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

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2026

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

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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**

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 ☒
Non-accelerated Filer ☐
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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	**Outstanding as of April 23, 2026**
Common Stock, $0.00000625 par value per share	7,428,434,704 shares

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INCOME STATEMENTS

(In millions, except per share amounts) (Unaudited)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2026	2025	2026	2025
Revenue:				
Product	**$ 15,089**	$ 15,319	**$ 47,462**	$ 46,810
Service and other	**67,797**	54,747	**194,370**	158,473
Total revenue	**82,886**	70,066	**241,832**	205,283
Cost of revenue:				
Product	**2,733**	3,037	**9,160**	10,187
Service and other	**24,095**	18,882	**67,689**	53,630
Total cost of revenue	**26,828**	21,919	**76,849**	63,817
Gross margin	**56,058**	48,147	**164,983**	141,466
Research and development	**8,915**	8,198	**25,565**	23,659
Sales and marketing	**6,814**	6,212	**19,115**	18,369
General and administrative	**1,931**	1,737	**5,669**	5,233
Operating income	**38,398**	32,000	**114,634**	94,205
Other income (expense), net	**942**	(623)	**7,253**	(3,194)
Income before income taxes	**39,340**	31,377	**121,887**	91,011
Provision for income taxes	**7,562**	5,553	**23,904**	16,412
Net income	**$ 31,778**	$ 25,824	**$ 97,983**	$ 74,599
Earnings per share:				
Basic	**$ 4.28**	$ 3.47	**$ 13.19**	$ 10.03
Diluted	**$ 4.27**	$ 3.46	**$ 13.14**	$ 9.99
Weighted average shares outstanding:				
Basic	**7,426**	7,434	**7,430**	7,434
Diluted	**7,445**	7,461	**7,457**	7,466

Refer to accompanying notes.

COMPREHENSIVE INCOME STATEMENTS

(In millions) (Unaudited)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2026	2025	2026	2025
Net income	**$ 31,778**	$ 25,824	**$ 97,983**	$ 74,599
Other comprehensive income (loss), net of tax:				
Net change related to derivatives	**0**	(20)	**(6)**	4
Net change related to investments	**(239)**	450	**287**	1,130
Translation adjustments and other	**(287)**	353	**(162)**	(377)
Other comprehensive income (loss)	**(526)**	783	**119**	757
Comprehensive income	**$ 31,252**	$ 26,607	**$ 98,102**	$ 75,356

Refer to accompanying notes.

BALANCE SHEETS

(In millions) (Unaudited)

	March 31, 2026	June 30, 2025
Assets		
Current assets:		
Cash and cash equivalents	**$ 32,105**	$ 30,242
Short-term investments	**46,167**	64,323
Total cash, cash equivalents, and short-term investments	**78,272**	94,565
Accounts receivable, net of allowance for doubtful accounts of **$794** and $944	**60,041**	69,905
Inventories	**1,219**	938
Other current assets	**35,797**	25,723
Total current assets	**175,329**	191,131
Property and equipment, net of accumulated depreciation of **$111,723** and $93,653	**283,228**	204,966
Operating lease right-of-use assets	**24,403**	24,823
Equity and other investments	**33,683**	15,405
Goodwill	**119,661**	119,509
Intangible assets, net	**19,325**	22,604
Other long-term assets	**38,599**	40,565
Total assets	**$ 694,228**	$ 619,003
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	**$ 37,513**	$ 27,724
Current portion of long-term debt	**8,839**	2,999
Accrued compensation	**11,270**	13,709
Short-term income taxes	**3,563**	7,211
Short-term unearned revenue	**50,924**	64,555
Other current liabilities	**24,552**	25,020
Total current liabilities	**136,661**	141,218
Long-term debt	**31,423**	40,152
Long-term income taxes	**27,941**	25,986
Long-term unearned revenue	**2,753**	2,710
Deferred income taxes	**2,899**	2,835
Operating lease liabilities	**16,703**	17,437
Other long-term liabilities	**61,481**	45,186
Total liabilities	**279,861**	275,524
Commitments and contingencies		
Stockholders' equity:		
Common stock and paid-in capital – shares authorized 24,000; outstanding **7,429** and 7,434	**115,069**	109,095
Retained earnings	**302,526**	237,731
Accumulated other comprehensive loss	**(3,228)**	(3,347)
Total stockholders' equity	**414,367**	343,479
Total liabilities and stockholders' equity	**$ 694,228**	$ 619,003

Refer to accompanying notes.

CASH FLOWS STATEMENTS

(In millions) (Unaudited)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2026	2025	2026	2025
Operations				
Net income	**$ 31,778**	$ 25,824	**$ 97,983**	$ 74,599
Adjustments to reconcile net income to net cash from operations:				
Depreciation, amortization, and other	**10,167**	7,734	**27,512**	20,116
Stock-based compensation expense	**3,081**	2,980	**9,283**	8,901
Net recognized losses (gains) on investments and derivatives	**(1,280)**	708	**(7,304)**	3,387
Deferred income taxes	**2,602**	(2,244)	**9,539**	(4,835)
Changes in operating assets and liabilities:				
Accounts receivable	**(4,707)**	(2,461)	**8,347**	5,598
Inventories	**(161)**	52	**(283)**	390
Other current assets	**758**	1,076	**215**	642
Other long-term assets	**(932)**	(518)	**(2,614)**	(3,368)
Accounts payable	**2,320**	1,179	**2,903**	1,221
Unearned revenue	**(166)**	(1,032)	**(13,067)**	(12,923)
Income taxes	**2,296**	1,298	**(1,568)**	(1,081)
Other current liabilities	**2,539**	2,839	**(166)**	576
Other long-term liabilities	**(1,616)**	(391)	**(3,286)**	292
Net cash from operations	**46,679**	37,044	**127,494**	93,515
Financing				
Repayments of debt, maturities of 90 days or less	**0**	0	**0**	(5,746)
Repayments of debt	**0**	(2,250)	**(3,000)**	(3,216)
Common stock issued	**541**	546	**1,489**	1,508
Common stock repurchased	**(4,627)**	(4,781)	**(17,692)**	(13,874)
Common stock cash dividends paid	**(6,756)**	(6,169)	**(19,687)**	(17,913)
Other, net	**(509)**	(382)	**(1,877)**	(1,614)
Net cash used in financing	**(11,351)**	(13,036)	**(40,767)**	(40,855)
Investing				
Additions to property and equipment	**(30,876)**	(16,745)	**(80,146)**	(47,472)
Acquisition of companies, net of cash acquired and divestitures, and purchases of intangible and other assets	**(258)**	(981)	**(1,291)**	(4,235)
Purchases of investments	**(12,006)**	(4,474)	**(39,522)**	(8,144)
Maturities of investments	**11,976**	6,721	**30,424**	11,461
Sales of investments	**6,358**	2,161	**15,311**	6,688
Other, net	**(2,599)**	604	**(9,445)**	(325)
Net cash used in investing	**(27,405)**	(12,714)	**(84,669)**	(42,027)
Effect of foreign exchange rates on cash and cash equivalents	**(114)**	52	**(195)**	(120)
Net change in cash and cash equivalents	**7,809**	11,346	**1,863**	10,513
Cash and cash equivalents, beginning of period	**24,296**	17,482	**30,242**	18,315
Cash and cash equivalents, end of period	**$ 32,105**	$ 28,828	**$ 32,105**	$ 28,828

Refer to accompanying notes.

