our products and services, which are accounted for as variable consideration when determining the amount of revenue to recognize. Returns and credits are estimated at contract inception and updated at the end of each reporting period if additional information becomes available. Changes to our estimated variable consideration were not material for the periods presented.

Impairment of Investment Securities

We review debt investments quarterly for credit losses and impairment. If the cost of an investment exceeds its fair value, we evaluate, among other factors, general market conditions, credit quality of debt instrument issuers, and the extent to which the fair value is less than cost. This determination requires significant judgment. In making this judgment, we employ a systematic methodology that considers available quantitative and qualitative evidence in evaluating potential impairment of our investments. In addition, we consider specific adverse conditions related to the financial health of, and business outlook for, the investee. If we have plans to sell the security or it is more likely than not that we will be required to sell the security before recovery, then a decline in fair value below cost is recorded as an impairment charge in other income (expense), net and a new cost basis in the investment is established. If market, industry, and/or investee conditions deteriorate, we may incur future impairments.

Equity investments without readily determinable fair values are written down to fair value if a qualitative assessment indicates that the investment is impaired and the fair value of the investment is less than carrying value. We perform a qualitative assessment on a periodic basis. We are required to estimate the fair value of the investment to determine the amount of the impairment loss. Once an investment is determined to be impaired, an impairment charge is recorded in other income (expense), net.

Goodwill

We allocate goodwill to reporting units based on the reporting unit expected to benefit from the business combination. We evaluate our reporting units on an annual basis and, if necessary, reassign goodwill using a relative fair value allocation approach. Goodwill is tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis (May 1) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The fair value of each reporting unit is estimated primarily through the use of a discounted cash flow methodology. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for our business, estimation of the useful life over which cash flows will occur, and determination of our weighted average cost of capital.

The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results, market conditions, and other factors. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment for each reporting unit.

Research and Development Costs

Costs incurred internally in researching and developing a software product to be marketed or sold to external users are charged to expense until technological feasibility has been established for the product. Once technological feasibility is established, software costs are capitalized until the product is available for general release to customers. Judgment is required in determining when technological feasibility of a product is established. We have determined that technological feasibility for our software products is reached after all high-risk development issues have been resolved through coding and testing. Generally, this occurs shortly before the products are released to production. The amortization of these costs is included in cost of revenue over the estimated life of the products.

Legal and Other Contingencies

The outcomes of legal proceedings and claims brought against us are subject to significant uncertainty. An estimated loss from a loss contingency such as a legal proceeding or claim is accrued by a charge to income if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. In determining whether a loss should be accrued we evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Changes in these factors could materially impact our consolidated financial statements.

Income Taxes

The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year, and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Accounting literature also provides guidance on derecognition of income tax assets and liabilities, classification of deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, and income tax disclosures. Judgment is required in assessing the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. Variations in the actual outcome of these future tax consequences could materially impact our consolidated financial statements.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the preparation of the consolidated financial statements and related information that are presented in this report. The consolidated financial statements, which include amounts based on management's estimates and judgments, have been prepared in conformity with accounting principles generally accepted in the United States of America.

The Company designs and maintains accounting and internal control systems to provide reasonable assurance at reasonable cost that assets are safeguarded against loss from unauthorized use or disposition, and that the financial records are reliable for preparing consolidated financial statements and maintaining accountability for assets. These systems are augmented by written policies, an organizational structure providing division of responsibilities, careful selection and training of qualified personnel, and a program of internal audits.

The Company engaged Deloitte & Touche LLP, an independent registered public accounting firm, to audit and render an opinion on the consolidated financial statements and internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States).

The Board of Directors, through its Audit Committee, consisting solely of independent directors of the Company, meets periodically with management, internal auditors, and our independent registered public accounting firm to ensure that each is meeting its responsibilities and to discuss matters concerning internal controls and financial reporting. Deloitte & Touche LLP and the internal auditors each have full and free access to the Audit Committee.

Satya Nadella
Chief Executive Officer

Amy E. Hood
Executive Vice President and Chief Financial Officer

Alice L. Jolla
Corporate Vice President and Chief Accounting Officer

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

RISKS

We are exposed to economic risk from foreign exchange rates, interest rates, credit risk, and equity prices. We use derivatives instruments to manage these risks, however, they may still impact our consolidated financial statements.

Foreign Currencies

Certain forecasted transactions, assets, and liabilities are exposed to foreign currency risk. We monitor our foreign currency exposures daily to maximize the economic effectiveness of our foreign currency positions, including hedges. Principal currency exposures include the Euro, Japanese yen, British pound, Canadian dollar, and Australian dollar.

Interest Rate

Securities held in our fixed-income portfolio are subject to different interest rate risks based on their maturities. We manage the average maturity of the fixed-income portfolio to achieve economic returns that correlate to certain global fixed-income indices.

Credit

Our fixed-income portfolio is diversified and consists primarily of investment-grade securities. We manage credit exposures relative to broad-based indices to facilitate portfolio diversification.

Equity

Securities held in our equity investments portfolio are subject to price risk.

SENSITIVITY ANALYSIS

The following table sets forth the potential loss in future earnings or fair values, including associated derivatives, resulting from hypothetical changes in relevant market rates or prices:

(In millions)

Risk Categories	Hypothetical Change		June 30, 2025	Impact
Foreign currency – Revenue	10% decrease in foreign exchange rates	$	**(11,596)**	Earnings
Foreign currency – Investments	10% decrease in foreign exchange rates		**(17)**	Fair Value
Interest rate	100 basis point increase in U.S. treasury interest rates		**(1,415)**	Fair Value
Credit	100 basis point increase in credit spreads		**(436)**	Fair Value
Equity	10% decrease in equity market prices		**(1,213)**	Earnings

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INCOME STATEMENTS

(In millions, except per share amounts)

Year Ended June 30,	**2025**	**2024**	**2023**
Revenue:			
Product	**$ 63,946**	$ 64,773	$ 64,699
Service and other	**217,778**	180,349	147,216
Total revenue	**281,724**	245,122	211,915
Cost of revenue:			
Product	**13,501**	15,272	17,804
Service and other	**74,330**	58,842	48,059
Total cost of revenue	**87,831**	74,114	65,863
Gross margin	**193,893**	171,008	146,052
Research and development	**32,488**	29,510	27,195
Sales and marketing	**25,654**	24,456	22,759
General and administrative	**7,223**	7,609	7,575
Operating income	**128,528**	109,433	88,523
Other income (expense), net	**(4,901)**	(1,646)	788
Income before income taxes	**123,627**	107,787	89,311
Provision for income taxes	**21,795**	19,651	16,950
Net income	**$ 101,832**	$ 88,136	$ 72,361
Earnings per share:			
Basic	**$ 13.70**	$ 11.86	$ 9.72
Diluted	**$ 13.64**	$ 11.80	$ 9.68
Weighted average shares outstanding:			
Basic	**7,433**	7,431	7,446
Diluted	**7,465**	7,469	7,472

Refer to accompanying notes.

COMPREHENSIVE INCOME STATEMENTS

(In millions)

Year Ended June 30,	**2025**	**2024**	**2023**
Net income	**$ 101,832**	$ 88,136	$ 72,361
Other comprehensive income (loss), net of tax:			
Net change related to derivatives	**(5)**	24	(14)
Net change related to investments	**1,574**	957	(1,444)
Translation adjustments and other	**674**	(228)	(207)
Other comprehensive income (loss)	**2,243**	753	(1,665)
Comprehensive income	**$ 104,075**	$ 88,889	$ 70,696

Refer to accompanying notes.

BALANCE SHEETS

(In millions)

June 30,	**2025**	**2024**
Assets		
Current assets:		
Cash and cash equivalents	**$ 30,242**	$ 18,315
Short-term investments	**64,323**	57,228
Total cash, cash equivalents, and short-term investments	**94,565**	75,543
Accounts receivable, net of allowance for doubtful accounts of **$944** and $830	**69,905**	56,924
Inventories	**938**	1,246
Other current assets	**25,723**	26,021
Total current assets	**191,131**	159,734
Property and equipment, net of accumulated depreciation of **$93,653** and $76,421	**204,966**	135,591
Operating lease right-of-use assets	**24,823**	18,961
Equity and other investments	**15,405**	14,600
Goodwill	**119,509**	119,220
Intangible assets, net	**22,604**	27,597
Other long-term assets	**40,565**	36,460
Total assets	**$ 619,003**	$ 512,163
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	**$ 27,724**	$ 21,996
Short-term debt	**0**	6,693
Current portion of long-term debt	**2,999**	2,249
Accrued compensation	**13,709**	12,564
Short-term income taxes	**7,211**	5,017
Short-term unearned revenue	**64,555**	57,582
Other current liabilities	**25,020**	19,185
Total current liabilities	**141,218**	125,286
Long-term debt	**40,152**	42,688
Long-term income taxes	**25,986**	27,931
Long-term unearned revenue	**2,710**	2,602
Deferred income taxes	**2,835**	2,618
Operating lease liabilities	**17,437**	15,497
Other long-term liabilities	**45,186**	27,064
Total liabilities	**275,524**	243,686
Commitments and contingencies		
Stockholders' equity:		
Common stock and paid-in capital – shares authorized 24,000; outstanding **7,434** and 7,434	**109,095**	100,923
Retained earnings	**237,731**	173,144
Accumulated other comprehensive loss	**(3,347)**	(5,590)
Total stockholders' equity	**343,479**	268,477
Total liabilities and stockholders' equity	**$ 619,003**	$ 512,163

Refer to accompanying notes.

CASH FLOWS STATEMENTS

(In millions)

Year Ended June 30,	**2025**	**2024**	**2023**
Operations			
Net income	**$ 101,832**	$ 88,136	$ 72,361
Adjustments to reconcile net income to net cash from operations:			
Depreciation, amortization, and other	**34,153**	22,287	13,861
Stock-based compensation expense	**11,974**	10,734	9,611
Net recognized losses on investments and derivatives	**609**	305	196
Deferred income taxes	**(7,056)**	(4,738)	(6,059)
Changes in operating assets and liabilities:			
Accounts receivable	**(10,581)**	(7,191)	(4,087)
Inventories	**309**	1,284	1,242
Other current assets	**(3,044)**	(1,648)	(1,991)
Other long-term assets	**(2,950)**	(6,817)	(2,833)
Accounts payable	**569**	3,545	(2,721)
Unearned revenue	**5,438**	5,348	5,535
Income taxes	**(38)**	1,687	(358)
Other current liabilities	**5,922**	4,867	2,272
Other long-term liabilities	**(975)**	749	553
Net cash from operations	**136,162**	118,548	87,582
Financing			
Proceeds from issuance (repayments) of debt, maturities of 90 days or less, net	**(5,746)**	5,250	0
Proceeds from issuance of debt	**0**	24,395	0
Repayments of debt	**(3,216)**	(29,070)	(2,750)
Common stock issued	**2,056**	2,002	1,866
Common stock repurchased	**(18,420)**	(17,254)	(22,245)
Common stock cash dividends paid	**(24,082)**	(21,771)	(19,800)
Other, net	**(2,291)**	(1,309)	(1,006)
Net cash used in financing	**(51,699)**	(37,757)	(43,935)
Investing			
Additions to property and equipment	**(64,551)**	(44,477)	(28,107)
Acquisition of companies, net of cash acquired and divestitures, and purchases of intangible and other assets	**(5,978)**	(69,132)	(1,670)
Purchases of investments	**(29,775)**	(17,732)	(37,651)
Maturities of investments	**16,079**	24,775	33,510
Sales of investments	**9,309**	10,894	14,354
Other, net	**2,317**	(1,298)	(3,116)
Net cash used in investing	**(72,599)**	(96,970)	(22,680)
Effect of foreign exchange rates on cash and cash equivalents	**63**	(210)	(194)
Net change in cash and cash equivalents	**11,927**	(16,389)	20,773
Cash and cash equivalents, beginning of period	**18,315**	34,704	13,931
Cash and cash equivalents, end of period	**$ 30,242**	$ 18,315	$ 34,704

Refer to accompanying notes.

STOCKHOLDERS' EQUITY STATEMENTS

(In millions, except per share amounts)

Year Ended June 30,	2025	2024	2023
Common stock and paid-in capital			
Balance, beginning of period	**$ 100,923**	$ 93,718	$ 86,939
Common stock issued	**2,056**	2,002	1,866
Common stock repurchased	**(5,856)**	(5,712)	(4,696)
Stock-based compensation expense	**11,974**	10,734	9,611
Other, net	**(2)**	181	(2)
Balance, end of period	**109,095**	100,923	93,718
Retained earnings			
Balance, beginning of period	**173,144**	118,848	84,281
Net income	**101,832**	88,136	72,361
Common stock cash dividends	**(24,677)**	(22,293)	(20,226)
Common stock repurchased	**(12,568)**	(11,547)	(17,568)
Balance, end of period	**237,731**	173,144	118,848
Accumulated other comprehensive loss			
Balance, beginning of period	**(5,590)**	(6,343)	(4,678)
Other comprehensive income (loss)	**2,243**	753	(1,665)
Balance, end of period	**(3,347)**	(5,590)	(6,343)
Total stockholders' equity	**$ 343,479**	$ 268,477	$ 206,223
Cash dividends declared per common share	**$ 3.32**	$ 3.00	$ 2.72

Refer to accompanying notes.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 — ACCOUNTING POLICIES

Accounting Principles

Our consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Principles of Consolidation

The consolidated financial statements include the accounts of Microsoft Corporation and its subsidiaries. Intercompany transactions and balances have been eliminated.

Recast of Certain Prior Period Information

In August 2024, we announced changes to the composition of our segments. These changes align our segments with how we currently manage our business, most notably bringing the commercial components of Microsoft 365 together in the Productivity and Business Processes segment. Beginning in fiscal year 2025, the information that our chief operating decision maker is regularly provided and reviews for purposes of allocating resources and assessing performance reflects these segment changes. Prior period segment information has been recast to conform to the way we internally manage and monitor our business during fiscal year 2025. These changes primarily impacted Note 8 – Goodwill, Note 12 – Unearned Revenue, and Note 18 – Segment Information and Geographic Data.

The recast of prior period information had no impact on our consolidated balance sheets, consolidated income statements, or consolidated cash flows statements.

Estimates and Assumptions

Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Examples of estimates and assumptions include: for revenue recognition, determining the nature and timing of satisfaction of performance obligations, and determining the standalone selling price ("SSP") of performance obligations, variable consideration, and other obligations such as product returns and refunds; loss contingencies; the fair value of and/or potential impairment of goodwill and intangible assets for our reporting units; product life cycles; useful lives of our tangible and intangible assets; allowances for doubtful accounts; stock-based compensation forfeiture rates; when technological feasibility is achieved for our products; the potential outcome of uncertain tax positions that have been recognized in our consolidated financial statements or tax returns; and determining the timing and amount of impairments for investments. Actual results and outcomes may differ from management's estimates and assumptions due to risks and uncertainties.

Foreign Currencies

Assets and liabilities recorded in foreign currencies are translated at the exchange rate on the balance sheet date. Revenue and expenses are translated at average rates of exchange prevailing during the year. Translation adjustments resulting from this process are recorded to other comprehensive income.

Revenue

Product Revenue and Service and Other Revenue

Product revenue includes sales from operating systems, cross-device productivity and collaboration applications, server applications, business solution applications, desktop and server management tools, software development tools, video games, and hardware such as PCs, tablets, gaming and entertainment consoles, other intelligent devices, and related accessories.

Service and other revenue includes sales from cloud-based solutions that provide customers with software, services, platforms, and content such as Office 365, Azure, Dynamics 365, and gaming; solution support; and consulting services. Service and other revenue also includes sales from online advertising and LinkedIn.

Revenue Recognition

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. We enter into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities.

Nature of Products and Services

Licenses for on-premises software provide the customer with a right to use the software as it exists when made available to the customer. Customers may purchase perpetual licenses or subscribe to licenses, which provide customers with the same functionality and differ mainly in the duration over which the customer benefits from the software. Revenue from distinct on-premises licenses is recognized upfront at the point in time when the software is made available to the customer. In cases where we allocate revenue to software updates, primarily because the updates are provided at no additional charge, revenue is recognized as the updates are provided, which is generally ratably over the estimated life of the related device or license.

Cloud services, which allow customers to use hosted software over the contract period without taking possession of the software, are provided on either a subscription or consumption basis. Revenue related to cloud services provided on a subscription basis is recognized ratably over the contract period. Revenue related to cloud services provided on a consumption basis, such as the amount of storage used in a period, is recognized based on the customer utilization of such resources. When cloud services require a significant level of integration and interdependency with software and the individual components are not considered distinct, all revenue is recognized over the period in which the cloud services are provided.

Certain volume licensing programs, including Enterprise Agreements, include on-premises licenses combined with Software Assurance (“SA”). SA conveys rights to new software and upgrades released over the contract period and provides support, tools, and training to help customers deploy and use products more efficiently. On-premises licenses are considered distinct performance obligations when sold with SA. Revenue allocated to SA is generally recognized ratably over the contract period as customers simultaneously consume and receive benefits, given that SA comprises distinct performance obligations that are satisfied over time.

Revenue from search advertising is recognized when the advertisement appears in the search results or when the action necessary to earn the revenue has been completed. Revenue from consulting services is recognized as services are provided.

Our hardware is generally highly dependent on, and interrelated with, the underlying operating system and cannot function without the operating system. In these cases, the hardware and software license are accounted for as a single performance obligation and revenue is recognized at the point in time when ownership is transferred to resellers or directly to end customers through retail stores and online marketplaces.

Refer to Note 18 – Segment Information and Geographic Data for further information, including revenue by significant product and service offering.

Significant Judgments

Our contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. When a cloud-based service includes both on-premises software licenses and cloud services, judgment is required to determine whether the software license is considered distinct and accounted for separately, or not distinct and accounted for together with the cloud service and recognized over time. Certain cloud services, primarily Office 365, depend on a significant level of integration, interdependency, and interrelation between the desktop applications and cloud services, and are accounted for together as one performance obligation. Revenue from Office 365 is recognized ratably over the period in which the cloud services are provided.

Judgment is required to determine the SSP for each distinct performance obligation. We use a single amount to estimate SSP for items that are not sold separately, including on-premises licenses sold with SA or software updates provided at no additional charge. We use a range of amounts to estimate SSP when we sell each of the products and services separately and need to determine whether there is a discount to be allocated based on the relative SSP of the various products and services.

In instances where SSP is not directly observable, such as when we do not sell the product or service separately, we determine the SSP using information that may include market conditions and other observable inputs. We typically have more than one SSP for individual products and services due to the stratification of those products and services by customers and circumstances. In these instances, we may use information such as the size of the customer and geographic region in determining the SSP.

Due to the various benefits from and the nature of our SA program, judgment is required to assess the pattern of delivery, including the exercise pattern of certain benefits across our portfolio of customers.

Our products are generally sold with a right of return, we may provide other credits or incentives, and in certain instances we estimate customer usage of our products and services, which are accounted for as variable consideration when determining the amount of revenue to recognize. Returns and credits are estimated at contract inception and updated at the end of each reporting period if additional information becomes available. Changes to our estimated variable consideration were not material for the periods presented.

Contract Balances and Other Receivables

Timing of revenue recognition may differ from the timing of invoicing to customers. We record a receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized subsequent to invoicing. For multi-year agreements, we generally invoice customers annually at the beginning of each annual coverage period. We record a receivable related to revenue recognized for multi-year on-premises licenses as we have an unconditional right to invoice and receive payment in the future related to those licenses.

Unearned revenue comprises mainly unearned revenue related to volume licensing programs, which may include cloud services and SA. Unearned revenue is generally invoiced annually at the beginning of each contract period for multi-year agreements and recognized ratably over the coverage period. Unearned revenue also includes payments for consulting services to be performed in the future, LinkedIn subscriptions, Office 365 subscriptions, Xbox subscriptions, Windows post-delivery support, Dynamics business solutions, and other offerings for which we have been paid in advance and earn the revenue when we transfer control of the product or service.

Refer to Note 12 – Unearned Revenue for further information, including unearned revenue by segment and changes in unearned revenue during the period.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 60 days. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined our contracts generally do not include a significant financing component. The primary purpose of our invoicing terms is to provide customers with simplified and predictable ways of purchasing our products and services, not to receive financing from our customers or to provide customers with financing. Examples include invoicing at the beginning of a subscription term with revenue recognized ratably over the contract period, and multi-year on-premises licenses that are invoiced annually with revenue recognized upfront.

As of June 30, 2025 and 2024, long-term accounts receivable, net of allowance for doubtful accounts, was $5.2 billion and $4.9 billion, respectively, and is included in other long-term assets in our consolidated balance sheets.

As of June 30, 2025 and 2024, other receivables related to activities to facilitate the purchase of server components were $8.2 billion and $10.5 billion, respectively, and are included in other current assets in our consolidated balance sheets.

We record financing receivables when we offer certain customers the option to acquire our software products and services offerings through a financing program in a limited number of countries. As of June 30, 2025 and 2024, our financing receivables, net were $4.3 billion and $4.5 billion, respectively, for short-term and long-term financing receivables, which are included in other current assets and other long-term assets in our consolidated balance sheets.

We record an allowance for doubtful accounts which reflects our best estimate of credit losses inherent in the accounts receivable and financing receivable balances. We determine the allowance based on known troubled accounts, historical experience, and other currently available evidence.

Assets Recognized from Costs to Obtain a Contract with a Customer

We recognize an asset for the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year. We have determined that certain sales incentive programs meet the requirements to be capitalized. Total capitalized costs to obtain a contract were immaterial during the periods presented and are included in other current and long-term assets in our consolidated balance sheets.

We apply a practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less. These costs include our internal sales organization compensation program and certain partner sales incentive programs as we have determined annual compensation is commensurate with annual sales activities.

Cost of Revenue

Cost of revenue includes: costs incurred to support and maintain cloud-based and other online products and services, including datacenter costs and royalties; manufacturing and distribution costs for products sold and programs licensed; operating costs related to product support service centers and product distribution centers; traffic acquisition costs to drive traffic to our websites and to acquire online advertising space; and costs associated with the delivery of consulting services.

Research and Development

Research and development expenses include payroll, employee benefits, stock-based compensation expense, and other headcount-related expenses associated with product development. Research and development expenses also include third-party development and programming costs and the depreciation and amortization of assets used to conduct research and development. Such costs related to software development are included in research and development expense until the point that technological feasibility is reached, which for our software products is generally shortly before the products are released to production. Once technological feasibility is reached, such costs are capitalized and amortized to cost of revenue over the estimated lives of the products.

Sales and Marketing

Sales and marketing expenses include payroll, employee benefits, stock-based compensation expense, and other headcount-related expenses associated with sales and marketing personnel, and the costs of advertising, promotions, trade shows, seminars, and other programs. Advertising costs are expensed as incurred. Advertising expense was $2.1 billion, $1.7 billion, and $904 million in fiscal years 2025, 2024, and 2023, respectively.

Stock-Based Compensation

Compensation cost for stock awards, which include restricted stock units (“RSUs”) and performance stock units (“PSUs”), is measured at the fair value on the grant date and recognized as expense, net of estimated forfeitures, over the related service or performance period. The fair value of stock awards is based on the quoted price of our common stock on the grant date less the present value of expected dividends not received during the vesting period. We measure the fair value of PSUs using a Monte Carlo valuation model. Compensation cost for RSUs is recognized using the straight-line method and for PSUs is recognized using the accelerated method.

Compensation expense for the employee stock purchase plan (“ESPP”) is measured as the discount the employee is entitled to upon purchase and is recognized in the period of purchase.

Income Taxes

Income tax expense includes U.S. and international income taxes, and interest and penalties on uncertain tax positions. Certain income and expenses are not reported in tax returns and financial statements in the same year. The tax effect of such temporary differences is reported as deferred income taxes. Deferred tax assets are reported net of a valuation allowance when it is more likely than not that a tax benefit will not be realized. All deferred income taxes are classified as long-term in our consolidated balance sheets.

Financial Instruments

Investments

We consider all highly liquid interest-earning investments with a maturity of three months or less at the date of purchase to be cash equivalents. The fair values of these investments approximate their carrying values. In general, investments with original maturities of greater than three months and remaining maturities of less than one year are classified as short-term investments. Investments with maturities beyond one year may be classified as short-term based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations.

Debt investments are classified as available-for-sale and realized gains and losses are recorded using the specific identification method. Changes in fair value, excluding credit losses and impairments, are recorded in other comprehensive income. Fair value is calculated based on publicly available market information or other estimates determined by management. If the cost of an investment exceeds its fair value, we evaluate, among other factors, general market conditions, credit quality of debt instrument issuers, and the extent to which the fair value is less than cost. To determine credit losses, we employ a systematic methodology that considers available quantitative and qualitative evidence. In addition, we consider specific adverse conditions related to the financial health of, and business outlook for, the investee. If we have plans to sell the security or it is more likely than not that we will be required to sell the security before recovery, then a decline in fair value below cost is recorded as an impairment charge in other income (expense), net and a new cost basis in the investment is established. If market, industry, and/or investee conditions deteriorate, we may incur future impairments.

Equity investments with readily determinable fair values are measured at fair value. Equity investments without readily determinable fair values are measured using the equity method or measured at cost with adjustments for observable changes in price or impairments (referred to as the measurement alternative). We perform a qualitative assessment on a periodic basis and recognize an impairment if there are sufficient indicators that the fair value of the investment is less than carrying value. Changes in value are recorded in other income (expense), net.

Investments that are considered variable interest entities ("VIEs") are evaluated to determine whether we are the primary beneficiary of the VIE, in which case we would be required to consolidate the entity. We evaluate whether we have (1) the power to direct the activities that most significantly impact the VIE's economic performance, and (2) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. We have determined we are not the primary beneficiary of any of our VIE investments. Therefore, our VIE investments are not consolidated and the majority are accounted for under the equity method of accounting. We have an investment in OpenAI Global, LLC ("OpenAI") and have made total funding commitments of $13 billion. The investment is accounted for under the equity method of accounting.

Derivatives

Derivative instruments are recognized as either assets or liabilities and measured at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation.

For derivative instruments designated as fair value hedges, gains and losses are recognized in other income (expense), net with offsetting gains and losses on the hedged items. Gains and losses representing hedge components excluded from the assessment of effectiveness are recognized in other income (expense), net.

For derivative instruments designated as cash flow hedges, gains and losses are initially reported as a component of other comprehensive income and subsequently recognized in other income (expense), net with the corresponding hedged item. Gains and losses representing hedge components excluded from the assessment of effectiveness are recognized in other income (expense), net.

For derivative instruments that are not designated as hedges, gains and losses from changes in fair values are primarily recognized in other income (expense), net.

Fair Value Measurements

We account for certain assets and liabilities at fair value. The hierarchy below lists three levels of fair value based on the extent to which inputs used in measuring fair value are observable in the market. We categorize each of our fair value measurements in one of these three levels based on the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- *Level 1* – inputs are based upon unadjusted quoted prices for identical instruments in active markets. Our Level 1 investments include U.S. government securities, common and preferred stock, and mutual funds. Our Level 1 derivative assets and liabilities include those actively traded on exchanges.
- *Level 2* – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques (e.g. the Black-Scholes model) for which all significant inputs are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, foreign exchange rates, and forward and spot prices for currencies. Our Level 2 investments include commercial paper, certificates of deposit, U.S. agency securities, foreign government bonds, mortgage- and asset-backed securities, corporate notes and bonds, and municipal securities. Our Level 2 derivative assets and liabilities include certain cleared swap contracts and over-the-counter forward, option, and swap contracts.
- *Level 3* – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques, including option pricing models and discounted cash flow models. Our Level 3 assets and liabilities include investments in corporate notes and bonds, municipal securities, and goodwill and intangible assets, when they are recorded at fair value due to an impairment charge. Unobservable inputs used in the models are significant to the fair values of the assets and liabilities.