STOCKHOLDERS' EQUITY STATEMENTS

(In millions, except per share amounts) (Unaudited)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2026	2025	2026	2025
Common stock and paid-in capital				
Balance, beginning of period	**$ 112,788**	$ 104,829	**$ 109,095**	$ 100,923
Common stock issued	**541**	546	**1,489**	1,508
Common stock repurchased	**(1,341)**	(1,390)	**(4,796)**	(4,366)
Stock-based compensation expense	**3,081**	2,980	**9,283**	8,901
Other, net	**0**	0	**(2)**	(1)
Balance, end of period	**115,069**	106,965	**115,069**	106,965
Retained earnings				
Balance, beginning of period	**280,789**	203,482	**237,731**	173,144
Net income	**31,778**	25,824	**97,983**	74,599
Common stock cash dividends	**(6,756)**	(6,168)	**(20,277)**	(18,508)
Common stock repurchased	**(3,285)**	(3,379)	**(12,911)**	(9,476)
Balance, end of period	**302,526**	219,759	**302,526**	219,759
Accumulated other comprehensive loss				
Balance, beginning of period	**(2,702)**	(5,616)	**(3,347)**	(5,590)
Other comprehensive income (loss)	**(526)**	783	**119**	757
Balance, end of period	**(3,228)**	(4,833)	**(3,228)**	(4,833)
Total stockholders' equity	**$ 414,367**	$ 321,891	**$ 414,367**	$ 321,891
Cash dividends declared per common share	**$ 0.91**	$ 0.83	**$ 2.73**	$ 2.49

Refer to accompanying notes.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 — ACCOUNTING POLICIES

Accounting Principles

Our unaudited interim consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. In the opinion of management, the unaudited interim consolidated financial statements reflect all adjustments of a normal recurring nature that are necessary for a fair presentation of the results for the interim periods presented. Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with information included in the Microsoft Corporation fiscal year 2025 Form 10-K filed with the U.S. Securities and Exchange Commission on July 30, 2025.

We have recast certain prior period amounts on our consolidated cash flows statements to conform to the current period presentation. The recast of these prior period amounts had no impact on our consolidated balance sheets, consolidated income statements, or net cash from (used in) operations, investing, or financing on our consolidated cash flows statements.

Principles of Consolidation

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

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 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.

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 generally measured at fair value. Equity investments that are not recorded at fair value are measured using the equity method of accounting when required or measured at cost with adjustments for observable changes in price or impairments (referred to as the measurement alternative). For equity investments recorded at fair value, 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 fair value are recorded in other income (expense), net. Equity method investments may be recorded on a lag of up to three months when sufficient financial information is not available in a timely manner. For equity method investments recorded on a lag, we recognize the impact of intervening events that have a material impact on our consolidated financial statements in the period in which they occurred.

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 a long-term strategic partnership with OpenAI. In October 2025, we signed a new definitive agreement with OpenAI that extends this partnership. Additionally, OpenAI formed a public benefit corporation and completed a recapitalization ("OpenAI Recapitalization"). We have an investment of approximately 27 percent of OpenAI on an as-converted basis accounted for under the equity method of accounting. As a result of the OpenAI Recapitalization, we had a decrease in our proportionate ownership of OpenAI and recorded a dilution gain in other income (expense), net. Refer to Note 3 – Other Income (Expense), Net for additional information. We calculate our equity method income or loss using the hypothetical liquidation at book value ("HLBV") method because our liquidation rights and priorities differ from our underlying ownership interest. Under the HLBV method, we recognize income or loss based on the change in the amount we would receive if the net assets of the investee were distributed at book value. We have made total funding commitments of $13 billion, of which $11.8 billion has been funded as of March 31, 2026.

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.

Contract Balances and Other Receivables

As of March 31, 2026 and June 30, 2025, long-term accounts receivable, net of allowance for doubtful accounts, was $5.1 billion and $5.2 billion, respectively, and is included in other long-term assets in our consolidated balance sheets.

As of March 31, 2026 and June 30, 2025, other receivables related to activities to facilitate the purchase of server components were $17.8 billion and $8.2 billion, respectively, and are included in other current assets in our consolidated balance sheets. Additionally, as of March 31, 2026, restricted investments pursuant to a supplier agreement were $11.5 billion, with $2.8 billion included in short-term investments and $8.7 billion included in equity and other investments in our consolidated balance sheet.

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 March 31, 2026 and June 30, 2025, our financing receivables, net were $2.6 billion and $4.3 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.

Recent Accounting Guidance

Income Taxes – Improvements to Income Tax Disclosures

In December 2023, the Financial Accounting Standards Board ("FASB") issued a new standard to improve income tax disclosures. The guidance requires additional disclosure of disaggregated income taxes paid and prescribes standardized categories for the components of the effective tax rate reconciliation. We will adopt the standard prospectively on the effective date in our annual reporting for fiscal year 2026.

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)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2026	2025	2026	2025
Net income available for common shareholders (A)	**$ 31,778**	$ 25,824	**$ 97,983**	$ 74,599
Weighted average outstanding shares of common stock (B)	**7,426**	7,434	**7,430**	7,434
Dilutive effect of stock-based awards	**19**	27	**27**	32
Common stock and common stock equivalents (C)	**7,445**	7,461	**7,457**	7,466
Earnings Per Share				
Basic (A/B)	**$ 4.28**	$ 3.47	**$ 13.19**	$ 10.03
Diluted (A/C)	**$ 4.27**	$ 3.46	**$ 13.14**	$ 9.99

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)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2026	2025	2026	2025
Interest and dividends income	**$ 730**	$ 597	**$ 2,546**	$ 1,878
Interest expense	**(778)**	(594)	**(2,212)**	(1,770)
Net recognized gains (losses) on investments	**1,652**	111	**1,419**	(286)
Net gains (losses) on derivatives	**124**	187	**1,740**	(267)
Net gains (losses) on foreign currency remeasurements	**(295)**	89	**(367)**	112
Other, net	**(491)**	(1,013)	**4,127**	(2,861)
Total	**$ 942**	$ (623)	**$ 7,253**	$ (3,194)

Other income (expense), net included $19 million of net losses and $5.9 billion of net gains for the three and nine months ended March 31, 2026, respectively, and $768 million and $2.7 billion of net losses for the three and nine months ended March 31, 2025, respectively, from investments in OpenAI, primarily net recognized gains (losses) on our equity method investment reflected in Other, net. The net gains recorded for the nine months ended March 31, 2026 primarily relate to the dilution gain from the OpenAI Recapitalization.

Net Recognized Gains (Losses) on Investments

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

(In millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2026	2025	2026	2025
Realized gains from sales of available-for-sale securities	**$ 54**	$ 8	**$ 89**	$ 25
Realized losses from sales of available-for-sale securities	**(18)**	(17)	**(37)**	(51)
Impairments and allowance for credit losses	**(6)**	3	**(23)**	1
Total	**$ 30**	$ (6)	**$ 29**	$ (25)

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

(In millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2026	2025	2026	2025
Net realized gains on investments sold	**$ 32**	$ 9	**$ 106**	$ 66
Net unrealized gains on investments still held	**1,621**	135	**1,371**	572
Impairments of investments	**(31)**	(27)	**(87)**	(899)
Total	**$ 1,622**	$ 117	**$ 1,390**	$ (261)

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
March 31, 2026								
Changes in Fair Value Recorded in Other Comprehensive Income								
Commercial paper	Level 2	$ 5,544	$ 0	$ 0	$ 5,544	$ 5,543	$ 1	$ 0
Certificates of deposit	Level 2	1,394	0	0	1,394	1,350	44	0
U.S. government securities	Level 1	50,821	25	(1,078)	49,768	8,923	32,119	8,726
U.S. agency securities	Level 2	3,215	0	0	3,215	2,465	750	0
Foreign government bonds	Level 2	225	13	(5)	233	0	233	0
Mortgage- and asset-backed securities	Level 2	2,010	6	(23)	1,993	0	1,993	0
Corporate notes and bonds	Level 2	10,652	66	(73)	10,645	0	10,645	0
Corporate notes and bonds	Level 3	1,601	120	0	1,721	0	101	1,620
Municipal securities	Level 2	152	1	(6)	147	0	147	0
Municipal securities	Level 3	104	0	(14)	90	0	90	0
Total debt investments		$ 75,718	$ 231	$ (1,199)	$ 74,750	$ 18,281	$ 46,123	$ 10,346
Changes in Fair Value Recorded in Net Income								
Equity investments	Level 1				$ 3,911	$ 1,093	$ 0	$ 2,818
Equity investments	Other				20,519	0	0	20,519
Total equity investments					$ 24,430	$ 1,093	$ 0	$ 23,337
Cash					$ 12,731	$ 12,731	$ 0	$ 0
Derivatives, net [(a)]					44	0	44	0
Total					$ 111,955	$ 32,105	$ 46,167	$ 33,683

(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

(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 March 31, 2026 and June 30, 2025, equity investments without readily determinable fair values measured at cost with adjustments for observable changes in price or impairments were $9.3 billion and $2.9 billion, respectively, and equity investments measured using the equity method were $11.1 billion and $6.0 billion, respectively.