We measure equity investments without readily determinable fair values on a nonrecurring basis. The fair values of these investments are determined based on valuation techniques using the best information available, and may include quoted market prices, market comparables, and discounted cash flow projections.

Our other current financial assets and current financial liabilities have fair values that approximate their carrying values.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and depreciated using the straight-line method over the shorter of the estimated useful life of the asset or the lease term. The estimated useful lives of our property and equipment are generally as follows: software developed or acquired for internal use, three years; computer equipment, two to six years; buildings and improvements, five to 15 years; leasehold improvements, three to 15 years; and furniture and equipment, one to 10 years. Land is not depreciated.

Leases

We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities, and operating lease liabilities in our consolidated balance sheets. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities in our consolidated balance sheets.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we generally use our incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

We have lease agreements with lease and non-lease components, which are generally accounted for separately. For certain equipment leases, such as vehicles, we account for the lease and non-lease components as a single lease component. Additionally, for certain equipment leases, we apply a portfolio approach to effectively account for the operating lease ROU assets and liabilities.

Goodwill

Goodwill is tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis (May 1) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value.

Intangible Assets

Our intangible assets are subject to amortization and are amortized over the estimated useful life in proportion to the economic benefits received. We evaluate the recoverability of intangible assets periodically by taking into account events or circumstances that may warrant revised estimates of useful lives or that indicate the asset may be impaired.

Related Party Transactions

In March 2024, we entered into an agreement with Inflection AI, Inc. (“Inflection”), pursuant to which we obtained a non-exclusive license to Inflection’s intellectual property. Reid Hoffman, a member of our Board of Directors, is a co-founder of and serves on the board of directors of Inflection. As of the date of the agreement with Inflection, Reprogrammed Interchange LLC (“Reprogrammed”) and entities affiliated with Greylock Ventures (“Greylock”) each held less than a 10% equity interest in Inflection. Mr. Hoffman may be deemed to beneficially own the shares held by Reprogrammed and Greylock by virtue of his relationship with such entities. Mr. Hoffman did not participate in any portions of the meetings of our Board of Directors or any committee thereof to review and approve the transaction with Inflection.

Recent Accounting Guidance

Recently Adopted Accounting Guidance

Segment Reporting – Improvements to Reportable Segment Disclosures

In November 2023, the Financial Accounting Standards Board (“FASB”) issued a new standard to improve reportable segment disclosures. The guidance expands the disclosures required for reportable segments in our annual and interim consolidated financial statements, primarily through enhanced disclosures about significant segment expenses. We adopted the standard beginning with our annual reporting for fiscal year 2025. The adoption resulted in incremental segment reporting disclosures, most notably disclosure of cost of revenue and operating expenses for each reportable segment. Refer to Note 18 – Segment Information and Geographic Data.

Recent Accounting Guidance Not Yet Adopted

Income Taxes – Improvements to Income Tax Disclosures

In December 2023, the FASB issued a new standard to improve income tax disclosures. The guidance requires disclosure of disaggregated income taxes paid, prescribes standardized categories for the components of the effective tax rate reconciliation, and modifies other income tax-related disclosures. The standard will be effective for us beginning with our annual reporting for fiscal year 2026, with early adoption permitted. We are currently evaluating the impact of this standard on our income tax disclosures.

Income Statement – Disaggregation of Income Statement Expenses

In November 2024, the FASB issued a new standard to expand disclosures about income statement expenses. The guidance requires disaggregation of certain costs and expenses included in each relevant expense caption on our consolidated income statements in a separate note to the financial statements at each interim and annual reporting period, including amounts of purchases of inventory, employee compensation, depreciation, and intangible asset amortization. The standard will be effective for us beginning with our annual reporting for fiscal year 2028 and interim periods thereafter, with early adoption permitted. We are currently evaluating the impact of this standard on our disclosures.

NOTE 2 — EARNINGS PER SHARE

Basic earnings per share (“EPS”) is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted EPS is computed based on the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding stock options and stock awards.

The components of basic and diluted EPS were as follows:

(In millions, except per share amounts)

Year Ended June 30,	2025	2024	2023
Net income available for common shareholders (A)	**$101,832**	$ 88,136	$ 72,361
Weighted average outstanding shares of common stock (B)	**7,433**	7,431	7,446
Dilutive effect of stock-based awards	**32**	38	26
Common stock and common stock equivalents (C)	**7,465**	7,469	7,472
Earnings Per Share			
Basic (A/B)	**$ 13.70**	$ 11.86	$ 9.72
Diluted (A/C)	**$ 13.64**	$ 11.80	$ 9.68

Anti-dilutive stock-based awards excluded from the calculations of diluted EPS were immaterial during the periods presented.

NOTE 3 — OTHER INCOME (EXPENSE), NET

The components of other income (expense), net were as follows:

(In millions)

Year Ended June 30,	2025	2024	2023
Interest and dividends income	**$ 2,647**	$ 3,157	$ 2,994
Interest expense	**(2,385)**	(2,935)	(1,968)
Net recognized gains (losses) on investments	**(349)**	(118)	260
Net losses on derivatives	**(260)**	(187)	(456)
Net gains (losses) on foreign currency remeasurements	**171**	(244)	181
Other, net	**(4,725)**	(1,319)	(223)
Total	**$ (4,901)**	$ (1,646)	$ 788

Other, net primarily reflects net recognized losses on equity method investments, including OpenAI.

Net Recognized Gains (Losses) on Investments

Net recognized gains (losses) on debt investments were as follows:

(In millions)

Year Ended June 30,	2025	2024	2023
Realized gains from sales of available-for-sale securities	**$ 40**	$ 22	$ 36
Realized losses from sales of available-for-sale securities	**(65)**	(98)	(124)
Impairments and allowance for credit losses	**8**	23	(10)
Total	**$ (17)**	$ (53)	$ (98)

Net recognized gains (losses) on equity investments were as follows:

(In millions)			
Year Ended June 30,	2025	2024	2023
Net realized gains on investments sold	$ 83	$ 18	$ 75
Net unrealized gains on investments still held	536	146	303
Impairments of investments	(951)	(229)	(20)
Total	$ (332)	$ (65)	$ 358

NOTE 4 — INVESTMENTS

Investment Components

The components of investments were as follows:

(In millions)	Fair Value Level	Adjusted Cost Basis	Unrealized Gains	Unrealized Losses	Recorded Basis	Cash and Cash Equivalents	Short-term Investments	Equity and Other Investments
June 30, 2025								
Changes in Fair Value Recorded in Other Comprehensive Income								
Commercial paper	Level 2	$ 10,880	$ 0	$ 0	$ 10,880	$ 9,939	$ 941	$ 0
Certificates of deposit	Level 2	2,653	0	0	2,653	2,309	344	0
U.S. government securities	Level 1	52,878	71	(1,462)	51,487	4,742	46,745	0
U.S. agency securities	Level 2	2,686	0	0	2,686	496	2,190	0
Foreign government bonds	Level 2	349	24	(9)	364	0	364	0
Mortgage- and asset-backed securities	Level 2	2,558	10	(27)	2,541	0	2,541	0
Corporate notes and bonds	Level 2	10,763	124	(101)	10,786	0	10,786	0
Corporate notes and bonds	Level 3	2,511	65	(5)	2,571	0	111	2,460
Municipal securities	Level 2	207	1	(7)	201	0	201	0
Municipal securities	Level 3	104	0	(14)	90	0	90	0
Total debt investments		$ 85,589	$ 295	$ (1,625)	$ 84,259	$ 17,486	$ 64,313	$ 2,460
Changes in Fair Value Recorded in Net Income								
Equity investments	Level 1				$ 4,577	$ 1,045	$ 0	$ 3,532
Equity investments	Other				9,141	0	0	9,141
Total equity investments					$ 13,718	$ 1,045	$ 0	$ 12,673
Cash					$ 11,711	$ 11,711	$ 0	$ 0
Derivatives, net [(a)]					282	0	10	272
Total					$ 109,970	$ 30,242	$ 64,323	$ 15,405

(In millions)	Fair Value Level	Adjusted Cost Basis	Unrealized Gains	Unrealized Losses	Recorded Basis	Cash and Cash Equivalents	Short-term Investments	Equity and Other Investments
June 30, 2024								
Changes in Fair Value Recorded in Other Comprehensive Income								
Commercial paper	Level 2	$ 4,666	$ 0	$ 0	$ 4,666	$ 4,666	$ 0	$ 0
Certificates of deposit	Level 2	1,547	0	0	1,547	1,503	44	0
U.S. government securities	Level 1	49,603	4	(2,948)	46,659	14	46,645	0
U.S. agency securities	Level 2	17	0	0	17	0	17	0
Foreign government bonds	Level 2	319	3	(16)	306	0	306	0
Mortgage- and asset-backed securities	Level 2	944	3	(35)	912	0	912	0
Corporate notes and bonds	Level 2	9,106	28	(318)	8,816	0	8,816	0
Corporate notes and bonds	Level 3	1,641	0	(1)	1,640	0	140	1,500
Municipal securities	Level 2	262	0	(13)	249	0	249	0
Municipal securities	Level 3	104	0	(17)	87	0	87	0
Total debt investments		$ 68,209	$ 38	$ (3,348)	$ 64,899	$ 6,183	$ 57,216	$ 1,500
Changes in Fair Value Recorded in Net Income								
Equity investments	Level 1				$ 3,547	$ 561	$ 0	$ 2,986
Equity investments	Other				10,114	0	0	10,114
Total equity investments					$ 13,661	$ 561	$ 0	$ 13,100
Cash					$ 11,571	$ 11,571	$ 0	$ 0
Derivatives, net [(a)]					12	0	12	0
Total					$ 90,143	$ 18,315	$ 57,228	$ 14,600

(a) *Refer to Note 5 – Derivatives for further information on the fair value of our derivative instruments.*

Equity investments presented as “Other” in the tables above include investments without readily determinable fair values measured at cost with adjustments for observable changes in price or impairments, measured using the equity method, or measured at fair value using net asset value as a practical expedient which are not categorized in the fair value hierarchy. As of June 30, 2025 and 2024, equity investments without readily determinable fair values measured at cost with adjustments for observable changes in price or impairments were $2.9 billion and $3.9 billion, respectively. Equity investments measured using the equity method were $6.0 billion as of both June 30, 2025 and 2024.

Unrealized Losses on Debt Investments

Debt investments with continuous unrealized losses for less than 12 months and 12 months or greater and their related fair values were as follows:

(In millions)	Less than 12 Months		12 Months or Greater			
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Total Fair Value	Total Unrealized Losses
June 30, 2025						
U.S. government and agency securities	**$ 2,569**	**$ (51)**	**$ 34,608**	**$ (1,411)**	**$ 37,177**	**$ (1,462)**
Foreign government bonds	**43**	**(2)**	**106**	**(7)**	**149**	**(9)**
Mortgage- and asset-backed securities	**841**	**(4)**	**189**	**(23)**	**1,030**	**(27)**
Corporate notes and bonds	**1,107**	**(8)**	**3,105**	**(98)**	**4,212**	**(106)**
Municipal securities	**0**	**0**	**168**	**(21)**	**168**	**(21)**
Total	**$ 4,560**	**$ (65)**	**$ 38,176**	**$ (1,560)**	**$ 42,736**	**$ (1,625)**

(In millions)	Less than 12 Months Fair Value	Less than 12 Months Unrealized Losses	12 Months or Greater Fair Value	12 Months or Greater Unrealized Losses	Total Fair Value	Total Unrealized Losses
June 30, 2024						
U.S. government and agency securities	$ 529	$ (12)	$ 45,821	$ (2,936)	$ 46,350	$ (2,948)
Foreign government bonds	79	(2)	180	(14)	259	(16)
Mortgage- and asset-backed securities	201	(1)	409	(34)	610	(35)
Corporate notes and bonds	1,310	(9)	5,779	(310)	7,089	(319)
Municipal securities	38	(1)	243	(29)	281	(30)
Total	$ 2,157	$ (25)	$ 52,432	$ (3,323)	$ 54,589	$ (3,348)

Unrealized losses from fixed-income securities are primarily attributable to changes in interest rates. Management does not believe any remaining unrealized losses represent impairments based on our evaluation of available evidence.

Debt Investment Maturities

The following table outlines maturities of our debt investments as of June 30, 2025:

(In millions)	Adjusted Cost Basis	Estimated Fair Value
June 30, 2025		
Due in one year or less	**$ 35,108**	**$ 34,952**
Due after one year through five years	**42,460**	**41,481**
Due after five years through 10 years	**6,530**	**6,424**
Due after 10 years	**1,491**	**1,402**
Total	**$ 85,589**	**$ 84,259**

NOTE 5 — DERIVATIVES

We use derivative instruments to manage risks related to foreign currencies, interest rates, equity prices, and credit; to enhance investment returns; and to facilitate portfolio diversification. Our objectives for holding derivatives include reducing, eliminating, and efficiently managing the economic impact of these exposures as effectively as possible. Our derivative programs include strategies that both qualify and do not qualify for hedge accounting treatment.

Foreign Currencies

Certain forecasted transactions, assets, and liabilities are exposed to foreign currency risk. We monitor our foreign currency exposures daily to maximize the economic effectiveness of our foreign currency hedge positions.

Foreign currency risks related to certain Euro-denominated debt are hedged using foreign exchange forward contracts that are designated as cash flow hedging instruments.

Certain options and forwards not designated as hedging instruments are also used to manage the variability in foreign exchange rates on certain balance sheet amounts and to manage other foreign currency exposures.

Interest Rate

Interest rate risks related to certain fixed-rate debt are hedged using interest rate swaps that are designated as fair value hedging instruments to effectively convert the fixed interest rates to floating interest rates.

Securities held in our fixed-income portfolio are subject to different interest rate risks based on their maturities. We manage the average maturity of our fixed-income portfolio to achieve economic returns that correlate to certain broad-based fixed-income indices using option, futures, and swap contracts. These contracts are not designated as hedging instruments and are included in “Other contracts” in the tables below.

Equity

Securities held in our equity investments portfolio are subject to market price risk. At times, we may hold options, futures, and swap contracts. These contracts are not designated as hedging instruments.

Credit

Our fixed-income portfolio is diversified and consists primarily of investment-grade securities. We use credit default swap contracts to manage credit exposures relative to broad-based indices and to facilitate portfolio diversification. These contracts are not designated as hedging instruments and are included in “Other contracts” in the tables below.

Credit-Risk-Related Contingent Features

Certain counterparty agreements for derivative instruments contain provisions that require our issued and outstanding long-term unsecured debt to maintain an investment grade credit rating and require us to maintain minimum liquidity of $1.0 billion. To the extent we fail to meet these requirements, we will be required to post collateral, similar to the standard convention related to over-the-counter derivatives. As of June 30, 2025, our long-term unsecured debt rating was AAA, and cash investments were in excess of $1.0 billion. As a result, no collateral was required to be posted.

The following table presents the notional amounts of our outstanding derivative instruments measured in U.S. dollar equivalents:

(In millions)	**June 30, 2025**	**June 30, 2024**
Designated as Hedging Instruments		
Foreign exchange contracts purchased	**$ 1,492**	$ 1,492
Interest rate contracts purchased	**1,150**	1,100
Not Designated as Hedging Instruments		
Foreign exchange contracts purchased	**15,214**	7,167
Foreign exchange contracts sold	**43,307**	31,793
Equity contracts purchased	**5,434**	4,016
Equity contracts sold	**2,189**	2,165
Other contracts purchased	**2,769**	2,113
Other contracts sold	**1,242**	811

Fair Values of Derivative Instruments

The following table presents our derivative instruments:

(In millions)	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
		June 30, 2025		June 30, 2024
Designated as Hedging Instruments				
Foreign exchange contracts	**$ 89**	**$ (44)**	$ 24	$ (76)
Interest rate contracts	**15**	**0**	19	0
Not Designated as Hedging Instruments				
Foreign exchange contracts	**248**	**(809)**	213	(230)
Equity contracts	**385**	**(983)**	63	(491)
Other contracts	**21**	**(1)**	12	(3)
Gross amounts of derivatives	**758**	**(1,837)**	331	(800)
Gross amounts of derivatives offset in the balance sheets	**(258)**	**260**	(151)	152
Cash collateral received	**0**	**(99)**	0	(104)
Net amounts of derivatives	**$ 500**	**$ (1,676)**	$ 180	$ (752)
Reported as				
Short-term investments	**$ 10**	**$ 0**	$ 12	$ 0
Other current assets	**201**	**0**	149	0
Equity and other investments	**272**	**0**	0	0
Other long-term assets	**17**	**0**	19	0
Other current liabilities	**0**	**(1,639)**	0	(401)
Other long-term liabilities	**0**	**(37)**	0	(351)
Total	**$ 500**	**$ (1,676)**	$ 180	$ (752)

Gross derivative assets and liabilities subject to legally enforceable master netting agreements for which we have elected to offset were $452 million and $1.8 billion, respectively, as of June 30, 2025, and $304 million and $800 million, respectively, as of June 30, 2024.

The following table presents the fair value of our derivatives instruments on a gross basis:

(In millions)	Level 1	Level 2	Level 3	Total
June 30, 2025				
Derivative assets	**$ 1**	**$ 474**	**$ 283**	**$ 758**
Derivative liabilities	**0**	**(1,832)**	**(5)**	**(1,837)**
June 30, 2024				
Derivative assets	0	327	4	331
Derivative liabilities	(1)	(799)	0	(800)

Gains (losses) on derivative instruments recognized in other income (expense), net were as follows:

(In millions)

Year Ended June 30,	**2025**	**2024**	**2023**
Designated as Fair Value Hedging Instruments			
Interest rate contracts			
Derivatives	**$ 5**	$ (23)	$ (65)
Hedged items	**(45)**	(25)	38
Designated as Cash Flow Hedging Instruments			
Foreign exchange contracts			
Amount reclassified from accumulated other comprehensive loss	**103**	(48)	61
Not Designated as Hedging Instruments			
Foreign exchange contracts	**(938)**	367	(73)
Equity contracts	**(266)**	(177)	(420)
Other contracts	**21**	(15)	(41)

Gains (losses), net of tax, on derivative instruments recognized in our consolidated comprehensive income statements were as follows:

(In millions)

Year Ended June 30,	**2025**	**2024**	**2023**
Designated as Cash Flow Hedging Instruments			
Foreign exchange contracts			
Included in effectiveness assessment	**$ 77**	$ (14)	$ 34

NOTE 6 — PROPERTY AND EQUIPMENT

The components of property and equipment were as follows:

(In millions)

June 30,	**2025**	**2024**
Land	**$ 9,338**	$ 8,163
Buildings and improvements	**137,921**	93,943
Leasehold improvements	**12,117**	9,594
Computer equipment and software	**132,836**	93,780
Furniture and equipment	**6,407**	6,532
Total, at cost	**298,619**	212,012
Accumulated depreciation	**(93,653)**	(76,421)
Total, net	**$ 204,966**	$ 135,591

During fiscal years 2025, 2024, and 2023, depreciation expense was $22.0 billion, $15.2 billion, and $11.0 billion, respectively.

As of June 30, 2025, 2024, and 2023, purchases of property and equipment remaining in accounts payable were $6.9 billion, $4.3 billion, and $3.8 billion, respectively. As of June 30, 2025, we have committed $32.1 billion for the construction of new buildings, building improvements, and leasehold improvements, primarily related to datacenters.

NOTE 7 — BUSINESS COMBINATIONS

Activision Blizzard, Inc.

On October 13, 2023, we completed our acquisition of Activision Blizzard, Inc. (“Activision Blizzard”) for a total purchase price of $75.4 billion, consisting primarily of cash. Activision Blizzard is a leader in game development and an interactive entertainment content publisher. The acquisition will accelerate the growth in our gaming business across mobile, PC, console, and cloud gaming. The financial results of Activision Blizzard have been included in our consolidated financial statements since the date of the acquisition. Activision Blizzard is reported as part of our More Personal Computing segment.

The allocation of the purchase price to the assets acquired and liabilities assumed was completed as of September 30, 2024. The major classes of assets and liabilities to which we have allocated the purchase price were as follows:

(In millions)	
Cash and cash equivalents	$ 12,976
Goodwill	51,001
Intangible assets	21,969
Other assets	2,503
Long-term debt	(2,799)
Long-term income taxes	(1,946)
Deferred income taxes	(4,676)
Other liabilities	(3,620)
Total purchase price	$ 75,408

Goodwill was assigned to our More Personal Computing segment. The goodwill was primarily attributed to increased synergies that are expected to be achieved from the integration of Activision Blizzard. Substantially all of the goodwill is expected to be non-deductible for income tax purposes.

Following are the details of the purchase price allocated to the intangible assets acquired:

(In millions, except average life)	Amount	Weighted Average Life
Marketing-related	$ 11,619	24 years
Technology-based	9,689	4 years
Customer-related	661	4 years
Fair value of intangible assets acquired	$ 21,969	15 years

Following are the supplemental consolidated financial results of Microsoft Corporation on an unaudited pro forma basis, as if the acquisition had been consummated on July 1, 2022:

(In millions, except per share amounts)

Year Ended June 30,	2024	2023
Revenue	$ 247,442	$ 219,790
Net income	88,308	71,383
Diluted earnings per share	11.82	9.55

These pro forma results were based on estimates and assumptions, which we believe are reasonable. They are not the results that would have been realized had we been a combined company during the periods presented and are not necessarily indicative of our consolidated results of operations in future periods. The pro forma results include adjustments related to purchase accounting, primarily amortization of intangible assets. Acquisition costs and other nonrecurring charges were immaterial and are included in the earliest period presented.

NOTE 8 — GOODWILL

Changes in the carrying amount of goodwill were as follows:

(In millions)	June 30, 2023	Acquisitions	Other	June 30, 2024	Acquisitions	Other	June 30, 2025
Productivity and Business Processes	$ 31,359	$ 0	$ 2	**$ 31,361**	**$ 0**	**$ 96**	**$ 31,457**
Intelligent Cloud	25,676	0	(28)	**25,648**	**0**	**41**	**25,689**
More Personal Computing	10,851	51,235	125	**62,211**	**0**	**152**	**62,363**
Total	$ 67,886	$ 51,235	$ 99	**$ 119,220**	**$ 0**	**$ 289**	**$ 119,509**

We have recast certain prior period amounts to conform to the way we internally manage and monitor our business. Refer to Note 1 – Accounting Policies for further information.

The measurement periods for the valuation of assets acquired and liabilities assumed end as soon as information on the facts and circumstances that existed as of the acquisition dates becomes available, but do not exceed 12 months. Adjustments in purchase price allocations may require a change in the amounts allocated to goodwill during the periods in which the adjustments are determined.

Any change in the goodwill amounts resulting from foreign currency translations and purchase accounting adjustments are presented as “Other” in the table above. Also included in “Other” are business dispositions and transfers between segments due to reorganizations, as applicable.

As discussed in Note 1 – Accounting Policies, during the first quarter of fiscal year 2025 we made changes to our segments. These segment changes also resulted in changes to our reporting units. We reallocated goodwill across impacted reporting units using a relative fair value approach. In addition, we completed an assessment of any potential goodwill impairment for all reporting units immediately prior to the reallocation and determined that no impairment existed.

Goodwill Impairment

We test goodwill for impairment annually on May 1 at the reporting unit level, primarily using a discounted cash flow methodology with a peer-based, risk-adjusted weighted average cost of capital. We believe use of a discounted cash flow approach is the most reliable indicator of the fair values of the businesses.

No instances of impairment were identified in our May 1, 2025, May 1, 2024, or May 1, 2023 tests. As of June 30, 2025 and 2024, accumulated goodwill impairment was $11.3 billion.

NOTE 9 — INTANGIBLE ASSETS

The components of intangible assets, all of which are finite-lived, were as follows:

(In millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
June 30,			**2025**			**2024**
Marketing-related	**$ 16,502**	**$ (3,901)**	**$ 12,601**	$ 16,500	$ (3,101)	$ 13,399
Technology-based	**22,560**	**(14,959)**	**7,601**	21,913	(10,741)	11,172
Customer-related	**4,278**	**(2,050)**	**2,228**	6,038	(3,051)	2,987
Contract-based	**217**	**(43)**	**174**	58	(19)	39
Total	**$ 43,557**	**$ (20,953)**	**$ 22,604**	$ 44,509	$ (16,912)	$ 27,597

No material impairments of intangible assets were identified during fiscal years 2025, 2024, or 2023. We estimate that we have no significant residual value related to our intangible assets.

The components of intangible assets acquired during the periods presented were as follows:

(In millions)	Amount	Weighted Average Life	Amount	Weighted Average Life
Year Ended June 30,	**2025**		**2024**	
Marketing-related	**$ 13**	**10 years**	$11,619	24 years
Technology-based	**912**	**9 years**	10,947	4 years
Customer-related	**0**	**0 years**	660	4 years
Contract-based	**171**	**5 years**	38	4 years
Total	**$ 1,096**	**9 years**	$23,264	14 years

Intangible assets amortization expense was $6.0 billion, $4.8 billion, and $2.5 billion for fiscal years 2025, 2024, and 2023, respectively.

The following table outlines the estimated future amortization expense related to intangible assets held as of June 30, 2025:

(In millions)	
Year Ending June 30,	
2026	**$ 4,594**
2027	**2,901**
2028	**2,034**
2029	**1,851**
2030	**1,382**
Thereafter	**9,842**
Total	**$ 22,604**

NOTE 10 — DEBT

Short-term Debt

As of June 30, 2025, we had no commercial paper issued or outstanding. As of June 30, 2024, we had $6.7 billion of commercial paper issued and outstanding, with a weighted average interest rate of 5.4% and maturities ranging from 28 days to 152 days. The estimated fair value of this commercial paper approximates its carrying value.

Long-term Debt

The components of long-term debt were as follows:

(In millions, issuance by calendar year)	Maturities (calendar year)	Stated Interest Rate	Effective Interest Rate	June 30, 2025	June 30, 2024
2009 issuance of $3.8 billion	**2039**	**5.20%**	**5.24%**	**$ 520**	$ 520
2010 issuance of $4.8 billion	**2040**	**4.50%**	**4.57%**	**486**	486
2011 issuance of $2.3 billion	**2041**	**5.30%**	**5.36%**	**718**	718
2012 issuance of $2.3 billion	**2042**	**3.50%**	**3.57%**	**454**	454
2013 issuance of $5.2 billion	**2043**	**3.75%–4.88%**	**3.83%–4.92%**	**314**	314
2013 issuance of €4.1 billion	**2028–2033**	**2.63%–3.13%**	**2.69%–3.22%**	**2,700**	2,465
2015 issuance of $23.8 billion	**2025–2055**	**3.13%–4.75%**	**3.18%–4.78%**	**7,555**	9,805
2016 issuance of $19.8 billion	**2026–2056**	**2.40%–3.95%**	**2.46%–4.03%**	**7,930**	7,930
2017 issuance of $17.1 billion	**2026–2057**	**3.30%–4.50%**	**3.38%–5.49%**	**6,833**	6,833
2020 issuance of $10.1 billion	**2030–2060**	**1.35%–2.68%**	**2.53%–5.43%**	**10,111**	10,111
2021 issuance of $8.2 billion	**2052–2062**	**2.92%–3.04%**	**2.92%–3.04%**	**8,185**	8,185
2023 issuance of $0.1 billion	**2026–2050**	**1.35%–4.50%**	**5.16%–5.49%**	**56**	56
2024 issuance of $3.3 billion	**2026–2050**	**1.35%–4.50%**	**5.16%–5.49%**	**3,344**	3,344
Total face value				**49,206**	51,221
Unamortized discount and issuance costs				**(1,155)**	(1,227)
Hedge fair value adjustments [(a)]				**(36)**	(81)
Premium on debt exchange				**(4,864)**	(4,976)
Total debt				**43,151**	44,937
Current portion of long-term debt				**(2,999)**	(2,249)
Long-term debt				**$ 40,152**	$ 42,688

(a) *Refer to Note 5 – Derivatives for further information on the interest rate swaps related to fixed-rate debt.*

As of June 30, 2025 and 2024, the estimated fair value of long-term debt, including the current portion, was $40.4 billion and $42.3 billion, respectively. The estimated fair values are based on Level 2 inputs.

Debt in the table above is comprised of senior unsecured obligations and ranks equally with our other outstanding obligations. Interest is paid semi-annually, except for the Euro-denominated debt, which is paid annually. Cash paid for interest on our debt for fiscal years 2025, 2024, and 2023 was $1.6 billion, $1.7 billion, and $1.7 billion, respectively.

The following table outlines maturities of our long-term debt, including the current portion, as of June 30, 2025:

(In millions)	
Year Ending June 30,	
2026	**$ 3,000**
2027	**9,250**
2028	**0**
2029	**2,054**
2030	**0**
Thereafter	**34,902**
Total	**$ 49,206**

NOTE 11 — INCOME TAXES

Provision for Income Taxes

The components of the provision for income taxes were as follows:

(In millions)

Year Ended June 30,	2025	2024	2023
Current Taxes			
U.S. federal	**$ 14,086**	$ 12,165	$ 14,009
U.S. state and local	**3,342**	2,366	2,322
Foreign	**11,423**	9,858	6,678
Current taxes	**$ 28,851**	$ 24,389	$ 23,009
Deferred Taxes			
U.S. federal	**$ (6,250)**	$ (4,791)	$ (6,146)
U.S. state and local	**(1,087)**	(379)	(477)
Foreign	**281**	432	564
Deferred taxes	**$ (7,056)**	$ (4,738)	$ (6,059)
Provision for income taxes	**$ 21,795**	$ 19,651	$ 16,950

U.S. and foreign components of income before income taxes were as follows:

(In millions)

Year Ended June 30,	2025	2024	2023
U.S.	**$ 69,212**	$ 62,886	$ 52,917
Foreign	**54,415**	44,901	36,394
Income before income taxes	**$ 123,627**	$ 107,787	$ 89,311

Effective Tax Rate

The items accounting for the difference between income taxes computed at the U.S. federal statutory rate and our effective rate were as follows:

Year Ended June 30,	2025	2024	2023
Federal statutory rate	**21.0%**	21.0%	21.0%
Effect of:			
Foreign earnings taxed at lower rates	**(1.5)%**	(1.4)%	(1.8)%
Foreign-derived intangible income deduction	**(1.0)%**	(1.1)%	(1.3)%
State income taxes, net of federal benefit	**1.5%**	1.5%	1.6%
Research and development credit	**(1.1)%**	(1.1)%	(1.1)%
Excess tax benefits relating to stock-based compensation	**(0.9)%**	(1.1)%	(0.7)%
Interest, net	**1.0%**	1.1%	0.8%
Other reconciling items, net	**(1.4)%**	(0.7)%	0.5%
Effective rate	**17.6%**	18.2%	19.0%

The decrease from the federal statutory rate in fiscal years 2025, 2024, and 2023 is primarily due to earnings taxed at lower rates in foreign jurisdictions resulting from producing and distributing our products and services through our foreign regional operations center in Ireland. In fiscal years 2025, 2024, and 2023, our foreign regional operating center in Ireland, which is taxed at a rate lower than the U.S. rate, generated 81%, 83%, and 81% of our foreign income before tax. Other reconciling items, net consists primarily of tax credits and the U.S. global intangible low-taxed income tax, and in fiscal year 2024, includes tax benefits from tax law changes. In fiscal year 2024, tax benefits from tax law changes primarily relate to the delay of the effective date of final foreign tax credit regulations. In fiscal years 2025, 2024, and 2023, there were no individually significant other reconciling items.

The decrease in our effective tax rate for fiscal year 2025 compared to fiscal year 2024 was due to changes in the mix of our earnings and tax expenses between the U.S. and foreign countries. The decrease in our effective tax rate for fiscal year 2024 compared to fiscal year 2023 was primarily due to tax benefits from tax law changes, including the delay of the effective date of final foreign tax credit regulations.

The components of the deferred income tax assets and liabilities were as follows:

(In millions)

June 30,	**2025**	**2024**
Deferred Income Tax Assets		
Stock-based compensation expense	**$ 909**	$ 765
Accruals, reserves, and other expenses	**5,050**	4,381
Loss and credit carryforwards	**2,114**	1,741
Amortization	**4,118**	4,159
Leasing liabilities	**12,874**	6,504
Unearned revenue	**4,324**	3,717
Book/tax basis differences in investments and debt	**303**	9
Capitalized research and development	**16,891**	11,442
Other	**529**	426
Deferred income tax assets	**47,112**	33,144
Less valuation allowance	**(1,169)**	(1,045)
Deferred income tax assets, net of valuation allowance	**$ 45,943**	$ 32,099
Deferred Income Tax Liabilities		
Leasing assets	**$ (12,696)**	$ (6,503)
Depreciation	**(5,699)**	(3,940)
Deferred tax on foreign earnings	**(1,148)**	(1,837)
Other	**(127)**	(167)
Deferred income tax liabilities	**$ (19,670)**	$ (12,447)
Net deferred income tax assets	**$ 26,273**	$ 19,652
Reported As		
Other long-term assets	**$ 29,108**	$ 22,270
Long-term deferred income tax liabilities	**(2,835)**	(2,618)
Net deferred income tax assets	**$ 26,273**	$ 19,652

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases and are stated at enacted tax rates expected to be in effect when the taxes are paid or recovered.

As of June 30, 2025, we had federal, state, and foreign net operating loss carryforwards of $390 million, $836 million, and $2.6 billion, respectively. The federal and state net operating loss carryforwards have varying expiration dates ranging from fiscal year 2026 to 2045 or indefinite carryforward periods, if not utilized. The majority of our foreign net operating loss carryforwards do not expire. Certain acquired net operating loss carryforwards are subject to an annual limitation but are expected to be realized with the exception of those which have a valuation allowance. As of June 30, 2025, we had $816 million federal capital loss carryforwards for U.S. tax purposes. The federal capital loss carryforwards will expire in fiscal year 2030 if not utilized.

The valuation allowance disclosed in the table above relates to the foreign net operating loss carryforwards, federal capital loss carryforwards, and other net deferred tax assets that may not be realized.

Income taxes paid, net of refunds, were $28.7 billion, $23.4 billion, and $23.1 billion in fiscal years 2025, 2024, and 2023, respectively.

Uncertain Tax Positions

Gross unrecognized tax benefits related to uncertain tax positions as of June 30, 2025, 2024, and 2023, were $24.7 billion, $22.8 billion, and $17.1 billion, respectively, which were primarily included in long-term income taxes in our consolidated balance sheets. If recognized, the resulting tax benefit would affect our effective tax rates for fiscal years 2025, 2024, and 2023 by $21.2 billion, $19.6 billion, and $14.4 billion, respectively.

As of June 30, 2025, 2024, and 2023, we had accrued interest expense related to uncertain tax positions of $8.2 billion, $6.8 billion, and $5.2 billion, respectively, net of income tax benefits. The provision for income taxes for fiscal years 2025, 2024, and 2023 included interest expense related to uncertain tax positions of $1.3 billion, $1.5 billion, and $918 million, respectively, net of income tax benefits.

The aggregate changes in the gross unrecognized tax benefits related to uncertain tax positions were as follows:

(In millions)

Year Ended June 30,	**2025**	**2024**	**2023**
Beginning unrecognized tax benefits	**$ 22,760**	$ 17,120	$ 15,593
Decreases related to settlements	**(240)**	(76)	(329)
Increases for tax positions related to the current year	**2,066**	1,903	1,051
Increases for tax positions related to prior years	**468**	4,289	870
Decreases for tax positions related to prior years	**(300)**	(464)	(60)
Decreases due to lapsed statutes of limitations	**(25)**	(12)	(5)
Ending unrecognized tax benefits	**$ 24,729**	$ 22,760	$ 17,120

We remain under audit by the IRS for tax years 2014 to 2017. With respect to the audit for tax years 2004 to 2013, on September 26, 2023, we received Notices of Proposed Adjustment (“NOPAs”) from the IRS. The primary issues in the NOPAs relate to intercompany transfer pricing. In the NOPAs, the IRS is seeking an additional tax payment of $28.9 billion plus penalties and interest. As of June 30, 2025, we believe our allowances for income tax contingencies are adequate. We disagree with the proposed adjustments and will vigorously contest the NOPAs through the IRS’s administrative appeals office and, if necessary, judicial proceedings. We do not expect a final resolution of these issues in the next 12 months. Based on the information currently available, we do not anticipate a significant increase or decrease to our income tax contingencies for these issues within the next 12 months.

We are subject to income tax in many jurisdictions outside the U.S., some of which are currently under audit by local tax authorities. The resolution of these audits is not expected to be material to our consolidated financial statements. Our operations in Ireland remain subject to examination for tax years 2020 and thereafter.

NOTE 12 — UNEARNED REVENUE

Unearned revenue by segment was as follows:

(In millions)

June 30,	**2025**	**2024**
Productivity and Business Processes	**$ 50,567**	$ 43,599
Intelligent Cloud	**14,022**	13,683
More Personal Computing	**2,676**	2,902
Total	**$ 67,265**	$ 60,184

We have recast certain prior period amounts to conform to the way we internally manage and monitor our business. Refer to Note 1 – Accounting Policies for further information.

Changes in unearned revenue were as follows:

(In millions)

Year Ended June 30, 2025	
Balance, beginning of period	**$ 60,184**
Deferral of revenue	**186,957**
Recognition of unearned revenue	**(179,876)**
Balance, end of period	**$ 67,265**

Revenue allocated to remaining performance obligations, which includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods, was $375 billion as of June 30, 2025, of which $368 billion is related to the commercial portion of revenue. We expect to recognize approximately 40% of our total company remaining performance obligation revenue over the next 12 months and the remainder thereafter.

NOTE 13 — LEASES

We have operating and finance leases for datacenters, corporate offices, research and development facilities, Microsoft Experience Centers, and certain equipment. Our leases have remaining lease terms of less than 1 year to 20 years, some of which include options to extend the leases for up to 5 years, and some of which include options to terminate the leases within 1 year.

The components of lease expense were as follows:

(In millions)

Year Ended June 30,	**2025**	**2024**	**2023**
Operating lease cost	**$ 5,524**	$ 3,555	$ 2,875
Finance lease cost:			
Amortization of right-of-use assets	**$ 3,408**	$ 1,800	$ 1,352
Interest on lease liabilities	**1,417**	734	501
Total finance lease cost	**$ 4,825**	$ 2,534	$ 1,853

Supplemental cash flow information related to leases was as follows:

(In millions)

Year Ended June 30,	**2025**	**2024**	**2023**
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	**$ 4,931**	$ 3,550	$ 2,706
Operating cash flows from finance leases	**1,372**	734	501
Financing cash flows from finance leases	**2,283**	1,286	1,056
Right-of-use assets obtained in exchange for lease obligations:			
Operating leases	**7,826**	6,703	3,514
Finance leases	**20,511**	11,633	3,128

Supplemental balance sheet information related to leases was as follows:

(In millions, except lease term and discount rate)

June 30,	**2025**	**2024**
Operating Leases		
Operating lease right-of-use assets	**$ 24,823**	$ 18,961
Other current liabilities	**$ 5,424**	$ 3,580
Operating lease liabilities	**17,437**	15,497
Total operating lease liabilities	**$ 22,861**	$ 19,077
Finance Leases		
Property and equipment, at cost	**$ 53,876**	$ 32,248
Accumulated depreciation	**(9,861)**	(6,386)
Property and equipment, net	**$ 44,015**	$ 25,862
Other current liabilities	**$ 3,172**	$ 2,349
Other long-term liabilities	**43,000**	24,796
Total finance lease liabilities	**$ 46,172**	$ 27,145
Weighted Average Remaining Lease Term		
Operating leases	**6 years**	7 years
Finance leases	**13 years**	12 years
Weighted Average Discount Rate		
Operating leases	**3.5%**	3.3%
Finance leases	**4.2%**	3.9%

The following table outlines maturities of our lease liabilities as of June 30, 2025:

(In millions)

Year Ending June 30,	**Operating Leases**	**Finance Leases**
2026	**$ 6,111**	**$ 5,008**
2027	**5,237**	**5,157**
2028	**3,495**	**5,187**
2029	**2,419**	**4,521**
2030	**2,017**	**4,382**
Thereafter	**6,202**	**36,251**
Total lease payments	**25,481**	**60,506**
Less imputed interest	**(2,620)**	**(14,334)**
Total	**$ 22,861**	**$ 46,172**

As of June 30, 2025, we had additional leases, primarily for datacenters, that had not yet commenced of $92.7 billion. These leases will commence between fiscal year 2026 and fiscal year 2031 with lease terms of 1 year to 20 years.

NOTE 14 — CONTINGENCIES

Irish Data Protection Commission Matter

In 2018, the Irish Data Protection Commission ("IDPC") began investigating a complaint against LinkedIn as to whether LinkedIn's targeted advertising practices violated the recently implemented European Union General Data Protection Regulation ("GDPR"). Microsoft cooperated throughout the period of inquiry. In October 2024, the IDPC provided LinkedIn with a final decision alleging GDPR violations and assessing a fine. In November 2024, LinkedIn appealed the final decision to the Irish courts, and the next hearing is scheduled for December 2025.

Other Contingencies

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 in our consolidated financial statements, these matters are subject to inherent uncertainties and management's view of these matters may change in the future.

As of June 30, 2025, we accrued aggregate legal liabilities of $541 million. While we intend to defend these matters vigorously, adverse outcomes that we estimate could reach approximately $600 million in aggregate beyond recorded amounts are reasonably possible. Were unfavorable final outcomes to occur, there exists the possibility of a material adverse impact in our consolidated financial statements for the period in which the effects become reasonably estimable.

NOTE 15 — STOCKHOLDERS' EQUITY

Shares Outstanding

Shares of common stock outstanding were as follows:

(In millions)

Year Ended June 30,	**2025**	**2024**	**2023**
Balance, beginning of year	**7,434**	7,432	7,464
Issued	**31**	34	37
Repurchased	**(31)**	(32)	(69)
Balance, end of year	**7,434**	7,434	7,432

Share Repurchases

On September 14, 2021, our Board of Directors approved a share repurchase program authorizing up to $60.0 billion in share repurchases. This share repurchase program commenced in November 2021 and was completed in April 2025.

On September 16, 2024, our Board of Directors approved a share repurchase program authorizing up to $60.0 billion in share repurchases. This share repurchase program commenced in April 2025, following completion of the program approved on September 14, 2021, has no expiration date, and may be terminated at any time. As of June 30, 2025, $57.3 billion remained of this $60.0 billion share repurchase program.

We repurchased the following shares of common stock under the share repurchase programs:

(In millions)	Shares	Amount	Shares	Amount	Shares	Amount
Year Ended June 30,		2025		2024		2023
First Quarter	**7**	**$ 2,800**	11	$ 3,560	17	$ 4,600
Second Quarter	**8**	**3,500**	7	2,800	20	4,600
Third Quarter	**8**	**3,500**	7	2,800	18	4,600
Fourth Quarter	**8**	**3,200**	7	2,800	14	4,600
Total	**31**	**$ 13,000**	32	$ 11,960	69	$ 18,400

All repurchases were made using cash resources. Shares repurchased during the fourth quarter of fiscal year 2025 were under the share repurchase programs approved on September 14, 2021 and September 16, 2024. All other shares repurchased were under the share repurchase program approved on September 14, 2021. The above table excludes shares repurchased to settle employee tax withholding related to the vesting of stock awards of $5.4 billion, $5.3 billion, and $3.8 billion for fiscal years 2025, 2024, and 2023, respectively.

Dividends

Our Board of Directors declared the following dividends:

Declaration Date	Record Date	Payment Date	Dividend Per Share	Amount
Fiscal Year 2025				(In millions)
September 16, 2024	**November 21, 2024**	**December 12, 2024**	**$ 0.83**	**$ 6,170**
December 3, 2024	**February 20, 2025**	**March 13, 2025**	**0.83**	**6,169**
March 11, 2025	**May 15, 2025**	**June 12, 2025**	**0.83**	**6,169**
June 10, 2025	**August 21, 2025**	**September 11, 2025**	**0.83**	**6,170**
Total			**$ 3.32**	**$ 24,678**
Fiscal Year 2024				
September 19, 2023	November 16, 2023	December 14, 2023	$ 0.75	$ 5,574
November 28, 2023	February 15, 2024	March 14, 2024	0.75	5,573
March 12, 2024	May 16, 2024	June 13, 2024	0.75	5,574
June 12, 2024	August 15, 2024	September 12, 2024	0.75	5,574
Total			$ 3.00	$ 22,295

The dividend declared on June 10, 2025 was included in other current liabilities as of June 30, 2025.

NOTE 16 — ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table summarizes the changes in accumulated other comprehensive income (loss) by component:

(In millions)

Year Ended June 30,	**2025**	**2024**	**2023**
Derivatives			
Balance, beginning of period	**$ (3)**	$ (27)	$ (13)
Unrealized gains (losses), net of tax of **$20**, $(4), and $9	**77**	(14)	34
Reclassification adjustments for (gains) losses included in other income (expense), net	**(103)**	48	(61)
Tax expense (benefit) included in provision for income taxes	**21**	(10)	13
Amounts reclassified from accumulated other comprehensive loss	**(82)**	38	(48)
Net change related to derivatives, net of tax of **$(1)**, $6, and $(4)	**(5)**	24	(14)
Balance, end of period	**$ (8)**	$ (3)	$ (27)
Investments			
Balance, beginning of period	**$ (2,625)**	$ (3,582)	$ (2,138)
Unrealized gains (losses), net of tax of **$411**, $247, and $(393)	**1,560**	915	(1,523)
Reclassification adjustments for losses included in other income (expense), net	**17**	53	99
Tax benefit included in provision for income taxes	**(3)**	(11)	(20)
Amounts reclassified from accumulated other comprehensive loss	**14**	42	79
Net change related to investments, net of tax of **$414**, $258, and $(373)	**1,574**	957	(1,444)
Balance, end of period	**$ (1,051)**	$ (2,625)	$ (3,582)
Translation Adjustments and Other			
Balance, beginning of period	**$ (2,962)**	$ (2,734)	$ (2,527)
Translation adjustments and other, net of tax of **$8**, $0, and $0	**674**	(228)	(207)
Balance, end of period	**$ (2,288)**	$ (2,962)	$ (2,734)
Accumulated other comprehensive loss, end of period	**$ (3,347)**	$ (5,590)	$ (6,343)

NOTE 17 — EMPLOYEE STOCK AND SAVINGS PLANS

We grant stock-based compensation to employees and directors. Awards that expire or are canceled without delivery of shares generally become available for issuance under the plans. We issue new shares of Microsoft common stock to satisfy vesting of awards granted under our stock plans. We also have an ESPP for all eligible employees.

Stock-based compensation expense and related income tax benefits were as follows:

(In millions)

Year Ended June 30,	**2025**	**2024**	**2023**
Stock-based compensation expense	**$ 11,974**	$ 10,734	$ 9,611
Income tax benefits related to stock-based compensation	**2,027**	1,826	1,651

Stock Plans

Stock awards entitle the holder to receive shares of Microsoft common stock as the award vests. Stock awards generally vest over a service period of four years or five years.

Executive Incentive Plan

Under the Executive Incentive Plan, the Compensation Committee approves stock awards to executive officers and certain senior executives. RSUs generally vest ratably over a service period of four years. PSUs generally vest over a performance period of three years. The number of shares the PSU holder receives is based on the extent to which the corresponding performance goals have been achieved.

Activity for All Stock Plans

The fair value of stock awards was estimated on the date of grant using the following assumptions:

Year Ended June 30,	2025	2024	2023
Dividends per share (quarterly amounts)	**$ 0.75–0.83**	$ 0.68–0.75	$ 0.62–0.68
Interest rates	**3.4%–5.5%**	3.8%–5.6%	2.0%–5.4%

During fiscal year 2025, the following activity occurred under our stock plans:

	Shares	Weighted Average Grant-Date Fair Value
	(In millions)	
Stock Awards		
Nonvested balance, beginning of year	**88**	**$ 292.28**
Granted [(a)]	**39**	**413.90**
Vested	**(38)**	**293.25**
Forfeited	**(7)**	**317.23**
Nonvested balance, end of year	**82**	**$ 347.44**

(a) *Includes 1 million of PSUs granted at target and performance adjustments above target levels for each of the fiscal years 2025, 2024, and 2023.*

As of June 30, 2025, total unrecognized compensation costs related to stock awards were $21.6 billion. These costs are expected to be recognized over a weighted average period of three years. The weighted average grant-date fair value of stock awards granted was $413.90, $339.46, and $252.59 for fiscal years 2025, 2024, and 2023, respectively. The fair value of stock awards vested was $16.2 billion, $16.0 billion, and $11.9 billion, for fiscal years 2025, 2024, and 2023, respectively. As of June 30, 2025, an aggregate of 98 million shares were authorized for future grant under our stock plans.

Employee Stock Purchase Plan

We have an ESPP for all eligible employees. Shares of our common stock may be purchased by employees at three-month intervals at 90% of the fair market value on the last trading 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,	**2025**	**2024**	**2023**
Shares purchased	**6**	6	7
Average price per share	**$ 385.10**	$ 339.46	$ 245.59

As of June 30, 2025, 62 million shares of our common stock were reserved for future issuance through the ESPP.

Savings Plans

We have savings plans in the U.S. that qualify under Section 401(k) of the Internal Revenue Code, and a number of savings plans in international locations. Eligible U.S. employees may contribute a portion of their salary into the savings plans, subject to certain limitations. We match a portion of each dollar a participant contributes into the plans. Employer-funded retirement benefits for all plans were $1.8 billion, $1.7 billion, and $1.6 billion in fiscal years 2025, 2024, and 2023, respectively, and were expensed as contributed.

NOTE 18 — SEGMENT INFORMATION AND GEOGRAPHIC DATA

In its operation of the business, management, including our chief operating decision maker (“CODM”), who is also our Chief Executive Officer, reviews certain financial information, including segmented internal profit and loss statements. The primary profitability measure used by the CODM to review segment operating results is operating income. The CODM uses operating income to allocate resources during our annual planning process and throughout the year, as well as to assess the performance of our segments, primarily by monitoring actual results compared to prior periods and expected results. During the periods presented, we reported our financial performance based on the following segments: Productivity and Business Processes, Intelligent Cloud, and More Personal Computing.

We have recast certain prior period amounts to conform to the way we internally manage and monitor our business. Refer to Note 1 – Accounting Policies for further information.

Our reportable segments are described below.

Productivity and Business Processes

Our Productivity and Business Processes segment consists of products and services in our portfolio of productivity, communication, and information services, spanning a variety of devices and platforms. This segment primarily comprises:

- Microsoft 365 Commercial products and cloud services, including Microsoft 365 Commercial cloud, comprising Microsoft 365 Commercial, Enterprise Mobility + Security, the cloud portion of Windows Commercial, the per-user portion of Power BI, Exchange, SharePoint, Microsoft Teams, Microsoft 365 Security and Compliance, and Microsoft 365 Copilot; and Microsoft 365 Commercial products, comprising Windows Commercial on-premises and Office licensed on-premises.
- Microsoft 365 Consumer products and cloud services, including Microsoft 365 Consumer subscriptions, Office licensed on-premises, and other consumer services.
- LinkedIn, including Talent Solutions, Marketing Solutions, Premium Subscriptions, and Sales Solutions.
- Dynamics products and cloud services, including Dynamics 365, comprising a set of intelligent, cloud-based applications across ERP, CRM, Power Apps, and Power Automate; and on-premises ERP and CRM applications.

Intelligent Cloud

Our Intelligent Cloud segment consists of our public, private, and hybrid server products and cloud services that power modern business and developers. This segment primarily comprises:

- Server products and cloud services, including Azure and other cloud services, comprising cloud and AI consumption-based services, GitHub cloud services, Nuance Healthcare cloud services, virtual desktop offerings, and other cloud services; and Server products, comprising SQL Server, Windows Server, Visual Studio, System Center, related Client Access Licenses ("CALs"), and other on-premises offerings.
- Enterprise and partner services, including Enterprise Support Services, Industry Solutions, Nuance professional services, Microsoft Partner Network, and Learning Experience.

More Personal Computing

Our More Personal Computing segment consists of products and services that put customers at the center of the experience with our technology. This segment primarily comprises:

- Windows and Devices, including Windows OEM licensing (Windows Pro and non-Pro licenses sold through the OEM channel) and Devices, comprising Surface and PC accessories.
- Gaming, including Xbox hardware and Xbox content and services, comprising first- and third-party content (including games and in-game content), Xbox Game Pass and other subscriptions, Xbox Cloud Gaming, advertising, and other cloud services.
- Search and news advertising, comprising Bing and Copilot, Microsoft News, Microsoft Edge, and third-party affiliates.

Revenue and costs are generally directly attributed to our segments. However, due to the integrated structure of our business, certain revenue recognized and costs incurred by one segment may benefit other segments. Revenue from certain contracts is allocated among the segments based on the relative value of the underlying products and services, which can include allocation based on actual prices charged, prices when sold separately, or estimated costs plus a profit margin. Cost of revenue is allocated in certain cases based on a relative revenue methodology. Operating expenses that are allocated primarily include those relating to marketing of products and services from which multiple segments benefit and are generally allocated based on relative gross margin.

In addition, certain costs are incurred at a corporate level and allocated to our segments. These allocated costs generally include legal, including settlements and fines, information technology, human resources, finance, excise taxes, field selling, shared facilities services, customer service and support, and severance incurred as part of a corporate program. Each allocation is measured differently based on the specific facts and circumstances of the costs being allocated and is generally based on relative gross margin or relative headcount.

Segment revenue, cost of revenue, operating expenses, and operating income were as follows during the periods presented:

(In millions)

Year Ended June 30,	**2025**	**2024**	**2023**
Productivity and Business Processes			
Revenue	**$ 120,810**	$ 106,820	$ 94,151
Cost of revenue	**22,422**	19,611	17,202
Operating expenses	**28,615**	27,548	26,875
Operating Income	**$ 69,773**	$ 59,661	$ 50,074
Intelligent Cloud			
Revenue	**$ 106,265**	$ 87,464	$ 72,944
Cost of revenue	**40,171**	29,611	24,109
Operating expenses	**21,505**	20,040	20,424
Operating Income	**$ 44,589**	$ 37,813	$ 28,411
More Personal Computing			
Revenue	**$ 54,649**	$ 50,838	$ 44,820
Cost of revenue	**25,238**	24,892	24,552
Operating expenses	**15,245**	13,987	10,230
Operating Income	**$ 14,166**	$ 11,959	$ 10,038
Total			
Revenue	**$ 281,724**	$ 245,122	$ 211,915
Cost of revenue	**87,831**	74,114	65,863
Operating expenses	**65,365**	61,575	57,529
Operating Income	**$ 128,528**	$ 109,433	$ 88,523

No sales to an individual customer or country other than the United States accounted for more than 10% of revenue for fiscal years 2025, 2024, or 2023. Revenue, classified by the major geographic areas in which our customers were located, was as follows:

(In millions)

Year Ended June 30,	**2025**	**2024**	**2023**
United States [(a)]	**$144,546**	$ 124,704	$ 106,744
Other countries	**137,178**	120,418	105,171
Total	**$281,724**	$ 245,122	$ 211,915

(a) *Includes billings to OEMs and certain multinational organizations because of the nature of these businesses and the impracticability of determining the geographic source of the revenue.*

Revenue, classified by significant product and service offerings, was as follows:

(In millions)

Year Ended June 30,	**2025**	**2024**	**2023**
Server products and cloud services	**$ 98,435**	$ 79,828	$ 65,007
Microsoft 365 Commercial products and cloud services	**87,767**	76,969	66,949
Gaming	**23,455**	21,503	15,466
LinkedIn	**17,812**	16,372	14,989
Windows and Devices	**17,314**	17,026	17,147
Search and news advertising	**13,878**	12,306	12,125
Dynamics products and cloud services	**7,827**	6,831	5,796
Enterprise and partner services	**7,760**	7,594	7,900
Microsoft 365 Consumer products and cloud services	**7,404**	6,648	6,417
Other	**72**	45	119
Total	**$ 281,724**	$245,122	$211,915

Our Microsoft Cloud revenue, which includes Microsoft 365 Commercial cloud, Azure and other cloud services, the commercial portion of LinkedIn, and Dynamics 365, was $168.9 billion, $137.7 billion, and $111.6 billion in fiscal years 2025, 2024, and 2023, respectively. These amounts are included in Microsoft 365 Commercial products and cloud services, Server products and cloud services, LinkedIn, and Dynamics products and cloud services in the table above.