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		Total	Total Unrealized Losses
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	
March 31, 2026						
U.S. government and agency securities	**$ 6,800**	**$ (335)**	**$ 23,042**	**$ (743)**	**$ 29,842**	**$ (1,078)**
Foreign government bonds	**91**	**(2)**	**31**	**(3)**	**122**	**(5)**
Mortgage- and asset-backed securities	**581**	**(3)**	**150**	**(20)**	**731**	**(23)**
Corporate notes and bonds	**3,472**	**(29)**	**1,411**	**(44)**	**4,883**	**(73)**
Municipal securities	**0**	**0**	**154**	**(20)**	**154**	**(20)**
Total	**$ 10,944**	**$ (369)**	**$ 24,788**	**$ (830)**	**$ 35,732**	**$ (1,199)**

(In millions)	Less than 12 Months		12 Months or Greater		Total	Total Unrealized Losses
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	
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)

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 March 31, 2026:

(In millions)	Adjusted Cost Basis	Estimated Fair Value
March 31, 2026		
Due in one year or less	**$ 31,578**	**$ 31,489**
Due after one year through five years	**39,402**	**38,528**
Due after five years through 10 years	**3,481**	**3,559**
Due after 10 years	**1,257**	**1,174**
Total	**$ 75,718**	**$ 74,750**

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 March 31, 2026, 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)	March 31, 2026	June 30, 2025
Designated as Hedging Instruments		
Foreign exchange contracts purchased	$ **1,492**	$ 1,492
Interest rate contracts purchased	**1,180**	1,150
Not Designated as Hedging Instruments		
Foreign exchange contracts purchased	**14,050**	15,214
Foreign exchange contracts sold	**40,593**	43,307
Equity contracts purchased	**5,192**	5,434
Equity contracts sold	**2,546**	2,189
Other contracts purchased	**2,872**	2,769
Other contracts sold	**864**	1,242

Fair Values of Derivative Instruments

The following table presents our derivative instruments:

(In millions)	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
		March 31, 2026		June 30, 2025
Designated as Hedging Instruments				
Foreign exchange contracts	**$ 56**	**$ (66)**	$ 89	$ (44)
Interest rate contracts	**4**	**0**	15	0
Not Designated as Hedging Instruments				
Foreign exchange contracts	**974**	**(427)**	248	(809)
Equity contracts	**34**	**(160)**	385	(983)
Other contracts	**12**	**(18)**	21	(1)
Gross amounts of derivatives	**1,080**	**(671)**	758	(1,837)
Gross amounts of derivatives offset in the balance sheets	**(328)**	**329**	(258)	260
Cash collateral received	**0**	**(404)**	0	(99)
Net amounts of derivatives	**$ 752**	**$ (746)**	$ 500	$ (1,676)
Reported as				
Short-term investments	**$ 44**	**$ 0**	$ 10	$ 0
Other current assets	**704**	**0**	201	0
Equity and other investments	**0**	**0**	272	0
Other long-term assets	**4**	**0**	17	0
Other current liabilities	**0**	**(630)**	0	(1,639)
Other long-term liabilities	**0**	**(116)**	0	(37)
Total	**$ 752**	**$ (746)**	$ 500	$ (1,676)

Gross derivative assets and liabilities subject to legally enforceable master netting agreements for which we have elected to offset were $1.1 billion and $663 million, respectively, as of March 31, 2026, and $452 million and $1.8 billion, respectively, as of June 30, 2025.

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

(In millions)	Level 1	Level 2	Level 3	Total
March 31, 2026				
Derivative assets	**$ 1**	**$ 1,074**	**$ 5**	**$ 1,080**
Derivative liabilities	**0**	**(671)**	**0**	**(671)**
June 30, 2025				
Derivative assets	1	474	283	758
Derivative liabilities	0	(1,832)	(5)	(1,837)

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

(In millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2026	2025	2026	2025
Designated as Fair Value Hedging Instruments				
Interest rate contracts				
Derivatives	**$ (2)**	$ 3	**$ (4)**	$ 5
Hedged items	**(4)**	(12)	**(19)**	(36)
Designated as Cash Flow Hedging Instruments				
Foreign exchange contracts				
Amount reclassified from accumulated other comprehensive loss	**(34)**	50	**(46)**	(7)
Not Designated as Hedging Instruments				
Foreign exchange contracts	**(100)**	(372)	**227**	383
Equity contracts	**133**	176	**1,743**	(283)
Other contracts	**(13)**	18	**(7)**	16

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

(In millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2026	2025	2026	2025
Designated as Cash Flow Hedging Instruments				
Foreign exchange contracts				
Included in effectiveness assessment	**$ (27)**	$ 20	**$ (43)**	$ (1)

NOTE 6 — PROPERTY AND EQUIPMENT

The components of property and equipment were as follows:

(In millions)	March 31, 2026	June 30, 2025
Land	**$ 9,813**	$ 9,338
Buildings and improvements	**172,260**	137,921
Leasehold improvements	**15,444**	12,117
Servers, network equipment, and software	**190,883**	132,836
Furniture and equipment	**6,551**	6,407
Total, at cost	**394,951**	298,619
Accumulated depreciation	**(111,723)**	(93,653)
Total, net	**$ 283,228**	$ 204,966

Depreciation expense was $9.0 billion and $24.0 billion for the three and nine months ended March 31, 2026, respectively, and $5.8 billion and $15.7 billion for the three and nine months ended March 31, 2025, respectively.

As of March 31, 2026 and June 30, 2025, purchases of property and equipment remaining in accounts payable were $22.6 billion and $6.9 billion, respectively.

NOTE 7 — GOODWILL

Changes in the carrying amount of goodwill were as follows:

(In millions)	June 30, 2025	Acquisitions	Other	March 31, 2026
Productivity and Business Processes	$ 31,457	**$ 67**	**$ 41**	**$ 31,565**
Intelligent Cloud	25,689	**36**	**10**	**25,735**
More Personal Computing	62,363	**5**	**(7)**	**62,361**
Total	$ 119,509	**$ 108**	**$ 44**	**$ 119,661**

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.

NOTE 8 — 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
			March 31, 2026			June 30, 2025
Marketing-related	**$ 16,495**	**$ (4,492)**	**$ 12,003**	$ 16,502	$ (3,901)	$ 12,601
Technology-based	**22,757**	**(17,500)**	**5,257**	22,560	(14,959)	7,601
Customer-related	**4,278**	**(2,500)**	**1,778**	4,278	(2,050)	2,228
Contract-based	**381**	**(94)**	**287**	217	(43)	174
Total	**$ 43,911**	**$ (24,586)**	**$ 19,325**	$ 43,557	$ (20,953)	$ 22,604

Intangible assets amortization expense was $1.1 billion and $3.7 billion for the three and nine months ended March 31, 2026, respectively, and $1.5 billion and $4.5 billion for the three and nine months ended March 31, 2025, respectively.