Assets are not allocated to segments for internal reporting presentations. A portion of amortization and depreciation is included with various other costs in an overhead allocation to each segment. It is impracticable for us to separately identify the amount of amortization and depreciation by segment that is included in the measure of segment profit or loss.

Long-lived assets, excluding financial instruments and tax assets, classified by the location of the controlling statutory company and with countries over 10% of the total shown separately, were as follows:

(In millions)

June 30,	**2025**	**2024**	**2023**
United States	**$ 230,069**	$ 186,106	$ 114,380
Other countries	**141,833**	115,263	72,859
Total	**$ 371,902**	$ 301,369	$ 187,239

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Microsoft Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Microsoft Corporation and subsidiaries (the "Company") as of June 30, 2025 and 2024, the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity, for each of the three years in the period ended June 30, 2025, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2025, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2025, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated July 30, 2025, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition – Refer to Note 1 to the financial statements

Critical Audit Matter Description

The Company recognizes revenue upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. The Company offers customers the ability to acquire multiple licenses of software products and services, including cloud-based services, in its customer agreements through its volume licensing programs.

Significant judgment is exercised by the Company in determining revenue recognition for certain customer agreements, and includes the following:

- Determination of whether products and services are considered distinct performance obligations that should be accounted for separately versus together, such as software licenses and related services that are sold with cloud-based services.
- The pattern of delivery (i.e., timing of when revenue is recognized) for each distinct performance obligation.
- Identification and treatment of contract terms that may impact the timing and amount of revenue recognized (e.g., variable consideration, optional purchases, and free services).
- Determination of stand-alone selling prices for each distinct performance obligation and for products and services that are not sold separately.

Given these factors and due to the volume of transactions, the related audit effort in evaluating management's judgments in determining revenue recognition for certain customer agreements was extensive and required a high degree of auditor judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our principal audit procedures related to the Company's revenue recognition for certain customer agreements included the following:

- We tested the effectiveness of controls related to the identification of distinct performance obligations, the determination of the timing of revenue recognition, and the estimation of variable consideration.
- We evaluated management's significant accounting policies related to certain customer agreements for reasonableness.
- We selected a sample of customer agreements and performed the following procedures:
    - Obtained and read contract source documents for each selection, including master agreements, and other documents that were part of the agreement.
    - Tested management's identification and treatment of contract terms.
    - Assessed the terms in the customer agreement and evaluated the appropriateness of management's application of their accounting policies, along with their use of estimates, in the determination of revenue recognition conclusions.
- We evaluated the reasonableness of management's estimate of stand-alone selling prices for products and services that are not sold separately.
- We tested the mathematical accuracy of management's calculations of revenue and the associated timing of revenue recognized in the financial statements.

Income Taxes – Uncertain Tax Positions – Refer to Note 11 to the financial statements

Critical Audit Matter Description

The Company's long-term income taxes liability includes uncertain tax positions related to transfer pricing issues that remain unresolved with the Internal Revenue Service ("IRS"). The Company remains under IRS audit, or subject to IRS audit, for tax years subsequent to 2003. During fiscal year 2024, the Company received Notices of Proposed Adjustments ("NOPAs") for the tax years 2004 to 2013, primarily related to intercompany transfer pricing. While the Company has settled a portion of the IRS audits, resolution of the remaining matters could have a material impact on the Company's financial statements.

Conclusions on recognizing and measuring uncertain tax positions involve significant estimates and management judgment and include complex considerations of the Internal Revenue Code, related regulations, tax case laws, and prior-year audit settlements. Given the complexity and the subjective nature of certain transfer pricing issues that remain unresolved with the IRS, evaluating management's estimates relating to their determination of uncertain tax positions required a high degree of auditor judgment, including involvement of our tax specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our principal audit procedures to evaluate management's estimates of uncertain tax positions related to unresolved transfer pricing issues included the following:

- We evaluated management's methods and assumptions used in the measurement and disclosure of uncertain tax positions, which included testing the effectiveness of the related internal controls.
- We tested the reasonableness of management's judgments regarding the future resolution of uncertain tax positions, as follows:
    - We evaluated whether management had appropriately considered new information that could significantly change the measurement of the uncertain tax positions.
    - We evaluated the reasonableness of management's estimates by considering how changes in tax law, including statutes, regulations, and recent case law, impacted management's judgments.
- We evaluated the appropriateness of the disclosures in relation to the underlying facts, judgments, and conclusions.

/s/ DELOITTE & TOUCHE LLP

Seattle, Washington
July 30, 2025

We have served as the Company's auditor since 1983.

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our consolidated financial statements; providing reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use, or disposition of company assets that could have a material effect on our consolidated financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our consolidated financial statements would be prevented or detected.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of June 30, 2025. There were no changes in our internal control over financial reporting during the quarter ended June 30, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Deloitte & Touche LLP has audited our internal control over financial reporting as of June 30, 2025; their report is included in Item 9A.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Microsoft Corporation

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Microsoft Corporation and subsidiaries (the "Company") as of June 30, 2025, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2025, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended June 30, 2025, of the Company and our report dated July 30, 2025, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Seattle, Washington
July 30, 2025

ITEM 9B. OTHER INFORMATION

Insider Trading Arrangements

None of our officers or directors, as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, adopted, modified, or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as defined in Item 408 of Regulation S-K, during the three months ended June 30, 2025.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

A list of our executive officers and biographical information appears in Part I, Item 1 of this Form 10-K. Information about our directors may be found under the caption "Our Director Nominees" in our Proxy Statement for the Annual Meeting of Shareholders to be held December 5, 2025 (the "Proxy Statement"). Information about our Audit Committee may be found under the caption "Board Committees" in the Proxy Statement. Information about our trading policies and procedures can be found under the caption "Insider Trading Policies and Procedures" in the Proxy Statement. That information is incorporated herein by reference.

We have adopted the Microsoft Finance Code of Professional Conduct (the "finance code of ethics"), a code of ethics that applies to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, and other finance organization employees. The finance code of ethics is publicly available on our website at https://aka.ms/FinanceCodeProfessionalConduct. If we make any substantive amendments to the finance code of ethics or grant any waiver, including any implicit waiver, from a provision of the code to our Chief Executive Officer, Chief Financial Officer, or Chief Accounting Officer, we will disclose the nature of the amendment or waiver on that website or in a report on Form 8-K.

We will provide disclosure of delinquent Section 16(a) reports, if any, in our Proxy Statement under the caption "Delinquent Section 16(a) Reports," and such disclosure, if any, is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information in the Proxy Statement set forth under the captions “Director Compensation,” “Named Executive Officer Compensation,” “Compensation Committee Report,” and, if required, “Compensation Committee Interlocks and Insider Participation,” is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information in the Proxy Statement set forth under the captions “Stock Ownership Information,” “Principal Shareholders,” and “Equity Compensation Plan Information” is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information set forth in the Proxy Statement under the captions “Director Independence” and “Certain Relationships and Related Transactions” is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information concerning fees and services provided by our principal accountant, Deloitte & Touche LLP (PCAOB ID No. 34), appears in the Proxy Statement under the headings “Fees Billed by Deloitte & Touche” and “Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditor” and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Schedules

The financial statements are set forth under Part II, Item 8 of this Form 10-K, as indexed below. Financial statement schedules have been omitted since they either are not required, not applicable, or the information is otherwise included.

(b) Exhibit Listing

			Incorporated by Reference			
Exhibit Number	Exhibit Description	Filed Herewith	Form	Period Ending	Exhibit	Filing Date
3.1	Amended and Restated Articles of Incorporation of Microsoft Corporation		8-K		3.1	12/1/2016
3.2	Bylaws of Microsoft Corporation		8-K		3.2	7/1/2025
4.1	Indenture, dated as of May 18, 2009, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee ("Base Indenture")		S-3ASR		4.1	10/29/2015
4.2	Form of First Supplemental Indenture for 2.95% Notes due 2014, 4.20% Notes due 2019, and 5.20% Notes due 2039, dated as of May 18, 2009, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee, to the Base Indenture		8-K		4.2	5/15/2009

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form	Period Ending	Exhibit	Filing Date
4.5	Form of Second Supplemental Indenture for 0.875% Notes due 2013, 1.625% Notes due 2015, 3.00% Notes due 2020, and 4.50% Notes due 2040, dated as of September 27, 2010, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee, to the Indenture, dated as of May 18, 2009, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee		8-K		4.2	9/27/2010
4.6	Third Supplemental Indenture for 2.500% Notes due 2016, 4.000% Notes due 2021, and 5.300% Notes due 2041, dated as of February 8, 2011, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee, to the Indenture, dated as of May 18, 2009, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee		8-K		4.2	2/8/2011

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form	Period Ending	Exhibit	Filing Date
4.7	Fourth Supplemental Indenture for 0.875% Notes due 2017, 2.125% Notes due 2022, and 3.500% Notes due 2042, dated as of November 7, 2012, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee, to the Indenture, dated as of May 18, 2009, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee		8-K		4.1	11/7/2012
4.8	Fifth Supplemental Indenture for 2.625% Notes due 2033, dated as of May 2, 2013, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee, to the Indenture, dated as of May 18, 2009, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee		8-K		4.1	5/1/2013
4.9	Sixth Supplemental Indenture for 1.000% Notes due 2018, 2.375% Notes due 2023, and 3.750% Notes due 2043, dated as of May 2, 2013, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee, to the Indenture, dated as of May 18, 2009, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee		8-K		4.2	5/1/2013

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form	Period Ending	Exhibit	Filing Date
4.10	Seventh Supplemental Indenture for 2.125% Notes due 2021 and 3.125% Notes due 2028, dated as of December 6, 2013, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee, to the Indenture, dated as of May 18, 2009, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee		8-K		4.1	12/6/2013
4.11	Eighth Supplemental Indenture for 1.625% Notes due 2018, 3.625% Notes due 2023, and 4.875% Notes due 2043, dated as of December 6, 2013, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee, to the Indenture, dated as of May 18, 2009, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee		8-K		4.2	12/6/2013

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form	Period Ending	Exhibit	Filing Date
4.12	Ninth Supplemental Indenture for 1.850% Notes due 2020, 2.375% Notes due 2022, 2.700% Notes due 2025, 3.500% Notes due 2035, 3.750% Notes due 2045, and 4.000% Notes due 2055, dated as of February 12, 2015, between Microsoft Corporation and U.S. Bank National Association, as Trustee, to the Indenture, dated as of May 18, 2009, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee		8-K		4.1	2/12/2015
4.13	Tenth Supplemental Indenture for 1.300% Notes due 2018, 2.000% Notes due 2020, 2.650% Notes due 2022, 3.125% Notes due 2025, 4.200% Notes due 2035, 4.450% Notes due 2045, and 4.750% Notes due 2055, dated as of November 3, 2015, between Microsoft Corporation and U.S. Bank National Association, as Trustee, to the Indenture, dated as of May 18, 2009, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee		8-K		4.1	11/3/2015

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form	Period Ending	Exhibit	Filing Date
4.14	Eleventh Supplemental Indenture for 1.100% Notes due 2019, 1.550% Notes due 2021, 2.000% Notes due 2023, 2.400% Notes due 2026, 3.450% Notes due 2036, 3.700% Notes due 2046, and 3.950% Notes due 2056, dated as of August 8, 2016, between Microsoft Corporation and U.S. Bank, National Association, as Trustee, to the Indenture, dated as of May 18, 2009, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee		8-K		4.1	8/5/2016
4.15	Twelfth Supplemental Indenture for 1.850% Notes due 2020, 2.400% Notes due 2022, 2.875% Notes due 2024, 3.300% Notes due 2027, 4.100% Notes due 2037, 4.250% Notes due 2047, and 4.500% Notes due 2057, dated as of February 6, 2017, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee, to the Indenture, dated as of May 18, 2009, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee		8-K		4.1	2/3/2017

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form	Period Ending	Exhibit	Filing Date
4.16	Thirteenth Supplemental Indenture for 2.525% Notes due 2050 and 2.675% Notes due 2060, dated as of June 1, 2020, between Microsoft Corporation and U.S. Bank National Association, as Trustee, to the Indenture, dated as of May 18, 2009, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee		8-K		4.1	6/1/2020
4.17	Fourteenth Supplemental Indenture for 2.921% Notes due 2052 and 3.041% Notes due 2062, dated as of March 17, 2021, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee, to the Indenture, dated as of May 18, 2009, between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee		8-K		4.1	3/17/2021
4.18	Fifteenth Supplemental Indenture, dated as of November 6, 2023, by and between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee		8-K		4.2	11/6/2023
4.19	Indenture, dated as of September 19, 2016, by and between Activision Blizzard, Inc. and Wells Fargo Bank, National Association, as Trustee, with respect to Activision Blizzard, Inc.'s 3.400% Senior Notes due 2026		8-K		4.9	11/6/2023

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form	Period Ending	Exhibit	Filing Date
4.20	Base Indenture, dated as of May 26, 2017, by and between Activision Blizzard, Inc. and Wells Fargo Bank, National Association, as Trustee, with respect to Activision Blizzard, Inc.’s 3.400% Senior Notes due 2027, 1.350% Senior Notes due 2030, 4.500% Senior Notes due 2047 and 2.500% Senior Notes due 2050		8-K		4.10	11/6/2023
4.21	First Supplemental Indenture, dated as of May 26, 2017, by and between Activision Blizzard, Inc. and Wells Fargo Bank, National Association, as Trustee, with respect to Activision Blizzard, Inc.’s 3.400% Senior Notes due 2027 and 4.500% Senior Notes due 2047		8-K		4.11	11/6/2023
4.22	Second Supplemental Indenture, dated as of August 10, 2020, by and between Activision Blizzard, Inc. and Wells Fargo Bank, National Association, as Trustee, with respect to Activision Blizzard, Inc.’s 1.350% Senior Notes due 2030 and 2.500% Senior Notes due 2050		8-K		4.12	11/6/2023
4.23	First Supplemental Indenture, dated as of October 27, 2023, by and between Activision Blizzard, Inc. and Computershare Trust Company, N.A., with respect to Activision Blizzard, Inc.’s 3.400% Senior Notes due 2026		8-K		4.13	11/6/2023

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form	Period Ending	Exhibit	Filing Date
4.24	Third Supplemental Indenture, dated as of October 27, 2023, by and between Activision Blizzard, Inc. and Computershare Trust Company, N.A., with respect to Activision Blizzard, Inc.'s 3.400% Senior Notes due 2027 and 4.500% Senior Notes due 2047		8-K		4.14	11/6/2023
4.25	Fourth Supplemental Indenture, dated as of October 27, 2023, by and between Activision Blizzard, Inc. and Computershare Trust Company, N.A., with respect to Activision Blizzard, Inc.'s 1.350% Senior Notes due 2030 and 2.500% Senior Notes due 2050		8-K		4.15	11/6/2023
4.26	Description of Securities		10-K	6/30/2024	4.26	7/30/2024
10.1*	Microsoft Corporation 2001 Stock Plan		10-Q	9/30/2016	10.1	10/20/2016
10.2*	Microsoft Corporation Employee Stock Purchase Plan		DEF14A		Annex A	10/14/2021
10.3*	Microsoft Corporation Deferred Compensation Plan		10-K	6/30/2024	10.5	7/30/2024
10.4*	Microsoft Corporation 2017 Stock Plan		DEF14A		Annex C	10/16/2017
10.5*	Form of Stock Award Agreement Under the Microsoft Corporation 2017 Stock Plan		10-Q	3/31/2018	10.26	4/26/2018
10.6*	Form of Performance Stock Award Agreement Under the Microsoft Corporation 2017 Stock Plan		10-Q	3/31/2018	10.27	4/26/2018

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form	Period Ending	Exhibit	Filing Date
10.7	Amended and Restated Officers' Indemnification Trust Agreement between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee	X				
10.8	Form of Indemnification Agreement and Amended and Restated Directors' Indemnification Trust Agreement between Microsoft Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee	X				
10.9*	Microsoft Corporation Deferred Compensation Plan for Non-Employee Directors		10-Q	12/31/2017	10.14	1/31/2018
10.10*	Microsoft Corporation Executive Incentive Plan		8-K		10.1	9/19/2018
10.11*	Microsoft Corporation Executive Incentive Plan		10-Q	9/30/2016	10.17	10/20/2016
10.12*	Form of Executive Incentive Plan (Executive Officer SAs) Stock Award Agreement under the Microsoft Corporation 2001 Stock Plan		10-Q	9/30/2016	10.18	10/20/2016
10.13*	Form of Executive Incentive Plan Performance Stock Award Agreement under the Microsoft Corporation 2001 Stock Plan		10-Q	9/30/2016	10.25	10/20/2016
10.14*	Senior Executive Severance Benefit Plan		10-Q	9/30/2016	10.22	10/20/2016
10.15*	Offer Letter, dated February 3, 2014, between Microsoft Corporation and Satya Nadella		8-K		10.1	2/4/2014

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form	Period Ending	Exhibit	Filing Date
10.16*	Long-Term Performance Stock Award Agreement between Microsoft Corporation and Satya Nadella		10-Q	12/31/2014	10.24	1/26/2015
10.17*	Offer Letter, dated October 25, 2020, between Microsoft Corporation and Christopher Young		10-Q	9/30/2021	10.27	10/26/2021
19.1	General Insider Trading Policy		10-K	6/30/2024	19.1	7/30/2024
19.2	Restricted Trading Window Policy		10-K	6/30/2024	19.2	7/30/2024
19.3	Insider Trading Compliance and Preclearance Policies for Section 16 Officers and Directors of Microsoft		10-K	6/30/2024	19.3	7/30/2024
21	Subsidiaries of Registrant	X				
23.1	Consent of Independent Registered Public Accounting Firm	X				
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
32.1**	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
32.2**	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
97.1*	Microsoft Corporation Executive Compensation Recovery Policy		10-K	6/30/2024	97.1	7/30/2024

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
101.INS	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document	X				
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents	X				
104	Cover page formatted as Inline XBRL and contained in Exhibit 101	X				

* *Indicates a management contract or compensatory plan or arrangement.*
** *Furnished, not filed.*

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized, in the City of Redmond, State of Washington, on July 30, 2025.

MICROSOFT CORPORATION

/s/ ALICE L. JOLLA

Alice L. Jolla
Corporate Vice President and Chief Accounting Officer (Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Registrant and in the capacities indicated on July 30, 2025.

Signature	Title
/s/ SATYA NADELLA Satya Nadella	Chairman and Chief Executive Officer (Principal Executive Officer)
/s/ REID G. HOFFMAN Reid G. Hoffman	Director
/s/ HUGH F. JOHNSTON Hugh F. Johnston	Director
/s/ TERI L. LIST Teri L. List	Director
/s/ CATHERINE MACGREGOR Catherine MacGregor	Director
/s/ MARK A. L. MASON Mark A. L. Mason	Director
/s/ SANDRA E. PETERSON Sandra E. Peterson	Lead Independent Director
/s/ PENNY S. PRITZKER Penny S. Pritzker	Director
/s/ CARLOS A. RODRIGUEZ Carlos A. Rodriguez	Director
/s/ CHARLES W. SCHARF Charles W. Scharf	Director
/s/ JOHN W. STANTON John W. Stanton	Director
/s/ EMMA N. WALMSLEY Emma N. Walmsley	Director
/s/ AMY E. HOOD Amy E. Hood	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ ALICE L. JOLLA Alice L. Jolla	Corporate Vice President and Chief Accounting Officer (Principal Accounting Officer)

Exhibit 10.7

AMENDED AND RESTATED
OFFICERS' INDEMNIFICATION TRUST AGREEMENT

This AMENDED AND RESTATED OFFICERS' INDEMNIFICATION TRUST AGREEMENT (this "Trust" or this "Agreement") is amended and restated effective as of June 30, 2025 (the "Effective Date"), between MICROSOFT CORPORATION, a Washington corporation ("Grantor"), and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), whose address is 601 Travis Street, Houston, Texas 77002, and, as an additional party, Hugh F. Johnston (the "Beneficiaries' Representative").

RECITALS

A. Grantor established this Trust and its predecessors to be a source of indemnification for Grantor's Officers who are eligible for indemnification as stated in this Trust as it is in effect from time to time.

B. Grantor has determined, after due diligence, that it has and will continue to derive substantial economic benefits from this Trust, including from economic terms that are more favorable to Grantor than obtaining protection for its Officers through the current director and officer insurance market.

C. Grantor's Articles of Incorporation (the "Articles") provide for mandatory indemnification of Grantor's Officers (as defined in the Articles) to the maximum extent provided by law, and as such, this Trust is not an exclusive source of indemnification for the Officers as covered in this Agreement.

D. Grantor has determined that the Trust continues to be necessary in order for Grantor to attract and retain the most qualified Officers. Grantor has also determined to increase the Minimum Balance to reflect current market conditions.

E. This Agreement amends, restates and replaces the 2016 Officers' Indemnification Trust Agreement dated June 30, 2016 established by Grantor, with The Bank of New York Mellon Trust Company, N.A., as Trustee therein and Charles H. Noski as Beneficiaries' Representative therein (the "2016 Trust"). Grantor's Board of Directors has acted by resolution adopted June 11, 2025 to amend and restate the 2016 Trust effective as of the Effective Date. Pursuant to an Assumption of Beneficiaries' Representative Obligations Under Amended and Restated Directors' Indemnification Trust Agreement, date as of December 4, 2019, Hugh F. Johnston agreed to serve as the successor Beneficiaries' Representative under the Amended and Restated Indemnification Trust Agreement.

F. The 2016 Trust replaced the Amended and Restated Trust Agreement dated June 28, 2009 (the "2009 Trust"), which replaced the Trust Agreement dated June 1, 1993 established by Grantor, with The Bank of New York Mellon Trust Company, N.A., successor in interest to BNY Western Trust Company, as Trustee therein and Charles Noski as Beneficiaries' Representative therein (the "1993 Trust" and together with the 2009 Trust and 2016 Trust, the "Previous Trusts").

G. This Trust also is designed to provide continuing coverage for the "executive officers" as such term is used in the 1993 Trust as such coverage was effective upon execution of the 2016 Trust, with such coverage to overlap with the 1993 Trust for certain officers of Grantor prior to termination of the 1993 Trust.

H. Except as otherwise noted, the capitalized terms have the meaning ascribed to them in the body of this Agreement.

AGREEMENT

NOW, THEREFORE, Grantor will transfer to the Trustee funds as provided on **Exhibit A** of this Agreement and the Trustee acknowledges the Minimum Balance on the Effective Date, accepts the trust created hereby and agrees that it will hold all property which it may receive hereunder, as custodian IN

TRUST, for the purposes and upon the terms and conditions hereinafter stated, and Grantor, the Trustee and the Beneficiaries' Representative agree as follows:

ARTICLE 1
DEFINITIONS

"1993 Trust" is defined in Section F of the Recitals.

"2009 Trust" is defined in Section F of the Recitals.

"2016 Trust" is defined in Section E of the Recitals.

"Act" means the Washington Business Corporation Act RCW 23B or succession legislation.

"Additional Contributions" is defined in Section 4.4.

"Adverse Determination" is defined in Section 4.11.

"Agreement" is defined in the Preamble.

"Articles" is defined in Section C of the Recitals.

"Beneficiary" and "Beneficiaries" are defined in Section 3.1.

"Beneficiaries' Representative" is defined in the Preamble.

"Board of Directors" means the board of directors of Microsoft Corporation as constituted from time to time.

"Business Day" means any day, excluding Saturday, Sunday and any day on which banking institutions located in New York, New York or Seattle, Washington are authorized by applicable law to be closed.

"Cash" means (a) currency of the United States, and (b) certificates of deposit or time deposits having, in each case, a tenor of not more than six (6) months, issued by any U.S. commercial bank or any branch or agency of a non-U.S. bank licensed to conduct business in the U.S. having combined capital and surplus of not less than $250,000,000 (including the Trustee and its affiliates).

"Change of Control" is defined in Section 3.1.

"Claim" or "Claims" includes, without limitation, any threatened, pending, or completed action, suit, or proceeding, whether civil, derivative, criminal, administrative, investigative, or otherwise, initiated by a person other than the Beneficiary (including any Claims by or in the right of Grantor), unless the Claim was initiated by the Beneficiary in good faith to establish or enforce a right to indemnification under the Articles, this Trust or applicable statute.

"Collateral" is defined in Section 4.11.

"Covered Act" means any act or omission (including, without limitation, any alleged breach of duty, neglect, error, misstatement, misleading statement, or otherwise, or appearing as or preparing to be a witness) by a Beneficiary, and any Claim against such Beneficiary, by reason of the fact that Beneficiary (a) is or was an Officer of Grantor, (b) is or was an executive officer "Beneficiary" under the 1993 Trust, or (c) is or was an Officer of Grantor or executive officer "Beneficiary" under the 1993 Trust and is or was serving at the request of Grantor as a director, officer, partner, trustee, fiduciary, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise.

"Corporate Securities" means US dollar denominated senior debt obligations that are obligations (whether direct or by virtue of guarantees) of corporations organized in the United States whose long-term, unsecured, unsubordinated debt securities are rated at least "A" (or its equivalent successor rating) in the case of Standard & Poor's Ratings Group or "A2" (or its equivalent successor rating) in the case of Moody's Investors Service, Inc.

"Demand" is defined in Section 4.7.1.

"Director" means a current, past or future member of the Board of Directors.

"Effective Date" is defined in the Preamble.

"Electronic Means" means the following communications methods: e-mail, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

"Eligible Securities" means Cash, Treasury Securities, Government Securities, Municipal Securities, Corporate Securities, Money Market Funds and Other Eligible Securities. All Eligible Securities must be in a form suitable for delivery and retransfer, and must be capable of being priced by recognized third-party dealers.

"Excluded Claim" means any payment for Losses or Expenses in connection with any Claim the payment of which is Ultimately Determined to be prohibited by the Act, public policy, or other applicable law (including binding regulations and orders of, and undertakings or other commitments with, any governmental entity or agency) as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits Grantor to provide broader indemnification rights than said law permitted Grantor to provide prior to such amendment). For the avoidance of doubt, a "knowing violation of law" means a conscious, intentional and deliberate act or failure to act (a) that is a material breach of applicable law, (b) that is done with actual knowledge that such act or failure to act is a material breach of applicable law, (c) that is done with the intent that such act or failure to act will be a material breach of applicable law, (d) that is done with actual knowledge that such act or failure to act will inflict material harm on Grantor, (e) that is done with the intent that such act or failure to act will inflict material harm on Grantor, and (f) that such act or failure to act does inflict such material harm on Grantor. For the avoidance of doubt, "intentional misconduct" means a conscious, intentional and deliberate act or failure to act (a) that is done with actual knowledge that such misconduct will inflict material harm on Grantor, (b) that is done with the intent to inflict material harm on Grantor, and (c) that such misconduct does inflict such material harm on Grantor.

"Executive Officers" means those employees of the Grantor designated as executive officers by the Grantor's Board of Directors from time to time.

"Expenses" means any reasonable expenses incurred by Beneficiary as a result of a Claim or Claims made against him or her for Covered Acts including, without limitation, counsel fees and costs of investigative, judicial, or administrative proceedings and any appeals.

"Fines" shall include any fine, penalty or, with respect to an employee benefit plan, any excise tax, or penalty assessed with respect thereto.

"Government Securities" means bonds, notes, debentures, obligations or other evidence of indebtedness issued and/or guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association, including mortgage participation certificates, mortgage pass-through certificates and other mortgage-backed securities, but excluding collateralized mortgage obligations and mortgage-related securities representing payments of interest only or principal only and REMIC securities and CMBS (commercial mortgage backed securities).

"Grantor" is defined in the Preamble.

"Loss" means any amount which a Beneficiary is legally obligated to pay as a result of any Claim or Claims made against him or her for Covered Acts including, without limitation, Fines, damages, judgments, costs of defense of any Claims and sums paid in settlement of any Claim or Claims, specifically including fees of plaintiff's counsel.

"Minimum Balance" is defined in Section 4.2.

"Money Market Funds" means money market funds rated "AAAm" by Standard & Poor's Rating Service or having a rating in the highest investment category granted thereby from Moody's Investors Service, including, without limitation, any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent and/or custodian or subcustodian, notwithstanding that (a) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (b) the Trustee collects fees for services rendered pursuant to this Agreement, which fees are separate from the fees received from such funds, and (c) services performed for such funds and pursuant to this Agreement may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee.

"Municipal Securities" means senior and unsubordinated debt obligations that are obligations (whether direct or by virtue of guarantees) of U.S. state or municipal issuers whose long-term, unsecured, unsubordinated, debt securities are rated at least "A" (or its equivalent successor rating) in the case of Standard & Poor's Ratings Group or "A2" (or its equivalent successor rating) in the case of Moody's Investors Service, Inc., excluding "A" or "A2" rated debt securities of housing and hospital issuers and municipal funds and partnerships where the rating is not based upon the rating of a third-party credit enhancer of such securities.

"Officer" means any employee of Grantor elected, designated or appointed by the Board of Directors as an officer pursuant to Section 4.1 of the Bylaws of the Grantor as of July 1, 2009 and from time to time thereafter.

"Other Eligible Securities" means securities other than Cash, Corporate Securities, Treasury Securities, Government Securities, Money Market Funds and Municipal Securities mutually agreed upon in writing by the Beneficiaries' Representative and Grantor.

"Sanctions" means all economic sanctions laws, rules, regulations, executive orders and requirements administered by any governmental authority of the United States (including the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC")), the United Nations Security Council, the European Union or HM Treasury.

"Treasury Securities" means securities issued or guaranteed by the United States government, including United States Department of the Treasury obligations and any other obligations the timely payment of principal and interest of which is fully and unconditionally guaranteed by the United States government.

"Trust" is defined in the Preamble.

"Trust Account" shall mean the trust account created by the Grantor in connection with this Trust and such other accounts as established from time to time by written request from the Grantor and Beneficiaries' Representatives.

"Trust Fund" is defined in Section 4.1.

"Trustee" is defined in the Preamble.

"UCC" is defined in Section 4.11.3.

"Ultimate Determination" means a final order from which there is no further right of appeal in any action in which a Beneficiary seeks indemnification. Such an order shall constitute the Ultimate Determination of the Beneficiary's right to indemnification from Grantor. "Ultimately Determined" shall have a correlative meaning.

ARTICLE 2
PRIOR COVERED ACTS AND CLAIMS

2.1 Indemnification for Covered Acts. The Beneficiaries under this Trust shall be indemnified for any Losses, Expenses or Fines that result from a Claim based on a Covered Act asserted while this Trust is in effect without regard to whether the Covered Act occurred on, before or after the establishment of this Trust. Rights to coverage as a Beneficiary under this Agreement shall be deemed to vest with and upon such person's appointment as an Officer. If a Beneficiary of this Trust was also a "Beneficiary" of the 1993 Trust prior to its termination and the 2009 Trust and the 2016 Trust, such person shall be covered by this Trust as a Beneficiary hereunder for Covered Acts as defined herein and also as to "Covered Acts" under such prior trust agreements that occurred prior to the Effective Date.

2.2 Nonexclusive Remedy. The rights of Beneficiaries to indemnification from this Trust are limited to the assets of the Trust, but this does not limit any Beneficiary's rights, if any, to indemnification (without duplication) from Grantor, or other Grantor arrangements or obligations, including but not limited to any applicable insurance coverage.

ARTICLE 3
THE BENEFICIARIES AND THE BENEFICIARIES' REPRESENTATIVE

3.1 The Beneficiaries. All present and future Officers as well as any executive officers of Grantor who were "Beneficiaries" of the Previous Trusts (for Covered Acts as defined herein during their employment as an executive officer of Grantor as provided in the Previous Trusts) shall be "Beneficiaries" of this Trust (and each a "Beneficiary"), *provided*, *however*, that if there is a Change of Control of Grantor, no Officers appointed after or in connection with such Change of Control shall be entitled to be Beneficiaries who were not Beneficiaries under this Agreement, the 2016 Trust, the 2009 Trust or the 1993 Trust prior to such Change of Control. For purposes of this Agreement, "Change of Control" shall mean (a) a tender offer or exchange offer in which the purpose of such offer is to take over and control Grantor and such offer is accepted by owners of securities of Grantor representing 50% or more of the combined voting power of Grantor's then outstanding voting securities, (b) Grantor is merged or consolidated with another corporation and as a result of such merger or consolidation less than 50% of the outstanding voting securities of the surviving or resulting corporation shall then be owned in the aggregate by the former shareholders of Grantor, (c) Grantor transfers substantially all of its assets to another corporation which is not a wholly-owned subsidiary of Grantor, or (d) during any period of twelve (12) consecutive months, individuals who at the beginning of such twelve (12) month period were directors of Grantor cease for any reason to constitute at least a majority of Grantor's Board of Directors. The Beneficiaries' Representative shall promptly notify the Trustee in writing of a Change of Control. Any Beneficiary shall remain a Beneficiary despite his or her resignation, removal, or other failure to continue to be an Officer during the term of this Agreement as to Covered Acts during such Beneficiary's service as an Officer or as an executive officer under the 1993 Trust. A person whose conduct gives rise to a right of indemnification both as a member of the Board of Directors and as an Officer of Grantor, shall be a Beneficiary hereunder as to all such conduct without being required to separate his or her activities between the role of Director and the role of Officer.

3.2 New Beneficiaries. If prior to a Change of Control an individual is appointed as an Officer by Grantor's Board of Directors, Grantor agrees to notify the Trustee and the Beneficiaries' Representative promptly of such appointment; *provided*, *however*, Grantor's failure to so notify the Trustee and the Beneficiaries' Representative shall not affect in any way an individual Officer's rights as a Beneficiary under this Trust. The Trustee and the Beneficiaries' Representative shall have the right to rely on the accuracy and completeness of any statement provided to it by Grantor's Secretary, Assistant Secretary or Chief Executive Officer as to the Beneficiary status of any individual.

3.3 Beneficiaries' Representative. Except as expressly provided elsewhere in this Agreement, all communications or demands made by and among the Trustee and the Beneficiaries are to be made through the individual then designated as the Beneficiaries' Representative. The Beneficiaries'

Representative shall have the exclusive right to convey Demands from time to time on the Trustee to direct payment to one or more of the Beneficiaries.

3.4 Identity of Beneficiaries' Representative.

3.4.1 The initial Beneficiaries' Representative shall be the person identified as the Beneficiaries' Representative in the first paragraph of this Agreement.

3.4.2 Any subsequent Beneficiaries' Representative shall be a person who is a present or past nonemployee Director of Grantor, designated in writing to the Grantor from time to time by a majority of the current nonemployee Directors on the Board of Directors. For this purpose, a Director who has not been employed by Grantor during the current calendar year and the preceding three (3) years shall be regarded as a nonemployee Director. The Grantor and Beneficiaries shall be entitled to rely on the original appointment of that individual as the Beneficiaries' Representative unless notified in writing of a change in the Beneficiaries' Representative by a writing signed by the former Beneficiaries' Representative. A Beneficiary shall be deemed to have consented to such change in Beneficiaries' Representative if such Beneficiary is provided with notice of such change by the Grantor and does not provide written notice to the Grantor of objection to the change within ten (10) days. The Trustee shall be entitled to rely on such subsequent appointment as of the date such writing is received by the Trustee. In the absence of an effective appointment of a Beneficiaries' Representative, the Grantor or any Beneficiary may, after ten (10) days' written notice to all Beneficiaries and Grantor, petition a court of competent jurisdiction at the expense of the Trust for appointment of a Beneficiaries' Representative who need not be a nonemployee Director (if none are willing or able to serve), but shall in no event be an Officer or Director elected or appointed after a Change of Control who was not a Beneficiary prior to such Change of Control. The designation or appointment of a successor Beneficiaries' Representative shall become effective only upon the execution of a counterpart of this Agreement whereby the successor Beneficiaries' Representative shall assume and become bound by all the duties and responsibilities of a Beneficiaries' Representative under this Agreement.

3.4.3 The Grantor shall notify the Trustee of any new Beneficiaries' Representative. Until any such notification is received, the Trustee shall be entitled to treat the last identified Beneficiaries' Representative as the Beneficiaries' Representative for all purposes hereunder. Upon the execution of a counterpart of this Agreement by such new Beneficiaries' Representative the Trustee shall be entitled, without inquiry, to treat such new Beneficiaries' Representative as the Beneficiaries' Representative for all purposes hereunder. Upon request, the Trustee shall be entitled to receive and rely on the accuracy and completeness of: (1) a written list delivered to the Trustee by Grantor, and certified by the Secretary of Grantor to be accurate and to have been prepared in good faith, identifying the names and addresses of all then current Beneficiaries, (2) a written notice delivered to the Trustee by Grantor, and certified by the Secretary of Grantor to be accurate and to have been prepared in good faith, identifying the name and address of the then current Beneficiaries' Representative.

3.5 Right of Beneficiaries to Receive Payments. Subject to court order to the contrary, the rights of the Beneficiaries to make a Demand and receive distributions from the Trustee shall not be affected or diminished in any way by the existence of any dispute between one or more Beneficiaries and Grantor or anyone acting on behalf of Grantor in a derivative or representative capacity, and the Trustee in making distributions from the Trust Fund shall be entitled to rely upon the simple Demand of a Beneficiary, as conveyed by the Beneficiaries' Representative pursuant to Section 4.7. Such distributions shall be made notwithstanding any notice or demand by or on behalf of Grantor or anyone acting on behalf of Grantor in a derivative or representative capacity that the distributions should not be made, whether based on Grantor's claim that any Beneficiary is not entitled to some or all of the amount of such distributions or otherwise. The Trustee shall have no responsibility or liability to Grantor for making any payment despite having received any such notice or demand by or on behalf of Grantor. The Trustee shall have no responsibility to inquire into the accuracy or truthfulness of any such notice or demand, whether from Grantor or the Beneficiaries' Representative.

ARTICLE 4
THE TRUST FUND

4.1 Trust Fund; Grantor Trust. The Trustee shall hold all property received by it as custodian in Trust hereunder as one fund in the Trust Account which, together with the income and gains therefrom and additions thereto, shall constitute the "Trust Fund." The Trust is intended to be a grantor trust within the meaning of Section 671 of the Internal Revenue Code of 1986, as amended, and shall be construed accordingly. The Trust Fund shall not be paid to Grantor or any trustee in bankruptcy of Grantor, shall be held separate and apart from other funds of Grantor, and shall be used exclusively for the purposes set forth herein.

4.2 Minimum Balance. The Trustee shall continue to hold the amount in the Trust Fund immediately prior to the date of execution of this Agreement as part of the Minimum Balance under this Agreement. Grantor shall transfer as of the effective date of this Agreement an additional sum sufficient to cause the total balance held by the Trustee to equal $50,000,000 which thereafter shall be the "Minimum Balance," to be held in trust, for the stated uses and purposes in accordance with the terms of this Agreement. Nothing contained in this Agreement shall preclude Grantor from making additional transfers of funds from time to time to the Trustee, whether required under the terms of this Agreement or not, to be held in trust as part of the Trust Fund. If Grantor makes additional transfers of funds to the Trust Fund, such additional transfers shall be deemed an increase of the Minimum Balance and Exhibit A shall be automatically amended without further action by the parties to this Agreement. Grantor and the Beneficiaries' Representative shall periodically, but no less than every third anniversary of this Agreement, review the adequacy of the Minimum Balance.

4.3 Maintenance of Minimum Balance. The Trustee agrees to provide monthly reports to Grantor and the Beneficiaries' Representative showing the current fair market value of the Trust Fund. If any such report shows that the current fair market value of the Trust Fund is less than the Minimum Balance, then within ten (10) days after such report, Grantor agrees to deliver cash funds to the Trustee equal to the difference between the fair market value of the Trust Fund and the Minimum Balance so that the Trust balance is at least equal to the Minimum Balance. Notwithstanding the foregoing, Grantor shall have no obligation to make payments to the Trustee in excess of $400,000,000 (including the Minimum Balance at the Effective Date and the additional funds contributed following execution of this Agreement) under or with respect to this Agreement.

4.4 Additional Contributions. Subject to the aggregate limitation of $400,000,000 set forth in Section 4.3, Grantor agrees to make additional contributions ("Additional Contributions") to the Trust Fund within ten (10) days after receipt of a written request from the Beneficiaries' Representative certifying in good faith that Claims have or are reasonably expected to be asserted against Beneficiaries and that estimated Losses and Expenses for all pending, threatened or anticipated Claims against all Beneficiaries are reasonably expected to exceed the then Trust Fund balance. A copy of the written certification shall be provided to the Trustee at the same time and in the same manner as it is provided to Grantor. The written certification shall be accompanied by an opinion of independent counsel to the effect that, based on the information made known to such counsel, (a) the Claims do not appear to be Excluded Claims and (b) the amount requested seems reasonable in the circumstances noted above. Independent counsel shall be selected by the Beneficiaries' Representative and shall have no present or past professional relationship to the Beneficiaries who are the subject of the Claims.

4.5 Excess Balance. If at any time the fair market value of the Trust Fund shall exceed the Minimum Balance, plus any additional contributions which continue to be required pursuant to Section 4.4, Grantor shall be entitled to withdraw an amount equal to the excess over the said sum upon thirty (30) days' advance written notice to the Beneficiaries' Representative.

4.6 Direction of Investment. Notwithstanding anything contained in this Agreement to the contrary, Grantor retains the right to direct the investment of the Trust Fund and the Trustee shall have no duty to review or recommend investments; *provided*, *however*, that Grantor shall only direct the Trustee to invest the Trust Fund in Eligible Securities in accordance with Grantor's current cash-management policies. If Grantor instructs the Trustee to invest in securities other than in Cash, Government Securities, Municipal

Securities, Corporate Securities, Money Market Funds or Treasury Securities, such instruction shall be accompanied by the written consent of the Beneficiaries' Representative as to the investment(s) in such Other Eligible Securities. Unless otherwise instructed by Grantor in writing, the Trustee shall initially maintain the investments in the account or accounts transferred from the 2016 Trust, which amounts following transfer shall be subject to this Section 4.6. If for any reason one or more existing investments shall not be available going forward, and Grantor shall fail to direct the Trustee pursuant to written instructions as to how to invest the Trust Fund (including the consent of the Beneficiaries' Representative if the proposed investment is in other than Eligible Securities), the Trustee shall invest the Trust Fund in accordance with the last instruction received. In the event the Trustee is required to make a distribution pursuant to Section 4.7 at a time when the Trust Fund has insufficient cash to cover such distribution, the Trustee shall promptly notify the Grantor. The Grantor shall then direct the Trustee as to which Trust investments to liquidate in order to cover the required distribution; if Grantor does not respond to the Trustee's inquiry within two (2) Business Days the Trustee shall liquidate investments in the order specified in **Exhibit B**. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Agreement. Grantor and the Beneficiaries' Representative acknowledge that regulations of the Comptroller of the Currency grant the right to receive brokerage confirmations of the security transactions as they occur, at no additional cost. To the extent permitted by law, Grantor and the Beneficiaries' Representative specifically waive compliance with 12 CFR 12 and hereby notify the Trustee that no brokerage confirmations need be sent relating to the security transactions as they occur.

4.7 Distributions from Trust Fund.

4.7.1 Duties of Beneficiary. A Beneficiary making a demand for indemnity shall certify in each demand regarding a Claim for a Covered Act (a "Demand") delivered to the Beneficiaries' Representative that (a) he or she is entitled to payment of at least the amount demanded, (b) no part of the Demand is an Excluded Claim or is precluded by the Act or applicable successor statute, (c) the Beneficiary will repay to the Trust any amounts paid or applied to or for the use of such Beneficiary in the event of an Ultimate Determination that such payments are Excluded Claims or precluded by the Act, or in the event the Beneficiary receives payment for the same Claim from another source, and (d) a request, properly made in compliance with the applicable provisions of the Articles or contract with respect to indemnification, to Grantor for indemnification or advancement of the amount demanded has remained unsatisfied for twenty (20) days and that no part of the amount then being demanded from the Trust Fund has previously been received from Grantor. The Demand shall also specify the amount of the demanded distribution and intended manner of receipt, along with an address and telephone number of the Beneficiary.

4.7.2 Duties of Beneficiaries' Representative. The Beneficiaries' Representative shall convey a Beneficiary's Demand to the Trustee. Along with the conveyance of such Demand to the Trustee, the Beneficiaries' Representative shall submit, in a writing signed by the Beneficiaries' Representative, a statement (a) that the Demand is being made pursuant to the Articles and this Agreement, as each such may be amended or restated from time to time, provided that any such amendment shall be given effect under this Agreement only to the extent that the amendment provides broader indemnification rights than existed prior to such amendment, (b) that the Demand is for satisfaction of indemnification obligations of Grantor, (c) that the Demand is being made by a Beneficiary, (d) that specifies the amounts being demanded by the Beneficiary, and (e) that the Beneficiaries' Representative is not aware of any facts or conditions that would make indemnification pursuant to this Agreement invalid, *provided*, *however*, that the Beneficiaries' Representative has no duty to independently investigate the validity of a Demand.

4.7.3 Duties of Trustee. The Trustee shall deliver a copy of each Demand to Grantor as promptly as reasonably possible. A copy of the Beneficiaries' Representative's statement also shall be delivered to Grantor. As soon as practicable after any such Demand is conveyed by the Beneficiaries' Representative, subject to the provisions of Section 3.5, the Trustee shall distribute funds to the Beneficiary specified in such Demand in the amount and manner set forth therein. If the Trustee does not have sufficient funds to satisfy all pending Demands of Beneficiaries in full, the Trustee shall make all reasonable efforts to make pro rata payments, less any amounts due the Trustee, to the Beneficiaries as specified by the Beneficiaries' Representative. If and to the extent the Trust Fund is replenished, the Trustee shall continue to make pro rata distributions, less any amounts due the Trustee, until the Demand is satisfied or to satisfy subsequent Demands.

4.8 Taxes. Grantor agrees to pay any and all taxes on the Trust Fund or the income thereof, which taxes the Beneficiaries or the Trustee otherwise would be required to pay with respect to the interest of any person or persons therein, and to provide the Trustee and the Beneficiaries' Representative with proof of payment of such taxes. This does not include any taxes payable upon an indemnification payment distribution from the Trust if the same would be taxable to the recipient Beneficiary under applicable law. The Trustee shall comply with all tax withholding obligations with respect to any indemnification payment distribution from the Trust under all applicable laws. The Trustee shall properly maintain all books and records related to any tax withholdings required to be performed by the Trustee hereunder, and, upon Grantor's request, shall promptly provide to Grantor copies and evidences of such tax withholdings and related books and records. Grantor shall provide the Trustee with tax withholding direction (in written instruction) in respect of each indemnification payment distribution from the Trust to a Beneficiary, and provide any additional information necessary to determine whether any tax withholding is required and any appropriate tax forms and documents (including, without limitation, IRS Forms W-9 or W-8) as the Trustee may reasonably request.

4.9 Duties and Responsibilities of Beneficiaries' Representative. The Beneficiaries' Representative (and any successor Beneficiaries' Representative) shall have the following affirmative duties and responsibilities:

4.9.1 To demand deposits from Grantor so as to maintain the Minimum Balance of the Trust in accordance with Section 4.3 and any Additional Contributions required by Section 4.4;

4.9.2 To demand payment by the Trustee to a Beneficiary who has made a Demand and who, in the good faith judgment of the Beneficiaries' Representative, has satisfied the conditions for indemnification as set forth in this Agreement and the Articles, *provided*, *however*, that the Beneficiaries' Representative has no duty to independently investigate the validity of a Demand; and

4.9.3 To use commercially reasonable efforts to cause Grantor and the Trustee to discharge their respective responsibilities under this Agreement and the responsibilities of Grantor under the Articles, including the bringing of legal actions and proceedings to enforce such Agreement.

4.10 Administrative Powers of Trustee. Subject to Grantor's right pursuant to Section 4.6 to direct investment of the Trust Fund in Eligible Securities, the Trustee shall have the power to do any of the following:

4.10.1 To cause any investment to be registered and held in the name of one or more of its nominees, or one or more nominees of any system for the central handling of securities, without increase or decrease of liability;

4.10.2 To collect and receive any and all money and other property due to the Trust Fund and to give full discharge therefor; and

4.10.3 To hold uninvested, without liability for interest thereon, such monies received by the Trustee as the Trustee considers necessary to meet anticipated and imminent disbursements.

4.11 Adverse Determination. In the event the trust arrangement created hereby is deemed to be invalid or ineffective as a trust by a court of competent jurisdiction, whether in connection with the bankruptcy of one of the parties hereto or otherwise (an "Adverse Determination"), then the parties agree that the nature of their relationship shall be Grantor as debtor, the Trustee as securities intermediary and the Beneficiaries' Representative as secured party for the benefit of the Beneficiaries. To that end, and to secure the obligation of Grantor to indemnify Beneficiaries, Grantor hereby grants the Beneficiaries' Representative for the benefit of the Beneficiaries a continuing security interest in, and pledges all rights, title and interest in and to, the following (for purposes of this Section 4.11, the "Collateral"):

4.11.1 The Trust Account and the Trust Fund, and any certificates or instruments representing or evidencing the Trust Fund, and all cash, investment property, interest, dividends, rights and other property at any time and from time to time received, receivable or otherwise issued, distributed or distributable in respect of or in exchange for any or all of the Trust Fund;

4.11.2 All other investment property and other property hereafter issued, delivered or deliverable to Trustee in substitution for or in addition to any of the foregoing, all certificates and instruments representing or evidencing such other property and all cash, investment property, interest, dividends, rights and other property at any time and from time to time received, receivable or otherwise issued, distributed or distributable after the date hereof in respect of or in exchange for any or all thereof; and

4.11.3 All proceeds of all of the foregoing.

Grantor and, at the direction of the Beneficiaries' Representative, the Trustee shall execute such other documents and instruments as the Beneficiaries' Representative reasonably may require from time to time to perfect and protect the first priority security interest of the Beneficiaries' Representative on behalf of the Beneficiaries in the Collateral but the Trustee shall have no duty to prepare or file any such documents or instruments. In the event of an Adverse Determination, the Beneficiaries' Representative shall have and shall be deemed to have had all the rights and remedies of a secured party under Article 9 of the Uniform Commercial Code (UCC) and may exercise any of the rights and remedies available to the Beneficiaries' Representative under the UCC as in effect from time to time in the State of Washington or otherwise available to the Beneficiaries' Representative, including, without limitation, sale, assignment or other disposal of the Collateral in exchange for cash or credit. Grantor agrees that a Demand is also a notice of disposition under Section 9-611 of the UCC and that five (5) Business Days is reasonable notice if notice of a disposition is required under Section 9-611 of the UCC. Furthermore, Grantor agrees that any Beneficiary may be the purchaser of the Collateral consisting of Cash, Corporate Securities, Government Securities or Municipal Securities at a private sale without notice because the Collateral is of a type sold on a recognized market or the subject of widely distributed standard price quotations. The Beneficiaries' Representative shall provide the Trustee with an Adverse Determination notice as soon as practicable, although failure to provide such notice shall not affect the rights or obligations of the parties to this Trust, except that a Beneficiary shall not take any action with respect to the Trustee as securities intermediary until such notice is provided. Except for the amounts due to the Trustee pursuant to Section 7.3, the Trustee waives any right of set-off, banker's lien or other lien or claim it may have to the Collateral.

Grantor covenants and agrees that it shall not pledge, assign, hypothecate or transfer its interest in the Trust Account or the Trust Fund. Grantor further covenants and agrees that it shall not so direct the Trustee, and the Trustee agrees that it will not acknowledge or agree to any such pledge, assignment, hypothecation or transfer.

ARTICLE 5
RESIGNATION, REMOVAL, OR DEATH OF TRUSTEE

5.1 Resignation of Trustee. The Trustee may resign at any time by delivering its written resignation to Grantor and the Beneficiaries' Representative. Such resignation shall take effect sixty (60) days from the date of delivery or upon appointment of a successor pursuant to Section 5.3, whichever shall first occur.

5.2 Removal of Trustee. Grantor and the Beneficiaries' Representative may remove the Trustee at any time by delivering to the Trustee a written notice of its removal and the appointment of a successor pursuant to Section 5.3.

5.3 Appointment of Successor Trustee.

5.3.1 Removal of the Trustee and the appointment of a successor Trustee shall take effect sixty (60) days following delivery to the Trustee of (a) an instrument in writing removing the Trustee and appointing such successor, executed by Grantor and accompanied by an instrument in writing signed by the Beneficiaries' Representative certifying the Beneficiaries' Representative's agreement to such removal and appointment, and (b) an acceptance in writing, executed by such successor, both acknowledged in the same form as this Agreement. The Trustee may agree to an earlier effective date. In the event of the merger, sale (of all or substantially all of the Trustee's corporate trust business) or dissolution of the Trustee, a successor trustee shall be appointed by Grantor (which successor trustee may be in Grantor's sole discretion the acquiring party or successor entity in the case of sale or merger of the Trustee) with the approval of the Beneficiaries' Representative, which approval shall not be unreasonably withheld, and a writing to such effect and an acceptance in writing, as referred to above, shall be delivered to the Trustee. In order to qualify to serve as Trustee, any successor trustee must, at a minimum: (i) be authorized under state or federal law to exercise corporate trust powers, (ii) have a combined capital and surplus of at least $250,000,000, and (iii) be subject to supervision or examination by federal or state authority.

5.3.2 All of the provisions set forth herein with respect to the Trustee shall relate to each successor with the same force and effect as if such successor had been originally named as the Trustee under this Trust.

5.3.3 If a successor is not appointed within sixty (60) days after the Trustee gives notice of its resignation pursuant to Section 4.1, or within sixty (60) days after the Trustee's merger, sale (of all or substantially all of the Trustee's corporate trust business) or dissolution, the Trustee or the Beneficiaries' Representative may apply to any court of competent jurisdiction at the expense of the Trust for appointment of a successor.

5.4 <u>Transfer of Fund to Successor</u>. Upon appointment of a successor trustee as set forth above, the Trustee shall transfer and deliver the Trust Fund to such successor with authority to retain only reasonable reserves pending settlement of its final account as provided in Section 7.4.

ARTICLE 6
DURATION, TERMINATION, AND AMENDMENT OF TRUST

6.1 <u>Term</u>.