The following table outlines the estimated future amortization expense related to intangible assets held as of March 31, 2026:

(In millions)	
Year Ending June 30,	
2026 (excluding the nine months ended March 31, 2026)	**$ 1,024**
2027	**3,032**
2028	**2,081**
2029	**1,890**
2030	**1,425**
Thereafter	**9,873**
Total	**$ 19,325**

NOTE 9 — 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	March 31, 2026	June 30, 2025
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%**	**2,650**	2,700
2015 issuance of $23.8 billion	**2035–2055**	**3.50%–4.75%**	**3.60%–4.78%**	**4,555**	7,555
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 $3.3 billion	**2026–2050**	**1.35%–4.50%**	**5.16%–5.49%**	**3,344**	3,344
Total face value				**46,156**	49,206
Unamortized discount and issuance costs				**(1,098)**	(1,155)
Hedge fair value adjustments [(a)]				**(17)**	(36)
Premium on debt exchange				**(4,779)**	(4,864)
Total debt				**40,262**	43,151
Current portion of long-term debt				**(8,839)**	(2,999)
Long-term debt				**$ 31,423**	$ 40,152

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

As of March 31, 2026 and June 30, 2025, the estimated fair value of long-term debt, including the current portion, was $36.6 billion and $40.4 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.

The following table outlines maturities of our long-term debt, including the current portion, as of March 31, 2026:

(In millions)	
Year Ending June 30,	
2026 (excluding the nine months ended March 31, 2026)	**$ 0**
2027	**9,250**
2028	**0**
2029	**2,016**
2030	**0**
Thereafter	**34,890**
Total	**$ 46,156**

NOTE 10 — INCOME TAXES

Effective Tax Rate

Our effective tax rate was 19% and 18% for the three months ended March 31, 2026 and 2025, respectively, and 20% and 18% for the nine months ended March 31, 2026 and 2025, respectively. The increase in our effective tax rate for the three months ended March 31, 2026 compared to the prior year was primarily due to changes in the mix of our earnings and tax expenses between the U.S. and foreign countries. The increase in our effective tax rate for the nine months ended March 31, 2026 compared to the prior year was primarily due to changes in the mix of our earnings and tax expenses between the U.S. and foreign countries and deferred tax expense attributable to the dilution gain from the OpenAI Recapitalization.

Our effective tax rate was lower than the U.S. federal statutory rate for the three and nine months ended March 31, 2026, 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.

Uncertain Tax Positions

As of March 31, 2026 and June 30, 2025, unrecognized tax benefits and other income tax liabilities were $29.3 billion and $27.4 billion, respectively, and are included in long-term income taxes in our consolidated balance sheets.

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 March 31, 2026, 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 2021 and thereafter.

NOTE 11 — UNEARNED REVENUE

Unearned revenue by segment was as follows:

(In millions)	March 31, 2026	June 30, 2025
Productivity and Business Processes	**$ 39,904**	$ 50,567
Intelligent Cloud	**10,892**	14,022
More Personal Computing	**2,881**	2,676
Total	**$ 53,677**	$ 67,265

Changes in unearned revenue were as follows:

(In millions)	
Nine Months Ended March 31, 2026	
Balance, beginning of period	**$ 67,265**
Deferral of revenue	**143,442**
Recognition of unearned revenue	**(157,030)**
Balance, end of period	**$ 53,677**

Revenue allocated to remaining performance obligations, which includes unearned revenue and amounts expected to be invoiced and recognized as revenue in future periods, was $633 billion as of March 31, 2026. Estimating revenue that will be allocated to remaining performance obligations can involve significant judgments, including identifying and assessing variable consideration and potential renegotiation of commitments. We consider factors such as the nature of the terms and duration of the contract across our portfolio of contracts. Revenue allocated to remaining performance obligations related to the commercial portion of revenue was $627 billion as of March 31, 2026, with a weighted average duration of approximately 2.5 years. We expect to recognize approximately 30% of our total company remaining performance obligation revenue and 25% of our commercial remaining performance obligation revenue over the next 12 months and the remainder thereafter.

NOTE 12 — LEASES

We have operating and finance leases for datacenters, corporate offices, research and development facilities, and certain equipment. Our leases have remaining lease terms of less than 1 year to 19 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)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2026	**2025**	**2026**	**2025**
Operating lease cost	**$ 1,775**	$ 1,476	**$ 5,172**	$ 3,929
Finance lease cost:				
Amortization of right-of-use assets	**$ 1,406**	$ 900	**$ 3,856**	$ 2,426
Interest on lease liabilities	**668**	374	**1,829**	986
Total finance lease cost	**$ 2,074**	$ 1,274	**$ 5,685**	$ 3,412

Supplemental cash flow information related to leases was as follows:

(In millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2026	**2025**	**2026**	**2025**
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	**$ 1,532**	$ 955	**$ 4,693**	$ 3,124
Operating cash flows from finance leases	**668**	344	**1,829**	938
Financing cash flows from finance leases	**839**	352	**2,179**	1,634
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	**792**	1,918	**3,686**	6,909
Finance leases	**4,009**	3,241	**19,486**	14,008

Supplemental balance sheet information related to leases was as follows:

(In millions, except lease term and discount rate)	March 31, 2026	June 30, 2025
Operating Leases		
Operating lease right-of-use assets	**$ 24,403**	$ 24,823
Other current liabilities	**$ 5,535**	$ 5,424
Operating lease liabilities	**16,703**	17,437
Total operating lease liabilities	**$ 22,238**	$ 22,861
Finance Leases		
Property and equipment, at cost	**$ 77,633**	$ 53,876
Accumulated depreciation	**(13,916)**	(9,861)
Property and equipment, net	**$ 63,717**	$ 44,015
Other current liabilities	**$ 4,063**	$ 3,172
Other long-term liabilities	**58,869**	43,000
Total finance lease liabilities	**$ 62,932**	$ 46,172
Weighted Average Remaining Lease Term		
Operating leases	**6 years**	6 years
Finance leases	**13 years**	13 years
Weighted Average Discount Rate		
Operating leases	**3.6%**	3.5%
Finance leases	**4.4%**	4.2%

The following table outlines maturities of our lease liabilities as of March 31, 2026:

(In millions) Year Ending June 30,	Operating Leases	Finance Leases
2026 (excluding the nine months ended March 31, 2026)	**$ 1,735**	**$ 1,633**
2027	**5,910**	**6,786**
2028	**4,207**	**6,864**
2029	**3,011**	**6,232**
2030	**2,476**	**6,126**
Thereafter	**7,516**	**56,961**
Total lease payments	**24,855**	**84,602**
Less imputed interest	**(2,617)**	**(21,670)**
Total	**$ 22,238**	**$ 62,932**

As of March 31, 2026, we had additional leases, primarily for datacenters, that had not yet commenced of $196.6 billion. These leases will commence between fiscal year 2026 and fiscal year 2031 with lease terms of 1 year to 21 years.

NOTE 13 — 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. A preliminary hearing was held in 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 March 31, 2026, we accrued aggregate legal liabilities of $647 million. While we intend to defend these matters vigorously, adverse outcomes that we estimate could reach approximately $400 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 14 — STOCKHOLDERS' EQUITY

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 March 31, 2026, $44.0 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
Fiscal Year		2026		2025
First Quarter	**8**	**$ 3,955**	7	$ 2,800
Second Quarter	**12**	**5,964**	8	3,500
Third Quarter	**7**	**3,400**	8	3,500
Total	**27**	**$ 13,319**	23	$ 9,800

All repurchases were made using cash resources. Shares repurchased during fiscal year 2026 were under the share repurchase program approved on September 16, 2024. Shares repurchased during fiscal year 2025 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 $1.2 billion and $4.4 billion for the three and nine months ended March 31, 2026, respectively, and $1.3 billion and $4.1 billion for the three and nine months ended March 31, 2025, respectively.

Dividends

Our Board of Directors declared the following dividends:

Declaration Date	Record Date	Payment Date	Dividend Per Share	Amount
Fiscal Year 2026				**(In millions)**
September 15, 2025	**November 20, 2025**	**December 11, 2025**	**$ 0.91**	**$ 6,762**
December 2, 2025	**February 19, 2026**	**March 12, 2026**	**0.91**	**6,756**
March 10, 2026	**May 21, 2026**	**June 11, 2026**	**0.91**	**6,760**
Total			**$ 2.73**	**$ 20,278**
Fiscal Year 2025				
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
Total			$ 2.49	$ 18,508

The dividend declared on March 10, 2026 was included in other current liabilities as of March 31, 2026.