6.1.1 The term of this Trust shall be for a period extending from the Effective Date until June 30, 2035, unless extended or terminated according to the terms of this Trust. This Trust may be terminated by consent of a majority of the then serving Board of Directors and a majority of the Beneficiaries serving as Officers at the time; *provided*, *however*, no such termination shall be effective (a) following a Change of Control, or (b) so as to reduce indemnification otherwise available to a Beneficiary of this Trust, specifically including any Beneficiaries who are not at such time current Officers, for any Demand then existing and still pending or with respect to any later asserted Demand arising out of a Covered Act occurring before the effective date of such termination. Expiration or termination of this Trust shall operate prospectively only, so that all provisions of this Agreement shall remain in full force and effect as to any Demand asserted prior to the effective date of expiration or termination relating to a Covered Act that occurs prior to the effective date of expiration or termination. Grantor and the Beneficiaries' Representative shall notify the Trustee of termination of the Trust by, with respect to Grantor, an instrument in writing executed by Grantor together with a certified copy of the resolution of the Board of Directors authorizing such termination and, with respect to the Beneficiaries' Representative, written evidence of the consent of a majority of the Beneficiaries serving as Officers at the time. Termination by consent of Grantor and a majority of the Beneficiaries shall be effective on the later to occur of (i) Grantor's Board of Directors resolution and (ii) receipt by the Beneficiaries' Representative of written consents from at least a majority of the Beneficiaries as provided in this Section 6.1.1.

6.1.2 Grantor and the Beneficiaries' Representative (jointly or separately) as applicable shall provide the Trustee and the Beneficiaries and their successors in interest with written notice of expiration at least thirty (30) days prior to the expiration date.

6.1.3 In the event of a proposed termination prior to the expiration of the term of this Trust, Beneficiaries may assert a Demand if, in such Beneficiaries' good faith judgment, there is a reasonable likelihood that following such proposed termination, a Claim will be asserted arising out of a Covered Act that occurred before the effective date of such termination. If so made, such Demand(s) shall be treated as a then existing and still pending Demand hereunder.

6.2 Distribution Upon Termination. When this Trust expires or is terminated in accordance with Section 6.1, the Trustee shall distribute the Trust Fund to Grantor less any full and adequate provision or reserves for any distributions to be made pursuant to any outstanding Demands under Sections 4.7 and 6.1.3 and any deductions authorized or required by Section 7.3.

6.3 Amendment of Trust Instrument.

6.3.1 Except in the event of a Change of Control, this Trust may be amended by consent of a majority of the Board of Directors, a majority of the Beneficiaries serving as Executive Officers at the time and the Trustee, *provided*, *however*, no such amendment shall be effective (a) following a Change of Control, or (b) so as to reduce indemnification or advancement of expenses otherwise available to a Beneficiary of this Trust for any Claim then existing and still pending or with respect to any later asserted Claim arising out of a Covered Act occurring before the effective date of such amendment and *provided further,* that approval of the Trustee shall only be required if the proposed amendment affects in any way the Trustee's rights or duties under this Agreement. If the Trust is amended without the consent of the Trustee as permitted above, Grantor shall deliver notice of amendment to the Trustee or its successor in interest thirty (30) days prior to the proposed effective date of the amendment by an instrument in writing executed by Grantor and the Beneficiaries' Representative, together with a certified copy of the resolution of Grantor's Board of Directors authorizing such amendment. Grantor shall send a copy of such notice to each individual Beneficiary or his or her successors in interest.

6.3.2 In the event of a proposed amendment of this Trust, a Beneficiary may assert a Demand if, in the Beneficiary's good faith judgment, there is a reasonable likelihood that following such proposed amendment, a Claim will be asserted arising out of a Covered Act that occurred before the effective date of such amendment and that will be affected by such amendment. If so made, such Demand(s) shall be treated as a then existing and still pending Demand hereunder.

ARTICLE 7
RIGHTS AND OBLIGATIONS OF THE TRUSTEE

7.1 Duties of Trustee. The duties and liabilities of the Trustee shall at all times be limited to those expressly stated in this Agreement and no implied duties or covenants shall be read into this Agreement against the Trustee. The Trustee shall discharge its duties hereunder with the reasonable care of a professional bank custodian for hire providing similar services to those set forth in this Agreement.

7.2 Indemnification of Trustee. The Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized hereby or within the rights or powers conferred upon it hereunder, or taken or omitted by it in accordance with advice of counsel (which counsel may be of the Trustee's own choosing and which may be house counsel of the Trustee), and shall not be liable for any mistake of fact or error of judgment or for any acts or omissions of any kind unless caused by willful misconduct or gross negligence. Grantor agrees to indemnify the Trustee and its officers, directors, agents and employees and hold it and them harmless against any and all liabilities, losses, claims, expenses (including reasonable attorneys' fees and expenses) and damages incurred by it hereunder, except for liabilities, losses, claims, expenses, and damages incurred by the Trustee resulting from its own willful misconduct or gross negligence. This Section 7.2 shall survive the termination of this Agreement and the earlier removal or resignation of the Trustee.

7.3 Expenses and Compensation. The Trustee shall pay from the Trust Fund, to the extent not paid by Grantor, the Trustee's reasonable expenses of administration of the Trust, including reasonable compensation and expenses of counsel (including house counsel) and any agents engaged by the Trustee to assist it in such administration. Grantor shall pay the Trustee reasonable compensation for its services as Trustee hereunder and the Trustee shall have a lien on the Trust Fund for such compensation and expenses until paid.

7.4 Accounts of Trustees. The Trustee shall keep full accounts of all of its receipts and disbursements. Its financial statements, books, and records with respect to the Trust Fund shall be open to inspection by Grantor or the Beneficiaries' Representative or their representatives at all reasonable times during business hours of the Trustee and may be audited not more frequently than once in each fiscal year by an independent certified public accountant engaged by the Beneficiaries' Representative. Within ninety (90) days after the close of each fiscal year, or any termination of the duties of the Trustee, the Trustee shall prepare, sign and submit in duplicate to Grantor an account of its acts and transactions as Trustee under this Trust.

7.5 Rights of Trustee. None of the provisions of this Agreement shall require the Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for the negligence or misconduct of any agent, attorney, custodian or nominee so appointed, *provided, however*, the Trustee shall be responsible for the performance of its obligations hereunder. Anything in this Agreement to the contrary notwithstanding, in no event shall the Trustee be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action. The Trustee shall not be liable for an error in judgment made in good faith by an officer or officers of the Trustee, unless the Trustee was grossly negligent in ascertaining the pertinent facts.

Whenever in the administration of the provisions of this Agreement the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action to be taken hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of gross negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a certificate signed by the Beneficiaries' Representative and an officer of Grantor and delivered to the Trustee, and such certificate, in the absence of gross negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken, suffered or omitted by it under the provisions of this Agreement upon the faith thereof. The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, entitlement order, approval or other paper or document.

7.6 Right to Vote Assets. (a) Whenever Eligible Securities in the Trust Account (including, but not limited to, warrants, options, conversions, subscriptions, takeovers, other forms of capital reorganizations, redemptions, tenders, options to tender or non mandatory puts or calls) confer optional rights on the Grantor or provide for discretionary action or alternative courses of action by the Grantor, the Grantor shall be responsible for making any decisions relating thereto and for instructing the Trustee to act. The Trustee shall notify the Grantor of rights or discretionary actions with respect to Eligible Securities as promptly as practicable under the circumstances, provided that the Trustee has actually received notice of such right or discretionary corporate action from the relevant depository, etc. Absent actual receipt of such notice, the Trustee shall have no liability for failing to so notify the Grantor. Absent the Trustee's timely receipt of instructions, the Trustee shall not be liable for failure to take any action relating to or to exercise any rights conferred by such Eligible Securities. In order for the Trustee to act subject to this subsection, it must receive the Grantor's Instructions (defined below) at the Trustee's offices, by the deadline specified by the Trustee, in its sole discretion, from time to time. If the Trustee does not receive such written instructions prior to its specified deadlines, the Trustee shall not be liable for failure to take any action relating to or to exercise any rights conferred by such Eligible Securities.

(b) In order to facilitate access by Grantor or its designee to ballots or online systems to assist in the voting of proxies received for eligible positions of securities held in the Trust Fund (excluding bankruptcy matters), the Trustee will, at the written request of Grantor upon the execution of this Agreement, appoint a provider of proxy voting services to act as agent of Grantor to provide global proxy voting services to Grantor. Trustee shall have no obligation or liability in respect of such proxy voting services or the acts or omissions of the provider of such proxy voting services.

7.7 Electronic Means. The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means; *provided*, *however*, that the Grantor shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Grantor whenever a person is to be added or deleted from the listing. If the Grantor or Beneficiaries' Representative elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The Grantor understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Grantor shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Grantor and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Grantor. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Grantor agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Grantor; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to this Agreement or any document to be signed in connection with this Agreement shall be deemed to include electronic signatures, deliveries or the keeping of records in electronic form (including any electronic signature complying with the New York Electronic Signatures and Records Act (N.Y. State Tech. §§ 301-309), as amended from time to time, or other applicable law) or by other transmission method, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, and the parties hereto consent to conduct the transactions contemplated hereunder by Electronic Means.

7.8 OFAC Certification and Covenants**.**

(a) Throughout the term of this Agreement, the Grantor (i) will have in place and will implement commercially reasonable policies and procedures designed to prevent violations of Sanctions, including measures to accomplish effective and timely scanning of all relevant data with respect to its clients and with respect to incoming or outgoing assets or transactions relating to this Agreement; (ii) shall ensure that neither the Grantor, any of the Grantor's affiliates, directors, officers, employees, nor any Beneficiary is an individual or entity that is, or is owned or controlled by an individual or entity that is: (A) the target of Sanctions; or (B) located, organized or resident in a country or territory that is, or whose government is, the target of Sanctions; and (iii) shall not, directly or indirectly, use the services and/or Accounts in any manner that would result in a violation by any party of Sanctions.

(b) The Grantor will promptly provide to the Trustee such information as the Trustee reasonably requests in connection with the matters referenced in this Section 7.8, including information regarding the Beneficiaries, the Trust Fund, the assets in relation to which services are to be provided and the source thereof, and the identity of any individual or entity having or claiming an interest therein. The Trustee may decline to act or provide services, and take such other actions as it, in its reasonable discretion, deems necessary or advisable, in connection with the matters referenced in this Section 7.8. If the Trustee declines to act or provide services as provided in the preceding sentence, except as otherwise prohibited by applicable law or official request, the Trustee will inform the Grantor as soon as reasonably practicable.

ARTICLE 8
MISCELLANEOUS

8.1 Governing Law; Waiver of Jury Trial.

(a) The validity, interpretation, performance, and enforcement of this Agreement and the Trust created hereby shall be governed by the laws of the State of Washington, *provided, however,* that the rights, duties, obligations and protections of the Trustee hereunder shall be governed by the laws of the State of New York. The parties irrevocably submit to the jurisdiction and venue of any Washington State or United States Federal Court sitting in Seattle, Washington. Any proceeding with respect to this Trust shall be in King County Superior Court unless otherwise consented to by Grantor. Notwithstanding the foregoing, with respect to any action regarding the rights, duties, obligation and protections of the Trustee hereunder each party consents to the jurisdiction of any state or federal court situated in New York City, New York in connection with any dispute arising hereunder and each party hereby irrevocably waives, to the fullest extent permitted by applicable law, any objection which it may now or hereafter have to the laying of venue of any such proceeding brought in such a court and any claim that such proceeding brought in such a court has been brought in an inconvenient forum.

(b) Each party hereto hereby agrees not to elect a trial by jury of any issue triable of right by jury, and waives any right to trial by jury fully to the extent that any such right shall now or hereafter exist with regard to this Agreement, or any claim, counterclaim or other action arising in connection herewith. This waiver of right to trial by jury is given knowingly and voluntarily by each party, and is intended to encompass individually each instance and each issue as to which the right to a trial by jury would otherwise accrue.

8.2 Assignment; Successors. Neither this Agreement nor any rights or benefits hereunder may be assigned (including by operation of law), transferred, pledged or otherwise hypothecated without the prior written consent of the other parties, *provided*, *however*, in the event of a sale, dissolution or merger of the Trustee, only such consents to such event as set forth in Section 5.3.1 hereof shall be required. This Agreement and the Trust created hereby shall be binding upon and shall inure to the benefit of the spouses, heirs, and personal and legal representatives, estates of the Beneficiaries, and to the permitted assigns of the parties to this Trust.

8.3 Third Party Beneficiaries. The Beneficiaries are specifically acknowledged as third party beneficiaries of this Agreement and shall have the right to bring actions to enforce this Agreement where the Beneficiaries' Representative fails to bring such an action or fails to prosecute an action in good faith following a demand by a Beneficiary to so act.

8.4 Enforcement Expenses. Grantor shall be responsible for all costs and expenses, including reasonable attorneys' fees and costs, incurred in any action brought to enforce or interpret this Agreement, whether brought by the Beneficiaries' Representative, a Beneficiary, the Trustee, or otherwise, unless the court determines that such Claim for enforcement was not brought in good faith or was frivolous.

8.5 Titles and Headings Not to Control. The titles to articles and headings of sections in this Agreement are for convenience of reference only and in case of any conflict the text of this Agreement, rather than any title or heading, shall control.

8.6 Notices, Consents and Other Communications. All notices, consents, or other communications required or contemplated by this Agreement shall be in writing and shall be deemed to have been given when delivered by (a) personal delivery, (b) prepaid overnight courier, (c) postage prepaid return receipt requested certified mail, or (d) email:

If to a Beneficiary from the Trustee:	The last address given to the Trustee by the Grantor or each respective Beneficiary
If to a Beneficiary from the Grantor:	The last address given to the Grantor by each respective Beneficiary
If to Beneficiaries' Representative:	The last address given to the Trustee by the Beneficiaries' Representative
If to Microsoft:	Microsoft Corporation One Microsoft Way Redmond, WA 98052-6399 Attention: Keith Dolliver, Vice President and Corporate Secretary Telephone No.: (425) 882-8080 Email: keithd@microsoft.com
With a copy to:	Perkins Coie LLP 1301 Second Avenue, Suite 4200 Seattle, WA 98101 Attention: Andrew B. Moore Telephone No.: (206) 359-8649 Email: AMoore@perkinscoie.com
If to Trustee:	The Bank of New York Mellon Trust Company, N.A. CSM – Vice President BNY Corporate Trust 311 South Wacker Drive Suite 6200B, Floor 62 Mailbox #44 Chicago, Illinois 60606 Yolanda.ash@bny.com (312) 827-8639

Notice by personal delivery shall be effective upon the date delivery is made and notice by certified mail or overnight courier shall be effective on the date it is recorded as delivered by the U.S. Postal Service or the overnight courier, respectively. Email notice shall be effective on the date sent to a valid address so long as no notice of failure of delivery is received by sender. Each Beneficiary and the Beneficiaries' Representative shall provide Trustee and Grantor with prompt notice of changes of address.

8.7 Force Majeure. The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Agreement to the extent caused, directly or indirectly, by natural disasters, fire, acts of God, strikes or other labor disputes, work stoppages, acts of war or terrorism, general civil unrest, actual or threatened epidemics, disease, act of any government, governmental authority or police or military authority, declared or threatened state of emergency, legal constraint, the interruption, loss or malfunction of utilities or transportation, communications or computer systems, or any other similar events beyond its reasonable control. The Trustee will use commercially reasonable efforts to minimize the effect of any such events.

8.8 Counterparts. This Agreement may be executed in two or more counterparts, and shall be deemed an original and shall bind the signatory but all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the others, it being understood that all parties need not sign the same counterpart.

[*remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the 30th day of June, 2025.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
(“Trustee”)

/s/ Glenn McKeever
Name: Glenn McKeever
Title: Agent

MICROSOFT CORPORATION
(“Grantor”)

/s/ Keith Dolliver
Name: Keith Dolliver
Title: Vice President and Corporate Secretary

ADDITIONAL PARTY
(“Beneficiaries’ Representative”)

/s/ Hugh F. Johnston
HUGH F. JOHNSTON

EXHIBIT A

The Trustee shall continue to hold the amount in the Trust Fund immediately prior to the date of execution of this Agreement as part of the Minimum Balance under this Agreement. Grantor shall transfer as of the effective date of this Agreement an additional sum sufficient to cause the total balance held by the Trustee to equal $50,000,000 which thereafter shall be the Minimum Balance, to be held in trust, for the stated uses and purposes in accordance with the terms of this Agreement.

EXHIBIT B

Liquidation of Investments**.** If Trustee receives no instructions from Grantor for the liquidation of assets pursuant to Section 4.6, Trustee shall liquidate the Trust Fund in the following order, liquidating the entire amount of each class of funds before liquidating additional funds from the next class sufficient to make a distribution:

1. Cash

2. Money market funds

3. Other Eligible Securities (Treasury Securities, Government Securities, Municipal Securities, Corporate Securities), in order of nearest maturity

Exhibit 10.8

INDEMNIFICATION AGREEMENT

This Agreement is made this __ day of ____________, 20__, by and between Microsoft Corporation, a Washington corporation (the "Company") and _______________ ("Indemnitee"), a director of the Company and Hugh F. Johnston (the "Beneficiaries' Representative"), and is effective as of the date that Indemnitee first became a director and/or executive officer of the Company.

WHEREAS, there is a general awareness that competent and experienced persons are becoming more reluctant to serve as directors or executive officers of publicly-held corporations unless they are protected by comprehensive policies of insurance or indemnification, due to the increasing number of lawsuits against such corporations and their directors and officers, the attendant expense of defending against such lawsuits, and the exposure of such directors and officers to unreasonably high damages;

WHEREAS, present laws and interpretations are frequently too uncertain to provide such officers and directors with adequate, reliable knowledge of the legal risks to which they may be exposed as a result of serving the corporation;

WHEREAS, the Board of Directors has concluded that its directors and executive officers should be provided with protection against such risks in order to insure that the most capable persons will be attracted to such positions; and, therefore, has determined to contractually obligate itself to indemnify in a reasonable manner its directors and executive officers and to assume for itself the liability for expenses and damages in connection with claims lodged against its directors and executive officers as a result of their service to the Company;

WHEREAS, applicable law empowers corporations to indemnify persons serving as a director, officer, employee, or agent of the corporation or a person who serves at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, and further empowers a corporation to purchase and maintain insurance (on behalf of such persons) against liability which may be asserted against Indemnitee or incurred by Indemnitee in any such capacity, or arising out of Indemnitee's status as such, whether or not the corporation would have the power to indemnify against such liability under the provisions of said laws;

WHEREAS, the Board of Directors has concluded that, due to the high cost and other negative features of the coverage under presently available directors' and officers' liability insurance, at this time it would not be in the best interest of its shareholders for the Company to purchase and maintain such insurance in the amounts customarily held by similar corporations and that its shareholders' interest would be better served by contracting to indemnify its executive officers and directors thereby reasonably self-insuring against such potential liabilities;

WHEREAS, the Company desires to have Indemnitee serve or continue to serve as a director or executive officer of the Company free from undue concern for damages by reason of Indemnitee being a director and/or executive officer of the Company or by reason of his or her decision or actions on its behalf, and Indemnitee is willing to serve, or to continue to serve, only if he or she is furnished the indemnity provided for hereinafter in one or more of such capacities; and

WHEREAS, the parties believe it appropriate to memorialize and reaffirm the Company's indemnification obligations to Indemnitee and, in addition, to set forth the agreements contained herein.

NOW, THEREFORE, in consideration of the promises, conditions, representations, and warranties set forth herein, including the Indemnitee's continued service to the Company, the Company and Indemnitee hereby agree as follows:

1. Definitions. The following terms, as used herein, shall have the following respective meanings:

"Beneficiary" or "Beneficiaries" means an officer or director of the Company who qualifies as a Beneficiary under Section 1.1 of the Trust Agreement.

"Beneficiaries' Representative" means a non-employee director of the Company, or other individual selected in accordance with the procedures set forth in Section 3.4 of the Trust Agreement.

"Board of Directors" means the board of directors of Microsoft Corporation.

"Claim or Claims" includes without limitation any threatened, pending, or completed action, suit, or proceeding whether civil, derivative, criminal, administrative, investigative, or otherwise, and includes any Claims by or in the right of the Company.

"Covered Amount" means Loss and Expenses which, in type or amount, are not insured under any D&O Insurance.

"Covered Act" means any act or omission (including without limitation any breach of duty, neglect, error, misstatement, misleading statement, or otherwise, or appearing as or preparing to be a witness) by Indemnitee, and any Claim against Indemnitee, by reason of the fact that Indemnitee is or was a director or officer of the Company, or of any subsidiary or division, or is or was serving at the request of the Company as a director, officer, partner, trustee, employee, or agent of another corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise.

"D&O Insurance" means any directors' and officers' liability insurance issued to the Company the proceeds of which are available for, and are tendered to, the Indemnitee.

"Determination" means a determination, based on the facts known at the time, made by:

(i) A majority vote of a quorum of disinterested directors; or
(ii) Independent legal counsel in a written opinion prepared at the request of a majority of a quorum of disinterested directors; or
(iii) A majority of the disinterested shareholders of the Company; or
(iv) A final order by a court of competent jurisdiction from which there is no further right of appeal.

"Determined" shall have a correlative meaning.

"Excluded Claim" means any payment for Losses or Expenses in connection with any Claim the payment of which is Ultimately Determined to be prohibited by the Washington Business Corporation Act, public policy, or other applicable law (including binding regulations and orders of, and undertakings or other commitments with, any governmental entity or agency) as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment).

"Expenses" means any reasonable expenses incurred by Indemnitee as a result of a Claim or Claims made against him for Covered Acts including, without limitation, counsel fees and costs of investigative, judicial, or administrative proceedings and any appeals.

"Fines" shall include any fine, penalty or, with respect to an employee benefit plan, any excise tax or penalty assessed with respect thereto.

"Loss" means any amount which Indemnitee is legally obligated to pay as a result of any Claim or Claims made against him or her for Covered Acts including, without limitation, Fines, damages, judgments, and sums paid in settlement of any Claim or Claims.

"Trust Agreement" shall mean the Trust established between the Company and The Bank of New York Mellon Trust Company, N.A. ("Trustee") attached as Exhibit A.

"Ultimate Determination" means the method of Determination set forth in clause (i), (ii), or (iii) of the above definition of Determination as selected by the Company, except that a final order from which there is no further right of appeal in any action in which Indemnitee seeks indemnification shall constitute the Ultimate Determination of the Indemnitee's right to indemnification from the Company. "Ultimately Determined" shall have a correlative meaning.

2. Indemnification. The Company agrees to indemnify and defend Indemnitee and hold him or her harmless from and against any and all Losses and Expenses subject, in each case, to the further provisions of this Agreement.

3. Excluded Coverage. The Company shall have no obligation to indemnify Indemnitee for and hold him or her harmless from any Loss or Expense which has been Ultimately Determined to constitute an Excluded Claim or to the extent that Indemnitee has received the proceeds of D&O Insurance or to the extent that Indemnitee has otherwise been indemnified.

4. Indemnification Procedures.

4.1 Notice. Promptly after receipt by Indemnitee of notice of the commencement of or the threat of commencement of any Claim, Indemnitee shall, if Indemnitee intends to seek indemnification with respect thereto from the Company under this Agreement, promptly notify the Company and the Beneficiaries' Representative of the commencement thereof and shall keep the Company generally informed of, and consult with the Company with respect to, the status of any such Claim.

4.2 D&O Insurance Applicable. If, at the time of the receipt of such notice, the Company has D&O Insurance in effect, the Company shall give prompt notice of the commencement of such Claim to the insurers in accordance with the procedures set forth in the respective policies in favor of Indemnitee. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all Losses and Expenses payable as a result of such Claim in accordance with the terms of such policies.

4.3 Advances of Expenses. The Company agrees to pay the Expenses of any such Claim in advance of the final disposition thereof to the extent payment for such Expenses is not promptly received from D&O Insurance or any other source of indemnity. The Company, if appropriate, shall be entitled to assume the defense of any Claim, with counsel satisfactory to Indemnitee, upon the delivery to Indemnitee of written notice of its election to assume the defense. After delivery of such notice and so long as the Company continues such defense, the Company will not be liable to Indemnitee under this Agreement for any legal or other Expenses subsequently incurred by the Indemnitee in connection with such defense other than Expenses of investigation and any out-of-pocket personal expenses incurred in preparing for and participating in the Claim. Indemnitee shall have the right to employ his or her counsel in any such Claim but the fees and expenses of such counsel incurred after delivery of notice from the Company of its assumption of such defense shall be at the Indemnitee's expense provided that if (i) the employment of counsel by Indemnitee has been previously authorized by the Company, (ii) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense or (iii) the Company shall not, in fact, have employed counsel which has assumed and continues the defense of such action, the fees and expenses of counsel shall be at the expense of the Company.

4.4 Payment of Expenses. All payments on account of the Company's indemnification obligations under this Agreement shall be made within sixty (60) days of Indemnitee's written request therefor unless an Ultimate Determination is made that the claims giving rise to Indemnitee's request are Excluded Claims or otherwise not payable under this Agreement, provided that all payments on account of the Company's obligations under Section 4.3 of this Agreement prior to the final disposition of any Claim shall be made within twenty (20) days of Indemnitee's written request therefor and such obligation shall not be subject to any such Ultimate Determination but shall be subject to this Agreement.

4.5 Indemnitee's Obligation to Reimburse. Indemnitee agrees that he will reimburse the Company or the Trust, respectively, for all Losses and Expenses paid by the Company, or any Trustee of a Trust created by the Company, in connection with any Claim against Indemnitee in the event and only to the extent that an Ultimate Determination shall have been made that the Indemnitee is not entitled to be indemnified by the Company for such Losses and Expenses because the claim is an Excluded Claim or because Indemnitee is otherwise not entitled to payment under this Agreement.

5. Settlement. The Company shall have no obligation to indemnify Indemnitee under this Agreement for any amounts paid in settlement of any Claim effected without the Company's prior written consent except to the extent it is Ultimately Determined that such settlement is reasonable and in good faith. The Company shall not settle any claim in any manner which would impose any Fine or any obligation on Indemnitee without Indemnitee's written consent. Neither the Company nor Indemnitee shall unreasonably withhold their consent to any proposed settlement.

6. Partial Indemnification. If Indemnitee is entitled under any provisions of this Agreement to indemnification by the Company for some or a portion of Expenses and Losses but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such Expenses and Losses to which Indemnitee is entitled.

7. Enforcement.

7.1 Burden of Proof. Indemnitee's right to indemnification shall be enforceable by Indemnitee in any court of competent jurisdiction and shall be enforceable notwithstanding any adverse Determination (pursuant to clauses (i), (ii) or (iii) but not (iv) of the definition of Determination in Section 1). In any action in which Indemnitee seeks indemnification, the Company shall have the burden of proving that indemnification is not required under this Agreement. The termination of any Claim by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

7.2 Enforcement Expenses. In the event that any action is instituted in which Indemnitee or the Beneficiaries' Representative seeks indemnification of Indemnitee under this Agreement, or to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all costs and expenses, including reasonable attorneys' fees and costs, incurred by Indemnitee with respect to such action, unless the court determines that such action was not brought in good faith or was frivolous.

8. Severability. In the event that any provision of this Agreement is determined by a court to require the Company to do or to fail to do an act which is in violation of applicable law, such provision shall be limited or modified in its application to the minimum extent necessary to avoid a violation of law, and, as so limited or modified, such provision and the balance of this Agreement shall be enforceable in accordance with their terms.

9. Choice of Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Washington.

10. Successors and Assigns. This Agreement shall be (i) binding upon all successors and assigns of the company (including any transferee of all or substantially all of its assets and any successor by merger or otherwise by operation of law) and of the Beneficiaries' Representative and (ii) shall be binding on and inure to the benefit of the spouses, heirs, personal representatives, and estate of Indemnitee. The Company shall not effect any sale of substantially all of its assets, merger, consolidation, or other reorganization unless the surviving entity agrees in writing to assume all the obligations of the Company under this Agreement and to indemnify Indemnitee and advance Expenses in accordance with this Agreement.

11. Amendment. No amendment, modification, termination, or cancellation of this Agreement shall be effective unless made in a writing signed by each of the parties hereto. No waiver of any of the

provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision of this Agreement (whether or not similar) nor shall such waiver constitute a continuing waiver.

12. Deposit in Trust. The Company has created a Trust (the "Trust") for the benefit of the Indemnitee and others (collectively, including Indemnitee, the “Beneficiaries”) in the form of Exhibit A (the “Trust Agreement”). Indemnitee is specifically acknowledged as a third party beneficiary of the Trust Agreement, and therefore, in addition to Indemnitee’s rights under this Agreement and any applicable insurance policy, Indemnitee shall also have the right to receive indemnification from the Trust in accordance with the terms of this Agreement and of the Trust Agreement. The Company agrees to fund and maintain the Trust Fund in accordance with the procedures set forth in Article II of the Trust Agreement and to discharge all its other obligations pursuant to the Trust Agreement.

13. Procedure for Making Demand. Indemnitee shall first make demand upon the Company in accordance with the Indemnification Procedures of Section 4 to honor its indemnity obligation under this Agreement. If the Company shall fail to indemnify on a timely basis, the Beneficiary shall deliver a certificate to the Beneficiaries’ Representative setting forth the information required pursuant to section 4.7.1 of the Trust Agreement. Indemnitee shall not be required to institute a lawsuit or take other actions against the Company or any insurer to recover the unpaid amount prior to the Beneficiaries’ Representative making a demand and receiving payment from the Trustee on his or her behalf.

14. Duties and Responsibilities of Beneficiaries’ Representative. The Beneficiaries’ Representative (and any successor Beneficiaries’ Representative) shall have the following affirmative duties and responsibilities:

14.1 To demand deposits from the Company so as to maintain the Minimum Balance and make any Additional Contribution as required by sections 4.3 and 4.4 of the Trust Agreement;

14.2 To demand payments by the Trustee to Indemnitee, upon demand by Indemnitee where, in the good faith judgment of the Beneficiaries’ Representative, the Indemnitee has satisfied the conditions for indemnification as set forth in this Agreement and the Trust Agreement;

14.3 To generally cause the Company and Trustee to discharge their respective responsibilities under this Agreement and the Trust Agreement, including the bringing of legal actions and proceedings to enforce such Agreement.

15. Other Indemnity. The provisions in this Agreement are intended to be nonexclusive of indemnity under the Company’s articles of incorporation, bylaws, other agreements, vote of shareholders or disinterested directors, or otherwise. All applicable indemnity shall be interpreted and applied so as to provide Indemnitee with the broadest but nonduplicative indemnity to which he or she is entitled.

16. Communications. All notices, consents, or other communications required or contemplated by this Agreement shall be in writing and shall be deemed to have been given when delivered either by (a) personal delivery, (b) overnight courier, or (c) postage prepaid return receipt requested certified mail to the last address given to the Trustee by each respective Beneficiary. Notice by personal delivery shall be effective upon the date service is made, and notice by certified mail or overnight courier shall be effective on the date it is recorded as delivered by the U.S. Postal Service or the overnight courier, respectively.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

Attest:

By

Secretary

MICROSOFT CORPORATION

By

President

, Indemnitee

Indemnitee's Address:

HUGH F. JOHNSTON,

Beneficiaries' Representative

Exhibit A

AMENDED AND RESTATED
DIRECTORS' INDEMNIFICATION TRUST AGREEMENT

This AMENDED AND RESTATED DIRECTORS' INDEMNIFICATION TRUST AGREEMENT (this "Trust" or this "Agreement") between MICROSOFT CORPORATION, a Washington corporation ("Grantor"), and The Bank of New York Mellon Trust Company, N.A. the "Trustee"), whose address is 601 Travis Street, Houston, Texas 77002 and, as an additional party, Hugh F. Johnston (the "Beneficiaries' Representative") shall be effective as of June 30, 2025 (the "Effective Date").

RECITALS

A. Grantor initially established the directors' indemnification trust by an agreement dated as of June 30, 2003 (the "Original Trust Agreement") to be a source of indemnification for Grantor's Directors who are eligible for such indemnification as stated in this Trust as it is in effect from time to time.

B. Grantor and Beneficiaries of this Trust adopted an amendment to the Original Agreement in November 2006, and further amended and restated the Trust in July of 2010 and June 30 of 2016 (the "Amended and Restated Indemnification Trust Agreement"). Pursuant to an Assumption of Beneficiaries' Representative Obligations Under Amended and Restated Directors' Indemnification Trust Agreement, date as of December 4, 2019, Hugh F. Johnston agreed to serve as the successor Beneficiaries' Representative under the Amended and Restated Indemnification Trust Agreement.

C. Grantor has determined, after due diligence, that it has and will continue to derive substantial economic benefits from this Trust, including from economic terms that are more favorable to Grantor than obtaining protection for its Directors through the current director and officer insurance market.

D. Grantor's Articles of Incorporation (the "Articles") provide for mandatory indemnification of Grantor's Directors to the maximum extent provided by law, and as such, this Trust is not an exclusive source of indemnification for such Directors.

E. Grantor has determined that continuation and further amendment of this Trust is necessary in order for Grantor to attract and retain the most qualified persons to serve as Directors.

F. Grantor and the Beneficiaries under the Amended and Restated Indemnification Trust Agreement wish to amend certain provisions in that trust agreement and to restate in its entirety the Amended and Restated Indemnification Trust Agreement and replace it with this amended and restated Agreement. Grantor's Board of Directors has acted by resolution adopted June 11, 2025 to amend and restate the Amended and Restated Indemnification Trust Agreement effective as of the Effective Date.

G. Except as otherwise noted, the capitalized terms have the meaning ascribed to them in the body of this Agreement.

AGREEMENT

NOW, THEREFORE, as of the Effective Date, Grantor and the Trustee acknowledge that the funds held under the Amended and Restated Indemnification Trust Agreement shall be held in trust under this Agreement and the Trustee accepts the trust created hereby and agrees that it will hold all property which it may receive or hold hereunder specifically including the Minimum Balance as defined in Section 4.2 at the Effective Date, together with the additional funds, as custodian IN TRUST, for the purposes and upon the terms and conditions hereinafter stated, and Grantor, the Trustee and the Beneficiaries' Representative agree as follows:

ARTICLE 1
DEFINITIONS

"Act" means the Washington Business Corporation Act RCW 23B or succession legislation.

"Additional Contributions" is defined in Section 4.4.

"Adverse Determination" is defined in Section 4.12.

"Agreement" is defined in the Preamble.

"Amended and Restated Indemnification Trust Agreement" is defined in Section B of the Recitals.

"Articles" is defined in Section D of the Recitals.

"Beneficiary" and "Beneficiaries" are defined in Section 3.1.

"Beneficiaries' Representative" is defined in the Preamble.

"Board of Directors" means the board of directors of Microsoft Corporation as constituted from time to time.

"Business Day" means any day, excluding Saturday, Sunday and any day on which banking institutions located in New York, New York or Seattle, Washington are authorized by applicable law to be closed.

"Cash" means (a) currency of the United States, and (b) certificates of deposit or time deposits having, in each case, a tenor of not more than six (6) months, issued by any U.S. commercial bank or any branch or agency of a non-U.S. bank licensed to conduct business in the U.S. having combined capital and surplus of not less than $250,000,000 (including the Trustee and its affiliates).

"Change of Control" is defined in Section 3.1.

"Claim" or "Claims" includes, without limitation, any threatened, pending, or completed action, suit, or proceeding, whether civil, derivative, criminal, administrative, investigative, or otherwise, initiated by a person other than the Beneficiary (including any Claims by or in the right of Grantor), unless the Claim was initiated by the Beneficiary in good faith to establish or enforce a right to indemnification under the Articles, this Trust or applicable statute.

"Collateral" is defined in Section 4.12.

"Covered Act" means any act or omission (including, without limitation, any alleged breach of duty, neglect, error, misstatement, misleading statement, or otherwise, or appearing as or preparing to be a witness) by a Beneficiary, and any Claim against such Beneficiary, by reason of the fact that that Beneficiary is or was a director of Grantor, or of any subsidiary or division, or is or was serving at the request of Grantor as a director, officer, partner, trustee, fiduciary, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise.

"Corporate Securities" means US dollar denominated senior debt obligations that are obligations (whether direct or by virtue of guarantees) of corporations organized in the United States whose long-term, unsecured, unsubordinated debt securities are rated at least "A" (or its equivalent successor rating) in the case of Standard & Poor's Ratings Group or "A2" (or its equivalent successor rating) in the case of Moody's Investors Service, Inc.

"Demand" is defined in Section 4.7.1.

"Director" means a current, past or future member of the Board of Directors.

"Effective Date" is defined in the Preamble.

"Electronic Means" means the following communications methods: e-mail, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

"Eligible Securities" means Cash, Treasury Securities, Government Securities, Municipal Securities, Corporate Securities, Money Market Funds and Other Eligible Securities. All Eligible Securities must be in a form suitable for delivery and retransfer, and must be capable of being priced by recognized third-party dealers.

"Excluded Claim" means any payment for Losses or Expenses in connection with any Claim the payment of which is Ultimately Determined to be prohibited by the Act, public policy, or other applicable law (including binding regulations and orders of, and undertakings or other commitments with, any governmental entity or agency) as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits Grantor to provide broader indemnification rights than said law permitted Grantor to provide prior to such amendment). For the avoidance of doubt, a "knowing violation of law" means a conscious, intentional and deliberate act or failure to act (a) that is a material breach of applicable law, (b) that is done with actual knowledge that such act or failure to act is a material breach of applicable law, (c) that is done with the intent that such act or failure to act will be a material breach of applicable law, (d) that is done with actual knowledge that such act or failure to act will inflict material harm on Grantor, (e) that is done with the intent that such act or failure to act will inflict material harm on Grantor, and (f) that such act or failure to act does inflict such material harm on Grantor. For the avoidance of doubt, "intentional misconduct" means a conscious, intentional and deliberate act or failure to act (a) that is done with actual knowledge that such misconduct will inflict material harm on Grantor, (b) that is done with the intent to inflict material harm on Grantor, and (c) that such misconduct does inflict such material harm on Grantor.

"Expenses" means any reasonable expenses incurred by Beneficiary as a result of a Claim or Claims made against him or her for Covered Acts including, without limitation, counsel fees and costs of investigative, judicial, or administrative proceedings and any appeals.

"Fines" shall include any fine, penalty or, with respect to an employee benefit plan, any excise tax, or penalty assessed with respect thereto.

"Government Securities" means bonds, notes, debentures, obligations or other evidence of indebtedness issued and/or guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association, including mortgage participation certificates, mortgage pass-through certificates and other mortgage-backed securities, but excluding collateralized mortgage obligations and mortgage-related securities representing payments of interest only or principal only and REMIC securities and CMBS (commercial mortgage backed securities).

"Grantor" is defined in the Preamble.

"Loss" means any amount which a Beneficiary is legally obligated to pay as a result of any Claim or Claims made against him or her for Covered Acts including, without limitation, Fines, damages, judgments, costs of defense of any Claims and sums paid in settlement of any Claim or Claims, specifically including fees of plaintiff's counsel.

"Minimum Balance" is defined in Section 4.2.

"Money Market Funds" means money market funds rated "AAAm" by Standard & Poor's Rating Service or having a rating in the highest investment category granted thereby from Moody's Investors Service, including, without limitation, any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent and/or custodian or subcustodian, notwithstanding that (a) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (b) the Trustee collects fees for services rendered pursuant to this Agreement, which fees are separate from the fees received from such funds, and (c) services performed for such funds and pursuant to this Agreement may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee.

"Municipal Securities" means senior and unsubordinated debt obligations that are obligations (whether direct or by virtue of guarantees) of U.S. state or municipal issuers whose long-term, unsecured, unsubordinated, debt securities are rated at least "A" (or its equivalent successor rating) in the case of Standard & Poor's Ratings Group or "A2" (or its equivalent successor rating) in the case of Moody's Investors Service, Inc., excluding "A" or "A2" rated debt securities of housing and hospital issuers and municipal funds and partnerships where the rating is not based upon the rating of a third-party credit enhancer of such securities.

"Officer" means any employee of Grantor elected, designated or appointed by the Board of Directors as an officer pursuant to Section 4.1 of the Bylaws of the Grantor as of July 1, 2009 and from time to time thereafter.

"Original Trust Agreement" is defined in Section A of the Recitals.

"Other Eligible Securities" means securities other than Cash, Corporate Securities, Treasury Securities, Government Securities, Money Market Funds and Municipal Securities mutually agreed upon in writing by the Beneficiaries' Representative and Grantor.

"Sanctions" means all economic sanctions laws, rules, regulations, executive orders and requirements administered by any governmental authority of the United States (including the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC")), the United Nations Security Council, the European Union or HM Treasury.

"Treasury Securities" means securities issued or guaranteed by the United States government, including United States Department of the Treasury obligations and any other obligations the timely payment of principal and interest of which is fully and unconditionally guaranteed by the United States government.

"Trust" is defined in the Preamble.

"Trust Account" shall mean the trust account created by the Grantor in connection with this Trust and such other accounts as established from time to time by written request from the Grantor and Beneficiaries' Representatives.

"Trust Fund" is defined in Section 4.1.

"Trustee" is defined in the Preamble.

"UCC" is defined in Section 4.12.3.

"Ultimate Determination" means a final order from which there is no further right of appeal in any action in which a Beneficiary seeks indemnification. Such an order shall constitute the Ultimate Determination of the Beneficiary's right to indemnification from Grantor. "Ultimately Determined" shall have a correlative meaning.

ARTICLE 2
PRIOR COVERED ACTS AND CLAIMS

2.2 Indemnification for Covered Acts. The Beneficiaries under this Trust shall be indemnified for any Losses, Expenses or Fines that result from a Claim based on a Covered Act asserted while this Trust is in effect without regard to whether the Covered Act occurred on, before or after the establishment of this Trust. Rights to coverage as a Beneficiary under this Agreement shall be deemed to vest with and upon such person's election as a Director. If a Beneficiary of this Trust was also a "Beneficiary" of the Original Trust and/or the Amended and Restated Indemnification Trust Agreement because such person was or is a Director prior to the Effective Date, such person shall be covered by this Trust as a Beneficiary under this Trust as well for "Covered Acts" as defined herein that occurred prior to the Effective Date.

2.3 Nonexclusive Remedy. The rights of Beneficiaries to indemnification from this Trust are limited to the assets of the Trust, but this does not limit any Beneficiary's rights, if any, to indemnification (without duplication) from Grantor, or other Grantor arrangements or obligations, including but not limited to any applicable insurance coverage.

ARTICLE 3
THE BENEFICIARIES AND THE BENEFICIARIES' REPRESENTATIVE

3.1 The Beneficiaries. All present and future Directors and all "Beneficiaries" of the Original Trust Agreement and/or the Amended and Restated Indemnification Trust Agreement who were "Beneficiaries" of such trusts as Directors shall be "Beneficiaries" of this Trust (and each a "Beneficiary"), provided, however, that if there is a Change of Control of Grantor, no directors elected or appointed after or in connection with such Change of Control shall be entitled to be Beneficiaries who were not Beneficiaries prior to such Change of Control. For purposes of this Agreement, "Change of Control" shall mean (a) a tender offer or exchange offer in which the purpose of such offer is to take over and control Grantor and such offer is accepted by owners of securities of Grantor representing 50% or more of the combined voting power of Grantor's then outstanding voting securities, (b) Grantor is merged or consolidated with another corporation and as a result of such merger or consolidation less than 50% of the outstanding voting securities of the surviving or resulting corporation shall then be owned in the aggregate by the former shareholders of Grantor, (c) Grantor transfers substantially all of its assets to another corporation which is not a wholly-owned subsidiary of Grantor, or (d) during any period of twelve (12) consecutive months, individuals who at the beginning of such twelve (12) month period were directors of Grantor cease for any reason to constitute at least a majority of Grantor's Board of Directors. The Beneficiaries' Representative shall promptly notify the Trustee in writing of a Change of Control. Any Beneficiary shall remain a Beneficiary despite his or her resignation, removal, or other failure to continue to be a member of Grantor's Board of Directors during the term of this Agreement. A person whose conduct gives rise to a right of indemnification both as a member of the Board of Directors and as an Officer of Grantor, shall be a Beneficiary hereunder as to all such conduct without being required to separate his or her activities between the role of Director and the role of Officer.

3.2 New Beneficiaries. If prior to a Change of Control an individual is duly elected to the Board of Directors, Grantor agrees to notify the Trustee and the Beneficiaries' Representative promptly of such election or appointment; provided, however, Grantor's failure to so notify the Trustee and the Beneficiaries' Representative shall not affect in any way an individual Director's rights as a Beneficiary under this Trust. The Trustee and the Beneficiaries' Representative shall have the right to rely on the accuracy and completeness of any statement provided to it by Grantor's Secretary, Assistant Secretary or Chief Executive Officer as to the Beneficiary status of any individual.

3.3 Beneficiaries' Representative. Except as expressly provided elsewhere in this Agreement, all communications or demands made by and among the Trustee and the Beneficiaries are to be made through the individual then designated as the Beneficiaries' Representative. The Beneficiaries' Representative shall have the exclusive right to convey Demands from time to time on the Trustee to direct payment to one or more of the Beneficiaries.

3.4 Identity of Beneficiaries' Representative.

3.4.1 The initial Beneficiaries' Representative shall be the person identified as the Beneficiaries' Representative in the first paragraph of this Agreement.

3.4.2 Any subsequent Beneficiaries' Representative shall be a Beneficiary who is a present or past nonemployee Director of Grantor, designated in writing to the Grantor from time to time by a majority of the current nonemployee Directors who are Beneficiaries under this Agreement. For this purpose, a Director who has not been employed by Grantor during the current calendar year and the preceding three (3) years shall be regarded as a nonemployee Director. The Grantor and Beneficiaries shall be entitled to rely on the original appointment of that individual as the Beneficiaries' Representative unless notified in writing of a change in the Beneficiaries' Representative by a writing signed by the former Beneficiaries' Representative. A Beneficiary shall be deemed to have consented to such change in Beneficiaries' Representative if such Beneficiary is provided with notice of such change by the Grantor and does not provide written notice to the Grantor of objection to the change within ten (10) days. The Trustee shall be entitled to rely on such subsequent appointment as of the date such writing is received by the Trustee. In the absence of an effective appointment of a Beneficiaries' Representative, the Grantor or any Beneficiary may, after ten (10) days' written notice to all Beneficiaries and Grantor, petition a court of competent jurisdiction at the expense of the Trust for appointment of a Beneficiaries' Representative who need not be a Beneficiary (if none are willing or able to serve), but shall in no event be an Officer or Director elected or appointed after a Change of Control who was not a Beneficiary prior to such Change of Control. The designation or appointment of a successor Beneficiaries' Representative shall become effective only upon the execution of a counterpart of this Agreement whereby the successor Beneficiaries' Representative shall assume and become bound by all the duties and responsibilities of a Beneficiaries' Representative under this Agreement.

3.4.3 The Grantor shall notify the Trustee of any new Beneficiaries' Representative. Until any such notification is received, the Trustee shall be entitled to treat the last identified Beneficiaries' Representative as the Beneficiaries' Representative for all purposes hereunder. Upon the execution of a counterpart of this Agreement by such new Beneficiaries' Representative the Trustee shall be entitled, without inquiry, to treat such new Beneficiaries' Representative as the Beneficiaries' Representative for all purposes hereunder. Upon request, the Trustee shall be entitled to receive and rely on the accuracy and completeness of: (1) a written list delivered to the Trustee by Grantor, and certified by the Secretary of Grantor to be accurate and to have been prepared in good faith, identifying the names and addresses of all then current Beneficiaries, (2) a written notice delivered to the Trustee by Grantor, and certified by the Secretary of Grantor to be accurate and to have been prepared in good faith, identifying the name and address of the then current Beneficiaries' Representative.

3.5 Right of Beneficiaries to Receive Payments. Subject to court order to the contrary, the rights of the Beneficiaries to make a Demand and receive distributions from the Trustee shall not be affected or diminished in any way by the existence of any dispute between one or more Beneficiaries and Grantor or anyone acting on behalf of Grantor in a derivative or representative capacity, and the Trustee in making distributions from the Trust Fund shall be entitled to rely upon the simple Demand of a Beneficiary, as conveyed by the Beneficiaries' Representative pursuant to Section 4.7. Such distributions shall be made notwithstanding any notice or demand by or on behalf of Grantor or anyone acting on behalf of Grantor in a derivative or representative capacity that the distributions should not be made, whether based on Grantor's claim that any Beneficiary is not entitled to some or all of the amount of such distributions or otherwise. The Trustee shall have no responsibility or liability to Grantor for making any payment despite having received any such notice or demand by or on behalf of Grantor. The Trustee shall have no responsibility to inquire into the accuracy or truthfulness of any such notice or demand, whether from Grantor or the Beneficiaries' Representative.

ARTICLE 4
THE TRUST FUND

4.1 Trust Fund; Grantor Trust. The Trustee shall hold all property received by it as custodian in Trust hereunder as one fund in the Trust Account which, together with the income and gains therefrom and additions thereto, shall constitute the "Trust Fund." The Trust is intended to be a grantor trust within the meaning of Section 671 of the Internal Revenue Code of 1986, as amended, and shall be construed accordingly. The Trust Fund shall not be paid to Grantor or any trustee in bankruptcy of Grantor, shall be held separate and apart from other funds of Grantor and shall be used exclusively for the purposes set forth herein.

4.2 Minimum Balance. The Trustee shall continue to hold the amount in the Trust Fund immediately prior to the date of execution of this Agreement as part of the Minimum Balance under this Agreement. Grantor shall transfer as of the effective date of this Agreement an additional sum sufficient to cause the total balance held by the Trustee to equal $50,000,000 which thereafter shall be the "Minimum Balance," to be held in trust, for the stated uses and purposes in accordance with the terms of this Agreement. Nothing contained in this Agreement shall preclude Grantor from making additional transfers of funds from time to time to the Trustee, whether required under the terms of this Agreement or not, to be held in trust as part of the Trust Fund. If Grantor makes additional transfers of funds to the Trust Fund, such additional transfers shall be deemed an increase of the Minimum Balance and Exhibit A shall be automatically amended without further action by the parties to this Agreement. Grantor and the Beneficiaries' Representative shall periodically, but no less than every third anniversary of this Agreement, review the adequacy of the Minimum Balance.

4.3 Maintenance of Minimum Balance. The Trustee agrees to provide monthly reports to Grantor and the Beneficiaries' Representative showing the current fair market value of the Trust Fund. If any such report shows that the current fair market value of the Trust Fund is less than the Minimum Balance, then within ten (10) days after such report, Grantor agrees to deliver cash funds to the Trustee equal to the difference between the fair market value of the Trust Fund and the Minimum Balance so that the Trust balance is at least equal to the Minimum Balance. Notwithstanding the foregoing, Grantor shall have no obligation to make payments to the Trustee in excess of $400,000,000 (including the Minimum Balance at the Effective Date and the additional funds contributed following execution of this Agreement) under or with respect to this Agreement.

4.4 Additional Contributions. Subject to the aggregate limitation of $400,000,000 set forth in Section 4.3, Grantor agrees to make additional contributions ("Additional Contributions") to the Trust Fund within ten (10) days after receipt of a written request from the Beneficiaries' Representative certifying in good faith that Claims have or are reasonably expected to be asserted against Beneficiaries and that estimated Losses and Expenses for all pending, threatened or anticipated Claims against all Beneficiaries are reasonably expected to exceed the then Trust Fund balance. A copy of the written certification shall be provided to the Trustee at the same time and in the same manner as it is provided to Grantor. The written certification shall be accompanied by an opinion of independent counsel to the effect that, based on the information made known to such counsel, (a) the Claims do not appear to be Excluded Claims and (b) the amount requested seems reasonable in the circumstances noted above. Independent counsel shall be selected by the Beneficiaries' Representative and shall have no present or past professional relationship to the Beneficiaries who are the subject of the Claims.

4.5 Excess Balance. If at any time the fair market value of the Trust Fund shall exceed the Minimum Balance, plus any additional contributions which continue to be required pursuant to Section 4.4, Grantor shall be entitled to withdraw an amount equal to the excess over the said sum upon thirty (30) days' advance written notice to the Beneficiaries' Representative.

4.6 Direction of Investment. Notwithstanding anything contained in this Agreement to the contrary, Grantor retains the right to direct the investment of the Trust Fund and the Trustee shall have no duty to review or recommend investments; provided, however, that Grantor shall only direct the Trustee to invest the Trust Fund in Eligible Securities in accordance with Grantor's current cash-management policies. If Grantor instructs the Trustee to invest in securities other than in Cash, Government Securities, Municipal

Securities, Corporate Securities, Money Market Funds or Treasury Securities, such instruction shall be accompanied by the written consent of the Beneficiaries' Representative as to the investment(s) in such Other Eligible Securities. If for any reason Grantor shall fail to direct the Trustee pursuant to written instructions as to how to invest the Trust Fund (including the consent of the Beneficiaries' Representative if the proposed investment is in other than Eligible Securities), the Trustee shall invest the Trust Fund in accordance with the last instruction received. In the event the Trustee is required to make a distribution pursuant to Section 4.7 at a time when the Trust Fund has insufficient cash to cover such distribution, the Trustee shall promptly notify the Grantor. The Grantor shall then direct the Trustee as to which Trust investments to liquidate in order to cover the required distribution; if Grantor does not respond to the Trustee's inquiry within two (2) Business Days the Trustee shall liquidate investments in the order specified in Exhibit B. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Agreement. Grantor and the Beneficiaries' Representative acknowledge that regulations of the Comptroller of the Currency grant the right to receive brokerage confirmations of the security transactions as they occur, at no additional cost. To the extent permitted by law, Grantor and the Beneficiaries' Representative specifically waive compliance with 12 CFR 12 and hereby notify the Trustee that no brokerage confirmations need be sent relating to the security transactions as they occur.

4.7 Distributions from Trust Fund.

4.7.1 Duties of Beneficiary. A Beneficiary making a demand for indemnity shall certify in each demand regarding a Claim for a Covered Act (a "Demand") delivered to the Beneficiaries' Representative that (a) he or she is entitled to payment of at least the amount demanded, (b) no part of the Demand is an Excluded Claim or is precluded by the Act or applicable successor statute, (c) the Beneficiary will repay to the Trust any amounts paid or applied to or for the use of such Beneficiary in the event of an Ultimate Determination that such payments are Excluded Claims or precluded by the Act, or in the event the Beneficiary receives payment for the same Claim from another source, and (d) a request, properly made in compliance with the applicable provisions of the Articles or contract with respect to indemnification, to Grantor for indemnification or advancement of the amount demanded has remained unsatisfied for twenty (20) days and that no part of the amount then being demanded from the Trust Fund has previously been received from Grantor. The Demand shall also specify the amount of the demanded distribution and intended manner of receipt, along with an address and telephone number of the Beneficiary.

4.7.2 Duties of Beneficiaries' Representative. The Beneficiaries' Representative shall convey a Beneficiary's Demand to the Trustee. Along with the conveyance of such Demand to the Trustee, the Beneficiaries' Representative shall submit, in a writing signed by the Beneficiaries' Representative, a statement (a) that the Demand is being made pursuant to the Articles and this Agreement, as each such may be amended or restated from time to time, provided that any such amendment shall be given effect under this Agreement only to the extent that the amendment provides broader indemnification rights than existed prior to such amendment, (b) that the Demand is for satisfaction of indemnification obligations of Grantor, (c) that the Demand is being made by a Beneficiary, (d) that specifies the amounts being demanded by the Beneficiary, and (e) that the Beneficiaries' Representative is not aware of any facts or conditions that would make indemnification pursuant to this Agreement invalid, provided, however, that the Beneficiaries' Representative has no duty to independently investigate the validity of a Demand.