NOTE 15 — ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

(In millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2026	2025	2026	2025
Derivatives				
Balance, beginning of period	**$ (14)**	$ 21	**$ (8)**	$ (3)
Unrealized gains (losses), net of tax of **$(7),** $5, **$(11),** and $(1)	**(27)**	20	**(43)**	(1)
Reclassification adjustments for (gains) losses included in other income (expense), net	**34**	(50)	**46**	7
Tax expense (benefit) included in provision for income taxes	**(7)**	10	**(9)**	(2)
Amounts reclassified from accumulated other comprehensive loss	**27**	(40)	**37**	5
Net change related to derivatives, net of tax of **$0,** $(5), **$(2)**, and $1	**0**	(20)	**(6)**	4
Balance, end of period	**$ (14)**	$ 1	**$ (14)**	$ 1
Investments				
Balance, beginning of period	**$ (525)**	$ (1,945)	**$ (1,051)**	$ (2,625)
Unrealized gains (losses), net of tax of **$(58),** $118, **$82**, and $294	**(215)**	445	**310**	1,110
Reclassification adjustments for (gains) losses included in other income (expense), net	**(30)**	6	**(29)**	25
Tax expense (benefit) included in provision for income taxes	**6**	(1)	**6**	(5)
Amounts reclassified from accumulated other comprehensive loss	**(24)**	5	**(23)**	20
Net change related to investments, net of tax of **$(64),** $119, **$76**, and $299	**(239)**	450	**287**	1,130
Balance, end of period	**$ (764)**	$ (1,495)	**$ (764)**	$ (1,495)
Translation Adjustments and Other				
Balance, beginning of period	**$ (2,163)**	$ (3,692)	**$ (2,288)**	$ (2,962)
Translation adjustments and other, net of tax of **$0**, $0, **$0**, and $0	**(287)**	353	**(162)**	(377)
Balance, end of period	**$ (2,450)**	$ (3,339)	**$ (2,450)**	$ (3,339)
Accumulated other comprehensive loss, end of period	**$ (3,228)**	$ (4,833)	**$ (3,228)**	$ (4,833)

NOTE 16 — 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.

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, 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 advertising (formerly Search and news advertising), comprising Bing, 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 our investments in AI infrastructure and training, as well as 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)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2026	2025	2026	2025
Productivity and Business Processes				
Revenue	**$ 35,013**	$ 29,944	**$ 102,149**	$ 87,698
Cost of revenue	**6,197**	5,517	**18,028**	16,380
Operating expenses	**7,843**	7,048	**22,142**	20,538
Operating income	**$ 20,973**	$ 17,379	**$ 61,979**	$ 50,780
Intelligent Cloud				
Revenue	**$ 34,681**	$ 26,751	**$ 98,485**	$ 76,387
Cost of revenue	**15,120**	10,307	**41,000**	28,326
Operating expenses	**5,808**	5,349	**16,468**	15,612
Operating income	**$ 13,753**	$ 11,095	**$ 41,017**	$ 32,449
More Personal Computing				
Revenue	**$ 13,192**	$ 13,371	**$ 41,198**	$ 41,198
Cost of revenue	**5,511**	6,095	**17,821**	19,111
Operating expenses	**4,009**	3,750	**11,739**	11,111
Operating income	**$ 3,672**	$ 3,526	**$ 11,638**	$ 10,976
Total				
Revenue	**$ 82,886**	$ 70,066	**$ 241,832**	$ 205,283
Cost of revenue	**26,828**	21,919	**76,849**	63,817
Operating expenses	**17,660**	16,147	**50,349**	47,261
Operating income	**$ 38,398**	$ 32,000	**$ 114,634**	$ 94,205

No sales to an individual customer or country other than the United States accounted for more than 10% of revenue for the three or nine months ended March 31, 2026 or 2025. Revenue, classified by the major geographic areas in which our customers were located, was as follows:

(In millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2026	2025	2026	2025
United States [(a)]	**$ 42,336**	$ 36,084	**$ 123,823**	$ 105,534
Other countries	**40,550**	33,982	**118,009**	99,749
Total	**$ 82,886**	$ 70,066	**$ 241,832**	$ 205,283

(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)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2026	2025	2026	2025
Server products and cloud services	**$ 32,592**	$ 24,761	**$ 92,329**	$ 70,557
Microsoft 365 Commercial products and cloud services	**25,593**	21,883	**74,083**	63,449
Gaming	**5,341**	5,721	**16,807**	17,923
LinkedIn	**4,832**	4,311	**14,628**	13,190
Windows and Devices	**4,041**	4,144	**13,071**	12,985
Search advertising	**3,808**	3,504	**11,317**	10,287
Microsoft 365 Consumer products and cloud services	**2,297**	1,821	**6,806**	5,369
Dynamics products and cloud services	**2,292**	1,929	**6,632**	5,691
Enterprise and partner services	**2,087**	1,946	**6,147**	5,766
Other	**3**	46	**12**	66
Total	**$ 82,886**	$ 70,066	**$ 241,832**	$ 205,283

Our Microsoft Cloud revenue, which includes Microsoft 365 Commercial cloud, Azure and other cloud services, the commercial portion of LinkedIn, and Dynamics 365, was $54.5 billion and $155.1 billion for the three and nine months ended March 31, 2026, respectively, and $42.4 billion and $122.2 billion for the three and nine months ended March 31, 2025, respectively. These amounts are included in Server products and cloud services, Microsoft 365 Commercial 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.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Microsoft Corporation

Results of Review of Interim Financial Information

We have reviewed the accompanying consolidated balance sheet of Microsoft Corporation and subsidiaries (the "Company") as of March 31, 2026, the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity for the three-month and nine-month periods ended March 31, 2026 and 2025, and the related notes (collectively referred to as the "interim financial information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of June 30, 2025, and the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity for the year then ended (not presented herein); and in our report dated July 30, 2025, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of June 30, 2025, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

This interim financial information is the responsibility of the Company's management. 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 reviews in accordance with standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/S/ DELOITTE & TOUCHE LLP

Seattle, Washington
April 29, 2026

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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: "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" (Part II, Item 1A of this Form 10-Q). 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 "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Quantitative and Qualitative Disclosures About Market Risk" (Part I, Item 3 of this Form 10-Q), and "Risk Factors". We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events, or otherwise.

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 Annual Report on Form 10-K for the year ended June 30, 2025, and our consolidated financial statements and the accompanying Notes to Financial Statements (Part I, Item 1 of this Form 10-Q).

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 the third quarter of fiscal year 2026 compared with the third quarter of fiscal year 2025 included:

- Microsoft Cloud revenue increased 29% to $54.5 billion.
- Commercial remaining performance obligation increased 99% to $627 billion.
- Microsoft 365 Commercial cloud revenue increased 19%.
- Microsoft 365 Consumer cloud revenue increased 33%.
- LinkedIn revenue increased 12%.
- Dynamics 365 revenue increased 22%.
- Azure and other cloud services revenue increased 40%.
- Windows OEM and Devices revenue decreased 2%.
- Xbox content and services revenue decreased 5%.
- Search advertising (formerly Search and news advertising) revenue excluding traffic acquisition costs increased 12%.

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.

We have a long-term strategic partnership with OpenAI which was originally established in 2019. In October 2025 and April 2026, we extended this partnership and continue to build on our shared vision to advance artificial intelligence responsibly and make its benefits broadly accessible. Microsoft is a major investor in OpenAI and will continue to receive revenue-sharing payments. We hold rights to OpenAI's intellectual property, including models and infrastructure, for integration into our products.

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 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 increased reported revenue and expenses from our international operations for the three and nine months ended March 31, 2026.

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 II, Item 1A of this Form 10-Q) 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.