4.7.3 Duties of Trustee. The Trustee shall deliver a copy of each Demand to Grantor as promptly as reasonably possible. A copy of the Beneficiaries' Representative's statement also shall be delivered to Grantor. As soon as practicable after any such Demand is conveyed by the Beneficiaries' Representative, subject to the provisions of Section 3.5, the Trustee shall distribute funds to the Beneficiary specified in such Demand in the amount and manner set forth therein. If the Trustee does not have sufficient funds to satisfy all pending Demands of Beneficiaries in full, the Trustee shall make all reasonable efforts to make pro rata payments, less any amounts due the Trustee, to the Beneficiaries as specified by the Beneficiaries' Representative. If and to the extent the Trust Fund is replenished, the Trustee shall continue to make pro rata distributions, less any amounts due the Trustee, until the Demand is satisfied or to satisfy subsequent Demands.

4.8 Taxes. Grantor agrees to pay any and all taxes on the Trust Fund or the income thereof, which taxes the Beneficiaries or the Trustee otherwise would be required to pay with respect to the interest of any person or persons therein, and to provide the Trustee and the Beneficiaries' Representative with proof of payment of such taxes. This does not include any taxes payable upon an indemnification payment distribution from the Trust if the same would be taxable to the recipient Beneficiary under applicable law. The Trustee shall comply with all tax withholding obligations with respect to any indemnification payment distribution from the Trust under all applicable laws. The Trustee shall properly maintain all books and records related to any tax withholdings required to be performed by the Trustee hereunder, and, upon Grantor's request, shall promptly provide to Grantor copies and evidences of such tax withholdings and related books and records. Grantor shall provide the Trustee with tax withholding direction (in written instruction) in respect of each indemnification payment distribution from the Trust to a Beneficiary, and provide any additional information necessary to determine whether any tax withholding is required and any appropriate tax forms and documents (including, without limitation, IRS Forms W-9 or W-8) as the Trustee may reasonably request.

4.9 Duties and Responsibilities of Beneficiaries' Representative. The Beneficiaries' Representative (and any successor Beneficiaries' Representative) shall have the following affirmative duties and responsibilities:

4.9.1 To demand deposits from Grantor so as to maintain the Minimum Balance of the Trust in accordance with Section 4.3 and any Additional Contributions required by Section 4.4;

4.9.2 To demand payment by the Trustee to a Beneficiary who has made a Demand and who, in the good faith. judgment of the Beneficiaries' Representative, has satisfied the conditions for indemnification as set forth in this Agreement and the Articles, provided, however, that the Beneficiaries' Representative has no duty to independently investigate the validity of a Demand; and

4.9.3 To use commercially reasonable efforts to cause Grantor and the Trustee to discharge their respective responsibilities under this Agreement and the responsibilities of Grantor under the Articles, including the bringing of legal actions and proceedings to enforce such Agreement.

4.10 [Reserved].

4.11 Administrative Powers of Trustee. Subject to Grantor's right pursuant to Section

4.6 to direct investment of the Trust Fund in Eligible Securities, the Trustee shall have the power to do any of the following:

4.11.1 To cause any investment to be registered and held in the name of one or more of its nominees, or one or more nominees of any system for the central handling of securities, without increase or decrease of liability;

4.11.2 To collect and receive any and all money and other property due to the Trust Fund and to give full discharge therefor; and

4.11.3 To hold uninvested, without liability for interest thereon, such monies received by the Trustee as the Trustee considers necessary to meet anticipated and imminent disbursements.

4.12 Adverse Determination. In the event the trust arrangement created hereby is deemed to be invalid or ineffective as a trust by a court of competent jurisdiction, whether in connection with the bankruptcy of one of the parties hereto or otherwise (an "Adverse Determination"), then the parties agree that the nature of their relationship shall be Grantor as debtor, the Trustee as securities intermediary and the Beneficiaries' Representative as secured party for the benefit of the Beneficiaries. To that end, and to secure the obligation of Grantor to indemnify Beneficiaries, Grantor hereby grants the Beneficiaries' Representative for the benefit of the Beneficiaries a continuing security interest in, and pledges all rights, title and interest in and to, the following (for purposes of this Section 4.12, the "Collateral"):

4.12.1 The Trust Account and the Trust Fund, and any certificates or instruments representing or evidencing the Trust Fund, and all cash, investment property, interest, dividends, rights and other property at any time and from time to time received, receivable or otherwise issued, distributed or distributable in respect of or in exchange for any or all of the Trust Fund;

4.12.2 All other investment property and other property hereafter issued, delivered or deliverable to Trustee in substitution for or in addition to any of the foregoing, all certificates and instruments representing or evidencing such other property and all cash, investment property, interest, dividends, rights and other property at any time and from time to time received, receivable or otherwise issued, distributed or distributable after the date hereof in respect of or in exchange for any or all thereof; and

4.12.3 All proceeds of all of the foregoing

Grantor and, at the direction of the Beneficiaries' Representative, the Trustee shall execute such other documents and instruments as the Beneficiaries' Representative reasonably may require from time to time to perfect and protect the first priority security interest of the Beneficiaries' Representative on behalf of the Beneficiaries in the Collateral but the Trustee shall have no duty to prepare or file any such documents or instruments. In the event of an Adverse Determination, the Beneficiaries' Representative shall have and shall be deemed to have had all the rights and remedies of a secured party under Article 9 of the Uniform Commercial Code (UCC) and may exercise any of the rights and remedies available to the Beneficiaries' Representative under the UCC as in effect from time to time in the State of Washington or otherwise available to the Beneficiaries' Representative, including, without limitation, sale, assignment or other disposal of the Collateral in exchange for cash or credit. Grantor agrees that a Demand is also a notice of disposition under Section 9-611 of the UCC and that five (5) Business Days is reasonable notice if notice of a disposition is required under Section 9-611 of the UCC. Furthermore, Grantor agrees that any Beneficiary may be the purchaser of the Collateral consisting of Cash, Corporate Securities, Government Securities or Municipal Securities at a private sale without notice because the Collateral is of a type sold on a recognized market or the subject of widely distributed standard price quotations. The Beneficiaries' Representative shall provide the Trustee with an Adverse Determination notice as soon as practicable, although failure to provide such notice shall not affect the rights or obligations of the parties to this Trust, except that a Beneficiary shall not take any action with respect to the Trustee as securities intermediary until such notice is provided. Except for the amounts due to the Trustee pursuant to Section 7.3, the Trustee waives any right of set-off, banker's lien or other lien or claim it may have to the Collateral.

Grantor covenants and agrees that it shall not pledge, assign, hypothecate or transfer its interest in the Trust Account or the Trust Fund. Grantor further covenants and agrees that it shall not so direct the Trustee, and the Trustee agrees that it will not acknowledge or agree to any such pledge, assignment, hypothecation or transfer.

ARTICLE 5
RESIGNATION, REMOVAL, OR DEATH OF TRUSTEE

5.1 Resignation of Trustee. The Trustee may resign at any time by delivering its written resignation to Grantor and the Beneficiaries' Representative. Such resignation shall take effect sixty (60) days from the date of delivery or upon appointment of a successor pursuant to Section 5.3, whichever shall first occur.

5.2 Removal of Trustee. Grantor and the Beneficiaries' Representative may remove the Trustee at any time by delivering to the Trustee a written notice of its removal and the appointment of a successor pursuant to Section 5.3.

5.3 Appointment of Successor Trustee.

5.3.1 Removal of the Trustee and the appointment of a successor Trustee shall take effect sixty (60) days following delivery to the Trustee of (a) an instrument in writing removing the

Trustee and appointing such successor, executed by Grantor and accompanied by an instrument in writing signed by the Beneficiaries' Representative certifying that a majority of the current non-employee Directors who are Beneficiaries agree to such removal and appointment, and (b) an acceptance in writing, executed by such successor, both acknowledged in the same form as this Agreement. The Trustee may agree to an earlier effective date. In the event of the merger, sale (of all or substantially all of the Trustee's corporate trust business) or dissolution of the Trustee, a successor trustee shall be appointed by Grantor (which successor trustee may be in Grantor's sole discretion the acquiring party or successor entity in the case of sale or merger of the Trustee) with the approval of the Beneficiaries' Representative, which approval shall not be unreasonably withheld, and a writing to such effect and an acceptance in writing, as referred to above, shall be delivered to the Trustee. In order to qualify to serve as Trustee, any successor trustee must, at a minimum: (i) be authorized under state or federal law to exercise corporate trust powers, (ii) have a combined capital and surplus of at least $250,000,000, and (iii) be subject to supervision or examination by federal or state authority.

5.3.2 All of the provisions set forth herein with respect to the Trustee shall relate to each successor with the same force and effect as if such successor had been originally named as the Trustee under this Trust.

5.3.3 If a successor is not appointed within sixty (60) days after the Trustee gives notice of its resignation pursuant to Section 4.1, or within sixty (60) days after the Trustee's merger, sale (of all or substantially all of the Trustee's corporate trust business) or dissolution, the Trustee or the Beneficiaries' Representative may apply to any court of competent jurisdiction at the expense of the Trust for appointment of a successor.

5.4 Transfer of Fund to Successor. Upon appointment of a successor trustee as set forth above, the Trustee shall transfer and deliver the Trust Fund to such successor with authority to retain only reasonable reserves pending settlement of its final account as provided in Section 7.4.

ARTICLE 6
DURATION, TERMINATION, AND AMENDMENT OF TRUST

6.1 Term.

6.1.1 The term of this Trust shall be for a period extending from the effective date of the Original Trust Agreement until June 30, 2035, unless extended or terminated according to the terms of this Trust. This Trust may be terminated by consent of a majority of the Board of Directors and a majority of the then living Beneficiaries; provided, however, no such termination shall be effective (a) following a Change of Control, or (b) so as to reduce indemnification otherwise available to a Beneficiary of this Trust for any Demand then existing and still pending or with respect to any later asserted Demand arising out of a Covered Act occurring before the effective date of such termination. Expiration or termination of this Trust shall operate prospectively only, so that all provisions of this Agreement shall remain in full force and effect as to any Demand asserted prior to the effective date of expiration or termination relating to a Covered Act that occurs prior to the effective date of expiration or termination. Grantor and the Beneficiaries' Representative shall notify the Trustee of termination of the Trust by, with respect to Grantor, an instrument in writing executed by Grantor together with a certified copy of the resolution of the Board of Directors authorizing such termination and, with respect to the Beneficiaries' Representative, written evidence of the consent of a majority of the then living Beneficiaries. Termination by consent of Grantor and a majority of the then living Beneficiaries shall be effective on the later to occur of (i) Grantor's Board of Directors resolution and (ii) receipt by the Beneficiaries' Representative of written consents from a majority of the then living Beneficiaries.

6.1.2 Grantor and the Beneficiaries' Representative (jointly or separately) as applicable shall provide the Trustee and the Beneficiaries and their successors in interest with written notice of expiration at least thirty (30) days prior to the expiration date.

6.1.3 In the event of a proposed termination prior to the expiration of the term of this Trust, Beneficiaries may assert a Demand if, in such Beneficiaries' good faith judgment, there is a reasonable likelihood that following such proposed termination, a Claim will be asserted arising out of a Covered Act that occurred before the effective date of such termination. If so made, such Demand(s) shall be treated as a then existing and still pending Demand hereunder.

6.2 Distribution Upon Termination. When this Trust expires or is terminated in accordance with Section 6.1, the Trustee shall distribute the Trust Fund to Grantor less any full and adequate provision or reserves for any distributions to be made pursuant to any outstanding Demands under Sections 4.7 and 6.1.3 and any deductions authorized or required by Section 7.3.

6.3 Amendment of Trust Instrument.

6.3.1 Except in the event of a Change of Control, this Trust may be amended by consent of a majority of the then current Board of Directors and the Trustee, provided, however, no such amendment shall be effective (a) following a Change of Control, or (b) so as to reduce indemnification or advancement of expenses otherwise available to a Beneficiary of this Trust for any Claim then existing and still pending or with respect to any later asserted Claim arising out of a Covered Act occurring before the effective date of such amendment and provided further, that approval of the Trustee shall only be required if the proposed amendment affects in any way the Trustee's rights or duties under this Agreement. If the Trust is amended without the consent of the Trustee as permitted above, Grantor shall deliver notice of amendment to the Trustee or its successor in interest thirty (30) days prior to the proposed effective date of the amendment by an instrument in writing executed by Grantor and the Beneficiaries' Representative, together with a certified copy of the resolution of Grantor's Board of Directors authorizing such amendment. Grantor shall send a copy of such notice to each individual Beneficiary or his or her successors in interest.

6.3.2 In the event of a proposed amendment of this Trust, a Beneficiary may assert a Demand if, in the Beneficiary's good faith judgment, there is a reasonable likelihood that following such proposed amendment, a Claim will be asserted arising out of a Covered Act that occurred before the effective date of such amendment and that will be affected by such amendment.

If so made, such Demand(s) shall be treated as a then existing and still pending Demand hereunder.

ARTICLE 7
RIGHTS AND OBLIGATIONS OF THE TRUSTEE

7.1 Duties of Trustee. The duties and liabilities of the Trustee shall at all times be limited to those expressly stated in this Agreement and no implied duties or covenants shall be read into this Agreement against the Trustee. The Trustee shall discharge its duties hereunder with the reasonable care of a professional bank custodian for hire providing similar services to those set forth in this Agreement.

7.2 Indemnification of Trustee. The Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized hereby or within the rights or powers conferred upon it hereunder, or taken or omitted by it in accordance with advice of counsel (which counsel may be of the Trustee's own choosing and which may be house counsel of the Trustee), and shall not be liable for any mistake of fact or error of judgment or for any acts or omissions of any kind unless caused by willful misconduct or gross negligence. Grantor agrees to indemnify the Trustee and its officers, directors, agents and employees and hold it and them harmless against any and all liabilities, losses, claims, expenses (including reasonable attorneys' fees and expenses) and damages incurred by it hereunder, except for liabilities, losses, claims, expenses, and damages incurred by the Trustee resulting from its own willful misconduct or gross negligence. This Section 7.2 shall survive the termination of this Agreement and the earlier removal or resignation of the Trustee.

7.3 Expenses and Compensation. The Trustee shall pay from the Trust Fund, to the extent not paid by Grantor, the Trustee's reasonable expenses of administration of the Trust, including reasonable compensation and expenses of counsel (including house counsel) and any agents engaged by the Trustee to assist it in such administration. Grantor shall pay the Trustee reasonable compensation for its services as Trustee hereunder and the Trustee shall have a lien on the Trust Fund for such compensation and expenses until paid.

7.4 Accounts of Trustees. The Trustee shall keep full accounts of all of its receipts and disbursements. Its financial statements, books, and records with respect to the Trust Fund shall be open to inspection by Grantor or the Beneficiaries' Representative or their representatives at all reasonable times during business hours of the Trustee and may be audited not more frequently than once in each fiscal year by an independent certified public accountant engaged by the Beneficiaries' Representative. Within ninety (90) days after the close of each fiscal year, or any termination of the duties of the Trustee, the Trustee shall prepare, sign and submit in duplicate to Grantor an account of its acts and transactions as Trustee under this Trust.

7.5 Rights of Trustee. None of the provisions of this Agreement shall require the Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for the negligence or misconduct of any agent, attorney, custodian or nominee so appointed, provided, however, the Trustee shall be responsible for the performance of its obligations hereunder. Anything in this Agreement to the contrary notwithstanding, in no event shall the Trustee be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action. The Trustee shall not be liable for an error in judgment made in good faith by an officer or officers of the Trustee, unless the Trustee was grossly negligent in ascertaining the pertinent facts.

Whenever in the administration of the provisions of this Agreement the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action to be taken hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of gross negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a certificate signed by the Beneficiaries' Representative and an officer of Grantor and delivered to the Trustee, and such certificate, in the absence of gross negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken, suffered or omitted by it under the provisions of this Agreement upon the faith thereof. The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, entitlement order, approval or other paper or document.

7.6 Right to Vote Assets. (a) Whenever Eligible Securities in the Trust Account (including, but not limited to, warrants, options, conversions, subscriptions, takeovers, other forms of capital reorganizations, redemptions, tenders, options to tender or non mandatory puts or calls) confer optional rights on the Grantor or provide for discretionary action or alternative courses of action by the Grantor, the Grantor shall be responsible for making any decisions relating thereto and for instructing the Trustee to act. The Trustee shall notify the Grantor of rights or discretionary actions with respect to Eligible Securities as promptly as practicable under the circumstances, provided that the Trustee has actually received notice of such right or discretionary corporate action from the relevant depository, etc. Absent actual receipt of such notice, the Trustee shall have no liability for failing to so notify the Grantor. Absent the Trustee's timely receipt of instructions, the Trustee shall not be liable for failure to take any action relating to or to exercise any rights conferred by such Eligible Securities. In order for the Trustee to act subject to this subsection, it must receive the Grantor's Instructions (defined below) at the Trustee's offices, by the deadline specified by the Trustee, in its sole discretion, from time to time. If the Trustee does not receive such written instructions prior to its specified deadlines, the Trustee shall not be liable for failure to take any action relating to or to exercise any rights conferred by such Eligible Securities.

(b) In order to facilitate access by Grantor or its designee to ballots or online systems to assist in the voting of proxies received for eligible positions of securities held in the Trust Fund (excluding bankruptcy matters), the Trustee will, at the written request of Grantor upon the execution of this Agreement, appoint a provider of proxy voting services to act as agent of Grantor to provide global proxy voting services to Grantor. Trustee shall have no obligation or liability in respect of such proxy voting services or the acts or omissions of the provider of such proxy voting services.

7.7 Electronic Means. The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means; provided, however, that the Grantor shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Grantor whenever a person is to be added or deleted from the listing. If the Grantor or Beneficiaries' Representative elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The Grantor understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Grantor shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Grantor and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Grantor. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Grantor agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Grantor; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to this Agreement or any document to be signed in connection with this Agreement shall be deemed to include electronic signatures, deliveries or the keeping of records in electronic form (including any electronic signature complying with the New York Electronic Signatures and Records Act (N.Y. State Tech. §§ 301-309), as amended from time to time, or other applicable law) or by other transmission method, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, and the parties hereto consent to conduct the transactions contemplated hereunder by Electronic Means.

7.8 OFAC Certification and Covenants**.**

(a) Throughout the term of this Agreement, the Grantor (i) will have in place and will implement commercially reasonable policies and procedures designed to prevent violations of Sanctions, including measures to accomplish effective and timely scanning of all relevant data with respect to its clients and with respect to incoming or outgoing assets or transactions relating to this Agreement; (ii) shall ensure that neither the Grantor, any of the Grantor's affiliates, directors, officers, employees, nor any Beneficiary is an individual or entity that is, or is owned or controlled by an individual or entity that is: (A) the target of Sanctions; or (B) located, organized or resident in a country or territory that is, or whose government is, the target of Sanctions; and (iii) shall not, directly or indirectly, use the services and/or Accounts in any manner that would result in a violation by any party of Sanctions.

(b) The Grantor will promptly provide to the Trustee such information as the Trustee reasonably requests in connection with the matters referenced in this Section 7.8, including information regarding the Beneficiaries, the Trust Fund, the assets in relation to which services are to be provided and the source thereof, and the identity of any individual or entity having or claiming an interest therein. The Trustee may decline to act or provide services, and take such other actions as it, in its reasonable discretion, deems necessary or advisable, in connection with the matters referenced in this Section 7.8. If the Trustee declines to act or provide services as provided in the preceding sentence, except as otherwise prohibited by applicable law or official request, the Trustee will inform the Grantor as soon as reasonably practicable.

ARTICLE 8
MISCELLANEOUS

8.1 Governing Law; Waiver of Jury Trial.

(a) The validity, interpretation, performance, and enforcement of this Agreement and the Trust created hereby shall be governed by the laws of the State of Washington, provided, however, that the rights, duties, obligations and protections of the Trustee hereunder shall be governed by the laws of the State of New York. The parties irrevocably submit to the jurisdiction and venue of any Washington State or United States Federal Court sitting in Seattle, Washington. Any proceeding with respect to this Trust shall be in King County Superior Court unless otherwise consented to by Grantor. Notwithstanding the foregoing, with respect to any action regarding the rights, duties, obligation and protections of the Trustee hereunder each party consents to the jurisdiction of any state or federal court situated in New York City, New York in connection with any dispute arising hereunder and each party hereby irrevocably waives, to the fullest extent permitted by applicable law, any objection which it may now or hereafter have to the laying of venue of any such proceeding brought in such a court and any claim that such proceeding brought in such a court has been brought in an inconvenient forum.

(b) Each party hereto hereby agrees not to elect a trial by jury of any issue triable of right by jury, and waives any right to trial by jury fully to the extent that any such right shall now or hereafter exist with regard to this Agreement, or any claim, counterclaim or other action arising in connection herewith. This waiver of right to trial by jury is given knowingly and voluntarily by each party, and is intended to encompass individually each instance and each issue as to which the right to a trial by jury would otherwise accrue.

8.2 Assignment; Successors. Neither this Agreement nor any rights or benefits hereunder may be assigned (including by operation of law), transferred, pledged or otherwise hypothecated without the prior written consent of the other parties, *provided, however*, in the event of a sale, dissolution or merger of the Trustee, only such consents to such event as set forth in Section 5.3.1 hereof shall be required. This Agreement and the Trust created hereby shall be binding upon and shall inure to the benefit of the spouses, heirs, and personal and legal representatives, estates of the Beneficiaries, and to the permitted assigns of the parties to this Trust.

8.3 Third Party Beneficiaries. The Beneficiaries are specifically acknowledged as third party beneficiaries of this Agreement and shall have the right to bring actions to enforce this Agreement where the Beneficiaries' Representative fails to bring such an action or fails to prosecute an action in good faith following a demand by a Beneficiary to so act.

8.4 Enforcement Expenses. Grantor shall be responsible for all costs and expenses, including reasonable attorneys' fees and costs, incurred in any action brought to enforce or interpret this Agreement, whether brought by the Beneficiaries' Representative, a Beneficiary, the Trustee, or otherwise, unless the court determines that such Claim for enforcement was not brought in good faith or was frivolous.

8.5 Titles and Headings Not to Control. The titles to articles and headings of sections in this Agreement are for convenience of reference only and in case of any conflict the text of this Agreement, rather than any title or heading, shall control.

8.6 Notices, Consents and Other Communications. All notices, consents, or other communications required or contemplated by this Agreement shall be in writing and shall be deemed to have been given when delivered by (a) personal delivery, (b) prepaid overnight courier, (c) postage prepaid return receipt requested certified mail, or (d) email:

If to a Beneficiary from the Trustee:	The last address given to the Trustee by the Grantor or each respective Beneficiary
If to a Beneficiary from the Grantor:	The last address given to the Grantor by each respective Beneficiary
If to Beneficiaries' Representative:	The last address given to the Trustee by the Beneficiaries' Representative
If to Microsoft:	Microsoft Corporation One Microsoft Way Redmond, WA 98052-6399 Attention: Keith Dolliver, Vice President and Corporate Secretary Telephone No.: (425) 882-8080 Email: keithd@microsoft.com
With a copy to:	Perkins Coie LLP 1301 Second Avenue, Suite 4200 Seattle, WA 98101 Attention: Andrew B. Moore Telephone No.: (206) 359-8649 Email: AMoore@perkinscoie.com
If to Trustee:	The Bank of New York Mellon Trust Company, N.A. CSM – Vice President BNY Corporate Trust 311 South Wacker Drive Suite 6200B, Floor 62 Mailbox #44 Chicago, Illinois 60606 Yolanda.ash@bny.com (312) 827-8639

Notice by personal delivery shall be effective upon the date delivery is made and notice by certified mail or overnight courier shall be effective on the date it is recorded as delivered by the U.S. Postal Service or the overnight courier, respectively. Email notice shall be effective on the date sent to a valid address so long as no notice of failure of delivery is received by sender. Each Beneficiary and the Beneficiaries' Representative shall provide Trustee and Grantor with prompt notice of changes of address.

8.7 Force Majeure. The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Agreement to the extent caused, directly or indirectly, by natural disasters, fire, acts of God, strikes or other labor disputes, work stoppages, acts of war or terrorism, general civil unrest, actual or threatened epidemics, disease, act of any government, governmental authority or police or military authority, declared or threatened state of emergency, legal constraint, the interruption, loss or malfunction of utilities or transportation, communications or computer systems, or any other similar events beyond its reasonable control. The Trustee will use commercially reasonable efforts to minimize the effect of any such events.

8.8 Counterparts. This Agreement may be executed in two or more counterparts, and shall be deemed an original and shall bind the signatory but all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the others, it being understood that all parties need not sign the same counterpart.

[*remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the 30th day of June, 2025.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
(“Trustee”)

/s/ Glenn McKeever
Name: Glenn McKeever
Title: Agent

MICROSOFT CORPORATION
(“Grantor”)

/s/ Keith Dolliver
Name: Keith Dolliver
Title: Vice President and Corporate Secretary

ADDITIONAL PARTY
(“Beneficiaries’ Representative”)

/s/ Hugh F. Johnston
HUGH F. JOHNSTON

EXHIBIT A

The Trustee shall continue to hold the amount in the Trust Fund immediately prior to the date of execution of this Agreement as part of the Minimum Balance under this Agreement. Grantor shall transfer as of the effective date of this Agreement an additional sum sufficient to cause the total balance held by the Trustee to equal $50,000,000 which thereafter shall be the Minimum Balance, to be held in trust, for the stated uses and purposes in accordance with the terms of this Agreement.

EXHIBIT B

Liquidation of Investments**.** If Trustee receives no instructions from Grantor for the liquidation of assets pursuant to Section 4.6, Trustee shall liquidate the Trust Fund in the following order, liquidating the entire amount of each class of funds before liquidating additional funds from the next class sufficient to make a distribution:

1. Cash

2. Money market funds

3. Other Eligible Securities (Treasury Securities, Government Securities, Municipal Securities, Corporate Securities), in order of nearest maturity

Exhibit 21

SUBSIDIARIES OF REGISTRANT

The following is a list of subsidiaries of Microsoft Corporation as of June 30, 2025, omitting subsidiaries which, considered in the aggregate, would not constitute a significant subsidiary.

Name	Where Incorporated
Microsoft Ireland Research Unlimited Company	Ireland
Microsoft Global Finance Unlimited Company	Ireland
Microsoft Ireland Operations Limited	Ireland
Microsoft Online, Inc.	United States
LinkedIn Corporation	United States
LinkedIn Ireland Unlimited Company	Ireland
Activision Blizzard, Inc.	United States
Activision Publishing, Inc.	United States

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-109185, 333-118764, 333-52852, 333-132100, 333-161516, 333-75243, 333-185757, and 333-221833 on Form S-8 and Registration Statement No. 333-283760 on Form S-3 of our reports dated July 30, 2025, relating to the financial statements of Microsoft Corporation and the effectiveness of Microsoft Corporation's internal control over financial reporting appearing in this Annual Report on Form 10-K of Microsoft Corporation for the year ended June 30, 2025.

/s/ DELOITTE & TOUCHE LLP

Seattle, Washington
July 30, 2025

Exhibit 31.1

CERTIFICATION

I, Satya Nadella, certify that:

1. I have reviewed this annual report on Form 10-K of Microsoft Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ SATYA NADELLA

Satya Nadella
Chief Executive Officer

July 30, 2025

Exhibit 31.2

CERTIFICATION

I, Amy E. Hood, certify that:

1. I have reviewed this annual report on Form 10-K of Microsoft Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ AMY E. HOOD

Amy E. Hood
Executive Vice President and
Chief Financial Officer

July 30, 2025

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the Annual Report of Microsoft Corporation, a Washington corporation (the “Company”), on Form 10-K for the year ended June 30, 2025, as filed with the Securities and Exchange Commission (the “Report”), Satya Nadella, Chief Executive Officer of the Company, does hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SATYA NADELLA
Satya Nadella
Chief Executive Officer

July 30, 2025

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

Exhibit 32.2

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the Annual Report of Microsoft Corporation, a Washington corporation (the “Company”), on Form 10-K for the year ended June 30, 2025, as filed with the Securities and Exchange Commission (the “Report”), Amy E. Hood, Chief Financial Officer of the Company, does hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to her knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ AMY E. HOOD
Amy E. Hood
Executive Vice President and
Chief Financial Officer

July 30, 2025

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