Additional information on our reportable segments is contained in Note 16 – Segment Information and Geographic Data of the Notes to Financial Statements (Part I, Item 1 of this Form 10-Q).

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 I, Item 1 of this Form 10-Q). 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 2026, we made updates to our metrics to align with how we manage and monitor certain businesses. As part of these updates, Microsoft 365 Consumer subscribers was removed as a metric.

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
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 advertising revenue (ex TAC) growth	Revenue from search advertising excluding traffic acquisition costs ("TAC") paid to Bing Ads network publishers and content partners

SUMMARY RESULTS OF OPERATIONS

(In millions, except percentages and per share amounts)	Three Months Ended March 31,		Percentage Change	Nine Months Ended March 31,		Percentage Change
	2026	2025		2026	2025	
Revenue	**$ 82,886**	$ 70,066	18%	**$ 241,832**	$ 205,283	18%
Gross margin	**56,058**	48,147	16%	**164,983**	141,466	17%
Operating income	**38,398**	32,000	20%	**114,634**	94,205	22%
Net income	**31,778**	25,824	23%	**97,983**	74,599	31%
Diluted earnings per share	**4.27**	3.46	23%	**13.14**	9.99	32%
Adjusted net income (non-GAAP)	**31,792**	26,407	20%	**93,500**	76,644	22%
Adjusted diluted earnings per share (non-GAAP)	**4.27**	3.54	21%	**12.54**	10.27	22%

Adjusted net income and adjusted diluted earnings per share ("EPS") are non-GAAP financial measures. These non-GAAP financial measures exclude net gains and losses from investments in OpenAI. Refer to the Non-GAAP Financial Measures section below for a reconciliation of our financial results reported in accordance with GAAP to non-GAAP financial results.

Three Months Ended March 31, 2026 Compared with Three Months Ended March 31, 2025

Revenue increased $12.8 billion or 18% driven by growth in Microsoft Cloud. Intelligent Cloud revenue increased driven by Azure. Productivity and Business Processes revenue increased driven by Microsoft 365 Commercial cloud. More Personal Computing revenue decreased with lower hardware sales across Devices and Gaming, offset in part by growth in Search advertising.

Cost of revenue increased $4.9 billion or 22% driven by growth in Microsoft Cloud.

Gross margin increased $7.9 billion or 16% with growth across each of our segments.

- Gross margin percentage decreased driven by continued investments in AI infrastructure and growing AI product usage, offset in part by efficiency gains across the Microsoft Cloud.
- Microsoft Cloud gross margin percentage decreased to 66% driven by continued investments in AI infrastructure and growing AI product usage, offset in part by efficiency gains in Azure and Microsoft 365 Commercial cloud.

Operating expenses increased $1.5 billion or 9% primarily driven by continued investments in research and development compute capacity, AI talent, and data to support product development across the portfolio. Total company headcount declined year-over-year.

Operating income increased $6.4 billion or 20% driven by growth in Productivity and Business Processes and Intelligent Cloud.

Revenue, gross margin, and operating income included a favorable foreign currency impact of 3%, 3%, and 4%, respectively. Cost of revenue included an unfavorable foreign currency impact of 2%.

Current year net income and diluted EPS were negatively impacted by net losses from investments in OpenAI, which resulted in a decrease in net income of $14 million. Prior year net income and diluted EPS were negatively impacted by net losses from investments in OpenAI, which resulted in a decrease in net income and diluted EPS of $583 million and $0.08, respectively.

Nine Months Ended March 31, 2026 Compared with Nine Months Ended March 31, 2025

Revenue increased $36.5 billion or 18% driven by growth in Microsoft Cloud. Intelligent Cloud revenue increased driven by Azure. Productivity and Business Processes revenue increased driven by Microsoft 365 Commercial cloud. More Personal Computing revenue was relatively unchanged with growth in Search advertising offset by a decline in Gaming.

Cost of revenue increased $13.0 billion or 20% driven by growth in Microsoft Cloud.

Gross margin increased $23.5 billion or 17% with growth across each of our segments.

- Gross margin percentage decreased slightly primarily driven by continued investments in AI infrastructure and growing AI product usage, offset in part by efficiency gains across the Microsoft Cloud.
- Microsoft Cloud gross margin percentage decreased to 67% driven by continued investments in AI infrastructure and growing AI product usage, offset in part by efficiency gains in Azure and Microsoft 365 Commercial cloud.

Operating expenses increased $3.1 billion or 7% driven by continued investments in research and development compute capacity, AI talent, and data to support product development across the portfolio, impairment and other related expenses in our Gaming business, and higher Copilot advertising expenses. Total company headcount declined year-over-year.

Operating income increased $20.4 billion or 22% driven by growth in Productivity and Business Processes and Intelligent Cloud.

Revenue, gross margin, and operating income included a favorable foreign currency impact of 2%, 3%, and 3%, respectively. Operating expenses included an unfavorable foreign currency impact of 2%.

Current year net income and diluted EPS were positively impacted by net gains from investments in OpenAI, which resulted in an increase in net income and diluted EPS of $4.5 billion and $0.60, respectively. Prior year net income and diluted EPS were negatively impacted by net losses from investments in OpenAI, which resulted in a decrease in net income and diluted EPS of $2.0 billion and $0.28, respectively.

SEGMENT RESULTS OF OPERATIONS

(In millions, except percentages)	Three Months Ended March 31,		Percentage Change	Nine Months Ended March 31,		Percentage Change
	2026	2025		2026	2025	
Productivity and Business Processes						
Revenue	**$ 35,013**	$ 29,944	17%	**$ 102,149**	$ 87,698	16%
Cost of revenue	**6,197**	5,517	12%	**18,028**	16,380	10%
Operating expenses	**7,843**	7,048	11%	**22,142**	20,538	8%
Operating income	**$ 20,973**	$ 17,379	21%	**$ 61,979**	$ 50,780	22%
Intelligent Cloud						
Revenue	**$ 34,681**	$ 26,751	30%	**$ 98,485**	$ 76,387	29%
Cost of revenue	**15,120**	10,307	47%	**41,000**	28,326	45%
Operating expenses	**5,808**	5,349	9%	**16,468**	15,612	5%
Operating income	**$ 13,753**	$ 11,095	24%	**$ 41,017**	$ 32,449	26%
More Personal Computing						
Revenue	**$ 13,192**	$ 13,371	(1)%	**$ 41,198**	$ 41,198	0%
Cost of revenue	**5,511**	6,095	(10)%	**17,821**	19,111	(7)%
Operating expenses	**4,009**	3,750	7%	**11,739**	11,111	6%
Operating income	**$ 3,672**	$ 3,526	4%	**$ 11,638**	$ 10,976	6%
Total						
Revenue	**$ 82,886**	$ 70,066	18%	**$ 241,832**	$ 205,283	18%
Cost of revenue	**26,828**	21,919	22%	**76,849**	63,817	20%
Operating expenses	**17,660**	16,147	9%	**50,349**	47,261	7%
Operating income	**$ 38,398**	$ 32,000	20%	**$ 114,634**	$ 94,205	22%

Reportable Segments

Three Months Ended March 31, 2026 Compared with Three Months Ended March 31, 2025

Productivity and Business Processes

Revenue increased $5.1 billion or 17%.

- Microsoft 365 Commercial products and cloud services revenue increased $3.7 billion or 17%. Microsoft 365 Commercial cloud revenue grew 19% with growth in revenue per user driven by Microsoft 365 E5 and Microsoft 365 Copilot. Microsoft 365 Commercial seats grew 6% driven by small and medium businesses and frontline worker offerings. Microsoft 365 Commercial products revenue grew 1%.
- Microsoft 365 Consumer products and cloud services revenue increased $476 million or 26%. Microsoft 365 Consumer cloud revenue grew 33% driven by growth in revenue per user and Microsoft 365 Consumer subscriber growth of 7%.
- LinkedIn revenue increased $521 million or 12% with growth across all lines of business.
- Dynamics products and cloud services revenue increased $363 million or 19% driven by growth in Dynamics 365. Dynamics 365 revenue grew 22% with growth across all workloads.

Operating income increased $3.6 billion or 21%.

- Cost of revenue increased $680 million or 12% driven by investments in AI infrastructure to support Microsoft 365 Copilot seat and usage growth.
- Gross margin increased $4.4 billion or 18% driven by growth in Microsoft 365 Commercial cloud. Gross margin percentage increased slightly driven by efficiency gains in Microsoft 365 Commercial cloud even with continued investments in AI infrastructure and growing AI product usage.
- Operating expenses increased $795 million or 11% driven by continued investments in research and development compute capacity, AI talent, and data to support product development that benefits the entire portfolio, as well as higher Copilot advertising expenses.

Revenue, gross margin, and operating income included a favorable foreign currency impact of 4%, 5%, and 7%, respectively. Operating expenses included an unfavorable foreign currency impact of 2%.

Intelligent Cloud

Revenue increased $7.9 billion or 30%.

- Server products and cloud services revenue increased $7.8 billion or 32% driven by Azure and other cloud services. Azure and other cloud services revenue grew 40% driven by demand for services across the platform with continued growth across all workloads. Server products revenue increased slightly, primarily driven by higher purchases of licenses running in multi-cloud environments, offset in part by renewals with lower in-period revenue recognition from the mix of contracts and continued customer shift to cloud.
- Enterprise and partner services revenue increased $141 million or 7% driven by growth in Enterprise Support Services.

Operating income increased $2.7 billion or 24%.

- Cost of revenue increased $4.8 billion or 47% driven by investments in AI infrastructure to support growing customer demand and increased GitHub Copilot usage.
- Gross margin increased $3.1 billion or 19% driven by growth in Azure. Gross margin percentage decreased driven by the continued investments in AI infrastructure, offset in part by efficiency gains in Azure.
- Operating expenses increased $459 million or 9% primarily driven by continued investments in research and development compute capacity, AI talent, and data to support product development that benefits the entire portfolio.

Revenue included a favorable foreign currency impact of 2%. Cost of revenue and operating expenses included an unfavorable foreign currency impact of 3% and 2%, respectively.

More Personal Computing

Revenue decreased $179 million or 1%.

- Windows and Devices revenue decreased $103 million or 2%. Windows OEM and Devices revenue decreased 2% driven by a decline in Devices, offset in part by growth in Windows OEM as OEM partners continue to build inventory due to increasing memory pricing.

- Gaming revenue decreased $380 million or 7% driven by declines in Xbox content and services and Xbox hardware. Xbox content and services revenue decreased 5% on a prior year comparable that benefited from strong first-party content performance. Xbox hardware revenue decreased 33% driven by lower volume of consoles sold.
- Search advertising revenue increased $304 million or 9%. Search advertising revenue excluding traffic acquisition costs increased 12% driven by higher search volume and revenue per search, as well as continued benefit from third-party partnerships.

Operating income increased $146 million or 4%.

- Cost of revenue decreased $584 million or 10% primarily driven by lower hardware sales.
- Gross margin increased $405 million or 6% driven by growth in Search advertising and Gaming. Gross margin percentage increased driven by sales mix shift to higher margin businesses.
- Operating expenses increased $259 million or 7% driven by impairment and other related expenses in our Gaming business and continued investments in research and development compute capacity, AI talent, and data to support product development that benefits the entire portfolio.

Revenue, gross margin, and operating income included a favorable foreign currency impact of 2%, 2%, and 3%, respectively.

Nine Months Ended March 31, 2026 Compared with Nine Months Ended March 31, 2025

Productivity and Business Processes

Revenue increased $14.5 billion or 16%.

- Microsoft 365 Commercial products and cloud services revenue increased $10.6 billion or 17%. Microsoft 365 Commercial cloud revenue grew 18% with growth in revenue per user driven by Microsoft 365 E5 and Microsoft 365 Copilot, and continued Microsoft 365 Commercial seat growth. Microsoft 365 Commercial products revenue grew 10% driven by an increase in Office 2024 transactional purchasing, as well as growth in the Windows Commercial on-premises components of Microsoft 365 suite sales.
- Microsoft 365 Consumer products and cloud services revenue increased $1.4 billion or 27%. Microsoft 365 Consumer cloud revenue grew 29% driven by growth in revenue per user and continued growth in Microsoft 365 Consumer subscribers.
- LinkedIn revenue increased $1.4 billion or 11% with growth across all lines of business.
- Dynamics products and cloud services revenue increased $941 million or 17% driven by growth in Dynamics 365. Dynamics 365 revenue grew 20% with growth across all workloads.

Operating income increased $11.2 billion or 22%.

- Cost of revenue increased $1.6 billion or 10% driven by investments in AI infrastructure to support Microsoft 365 Copilot seat and usage growth.
- Gross margin increased $12.8 billion or 18% driven by growth in Microsoft 365 Commercial cloud. Gross margin percentage increased driven by efficiency gains in Microsoft 365 Commercial cloud even with continued investments in AI infrastructure and growing AI product usage.
- Operating expenses increased $1.6 billion or 8% driven by continued investments in research and development compute capacity, AI talent, and data to support product development that benefits the entire portfolio, as well as higher Copilot advertising expenses.

Revenue, gross margin, and operating income included a favorable foreign currency impact of 2%, 3%, and 4%, respectively.

Intelligent Cloud

Revenue increased $22.1 billion or 29%.

- Server products and cloud services revenue increased $21.8 billion or 31% driven by Azure and other cloud services. Azure and other cloud services revenue grew 40% driven by demand for services across the platform with continued growth across all workloads. Server products revenue increased 1% primarily driven by higher purchases of licenses running in multi-cloud environments.
- Enterprise and partner services revenue increased $381 million or 7% driven by growth in Enterprise Support Services.

Operating income increased $8.6 billion or 26%.

- Cost of revenue increased $12.7 billion or 45% driven by investments in AI infrastructure to support growing customer demand.
- Gross margin increased $9.4 billion or 20% driven by growth in Azure. Gross margin percentage decreased driven by the continued investments in AI infrastructure, offset in part by efficiency gains in Azure.
- Operating expenses increased $856 million or 5% driven by continued investments in research and development compute capacity, AI talent, and data to support product development that benefits the entire portfolio.

Cost of revenue included an unfavorable foreign currency impact of 2%.

More Personal Computing

Revenue was relatively unchanged.

- Windows and Devices revenue increased slightly. Windows OEM and Devices revenue increased 2% driven by Windows OEM growth of 8% with inventory levels that remained elevated, offset in part by a decline in Devices.
- Gaming revenue decreased $1.1 billion or 6% driven by declines in Xbox hardware and Xbox content and services. Xbox hardware revenue decreased 31% driven by lower volume of consoles sold. Xbox content and services revenue decreased 3% on a prior year comparable that benefited from strong first-party content performance, offset in part by growth in Xbox Game Pass.
- Search advertising revenue increased $1.0 billion or 10%. Search advertising revenue excluding traffic acquisition costs increased 13% driven by higher search volume and revenue per search, as well as continued benefit from third-party partnerships.

Operating income increased $662 million or 6%.

- Cost of revenue decreased $1.3 billion or 7% driven by lower hardware sales, offset in part by growth in Search advertising.
- Gross margin increased $1.3 billion or 6% driven by growth in Search advertising and Windows OEM. Gross margin percentage increased driven by sales mix shift to higher margin businesses.
- Operating expenses increased $628 million or 6% driven by impairment and other related expenses in our Gaming business and continued investments in research and development compute capacity, AI talent, and data to support product development that benefits the entire portfolio.

Operating income included a favorable foreign currency impact of 2%.

OPERATING EXPENSES

Research and Development

(In millions, except percentages)	Three Months Ended March 31,		Percentage Change	Nine Months Ended March 31,		Percentage Change
	2026	2025		2026	2025	
Research and development	**$ 8,915**	$ 8,198	9%	**$ 25,565**	$ 23,659	8%
As a percent of revenue	**11%**	12%	(1)ppt	**11%**	12%	(1)ppt

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.

Three Months Ended March 31, 2026 Compared with Three Months Ended March 31, 2025

Research and development expenses increased $717 million or 9% driven by continued investments in compute capacity, AI talent, and data to support product development across the portfolio, with headcount declining year-over-year.

Nine Months Ended March 31, 2026 Compared with Nine Months Ended March 31, 2025

Research and development expenses increased $1.9 billion or 8% driven by continued investments in compute capacity, AI talent, and data to support product development across the portfolio, as well as impairment and other related expenses in our Gaming business, with headcount declining year-over-year.

Sales and Marketing

(In millions, except percentages)	Three Months Ended March 31,		Percentage Change	Nine Months Ended March 31,		Percentage Change
	2026	2025		2026	2025	
Sales and marketing	**$ 6,814**	$ 6,212	10%	**$ 19,115**	$ 18,369	4%
As a percent of revenue	**8%**	9%	(1)ppt	**8%**	9%	(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.

Three Months Ended March 31, 2026 Compared with Three Months Ended March 31, 2025

Sales and marketing expenses increased $602 million or 10% primarily driven by higher Copilot advertising expenses, with headcount declining year-over-year. Sales and marketing included an unfavorable foreign currency impact of 3%.

Nine Months Ended March 31, 2026 Compared with Nine Months Ended March 31, 2025

Sales and marketing expenses increased $746 million or 4% driven by higher Copilot advertising expenses, with headcount declining year-over-year. Sales and marketing included an unfavorable foreign currency impact of 2%.

General and Administrative

(In millions, except percentages)	Three Months Ended March 31,		Percentage Change	Nine Months Ended March 31,		Percentage Change
	2026	2025		2026	2025	
General and administrative	**$ 1,931**	$ 1,737	11%	**$ 5,669**	$ 5,233	8%
As a percent of revenue	**2%**	2%	0ppt	**2%**	3%	(1)ppt

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.

Three Months Ended March 31, 2026 Compared with Three Months Ended March 31, 2025

General and administrative expenses increased $194 million or 11% primarily driven by higher legal expenses, with headcount declining year-over-year.

Nine Months Ended March 31, 2026 Compared with Nine Months Ended March 31, 2025

General and administrative expenses increased $436 million or 8% driven by higher legal expenses, with headcount declining year-over-year.

OTHER INCOME (EXPENSE), NET

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

(In millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2026	2025	2026	2025
Interest and dividends income	**$ 730**	$ 597	**$ 2,546**	$ 1,878
Interest expense	**(778)**	(594)	**(2,212)**	(1,770)
Net recognized gains (losses) on investments	**1,652**	111	**1,419**	(286)
Net gains (losses) on derivatives	**124**	187	**1,740**	(267)
Net gains (losses) on foreign currency remeasurements	**(295)**	89	**(367)**	112
Other, net	**(491)**	(1,013)	**4,127**	(2,861)
Total	**$ 942**	$ (623)	**$ 7,253**	$ (3,194)

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.

Other income (expense), net included $19 million of net losses and $5.9 billion of net gains for the three and nine months ended March 31, 2026, respectively, and $768 million and $2.7 billion of net losses for the three and nine months ended March 31, 2025, respectively, from investments in OpenAI, primarily net recognized gains (losses) on our equity method investment reflected in Other, net. The net gains recorded for the nine months ended March 31, 2026 primarily relate to the dilution gain from the OpenAI Recapitalization.

Three Months Ended March 31, 2026 Compared with Three Months Ended March 31, 2025

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

Nine Months Ended March 31, 2026 Compared with Nine Months Ended March 31, 2025

Interest and dividends income increased primarily due to higher portfolio balances and higher yields on debt securities. Interest expense increased primarily due to higher finance lease interest expense, offset in part by higher capitalization of debt interest expense. Net recognized gains on investments increased primarily due to higher gains on equity securities and lower impairments in the current period. Net gains on derivatives increased primarily due to gains on equity derivatives in the current period as compared to losses in the prior period. Other, net primarily reflects net recognized gains (losses) on equity method investments, including OpenAI.

INCOME TAXES

Effective Tax Rate

Our effective tax rate was 19% and 18% for the three months ended March 31, 2026 and 2025, respectively, and 20% and 18% for the nine months ended March 31, 2026 and 2025, respectively. The increase in our effective tax rate for the three months ended March 31, 2026 compared to the prior year was primarily due to changes in the mix of our earnings and tax expenses between the U.S. and foreign countries. The increase in our effective tax rate for the nine months ended March 31, 2026 compared to the prior year was primarily due to changes in the mix of our earnings and tax expenses between the U.S. and foreign countries and deferred tax expense attributable to the dilution gain from the OpenAI Recapitalization.

Our effective tax rate was lower than the U.S. federal statutory rate for the three and nine months ended March 31, 2026, 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.

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 March 31, 2026, 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 2021 and thereafter.

NON-GAAP FINANCIAL MEASURES

Adjusted other income (expense), net, adjusted net income, and adjusted diluted EPS are non-GAAP financial measures which exclude net (gains) losses from investments in OpenAI. We believe these non-GAAP measures aid investors by providing additional insight into our financial performance and help clarify trends affecting our business. For comparability of reporting, management considers non-GAAP measures in conjunction with GAAP financial results in evaluating business performance. These non-GAAP financial measures presented should not be considered a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP.

The following table reconciles our financial results reported in accordance with GAAP to non-GAAP financial results:

(In millions, except percentages and per share amounts)	Three Months Ended March 31,		Percentage Change	Nine Months Ended March 31,		Percentage Change
	2026	2025		2026	2025	
Other income (expense), net	**$ 942**	$ (623)	251%	**$ 7,253**	$ (3,194)	327%
Net (gains) losses from investments in OpenAI	**19**	768	(98)%	**(5,898)**	2,692	(319)%
Adjusted other income (expense), net (non-GAAP)	**$ 961**	$ 145	563%	**$ 1,355**	$ (502)	370%
Net income	**$ 31,778**	$ 25,824	23%	**$ 97,983**	$ 74,599	31%
Net (gains) losses from investments in OpenAI, net of tax of **$(5)**, $(185), **$1,415**, and $(647)	**14**	583	(98)%	**(4,483)**	2,045	(319)%
Adjusted net income (non-GAAP)	**$ 31,792**	$ 26,407	20%	**$ 93,500**	$ 76,644	22%
Diluted earnings per share	**$ 4.27**	$ 3.46	23%	**$ 13.14**	$ 9.99	32%
Net (gains) losses from investments in OpenAI	**0**	0.08	(100)%	**(0.60)**	0.28	(314)%
Adjusted diluted earnings per share (non-GAAP)	**$ 4.27**	$ 3.54	21%	**$ 12.54**	$ 10.27	22%

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, and material capital expenditures, 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 $78.3 billion and $94.6 billion as of March 31, 2026 and June 30, 2025, respectively. Equity and other investments were $33.7 billion and $15.4 billion as of March 31, 2026 and June 30, 2025, 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 $34.0 billion to $127.5 billion for the nine months ended March 31, 2026, primarily due to an increase in cash received from customers and a decrease in cash used to pay income taxes, offset in part by an increase in cash paid to suppliers. Cash used in financing decreased $88 million to $40.8 billion for the nine months ended March 31, 2026, primarily due to a $6.0 billion decrease in cash used for repayments of debt, offset in part by a $3.8 billion increase in common stock repurchases and a $1.8 billion increase in dividends paid. Cash used in investing increased $42.6 billion to $84.7 billion for the nine months ended March 31, 2026, primarily due to a $32.7 billion increase in additions to property and equipment, a $9.1 billion increase in other investing primarily to facilitate the purchase of components, and a $3.8 billion decrease in cash from net investment purchases, sales, and maturities.

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 9 – Debt of the Notes to Financial Statements (Part I, Item 1 of this Form 10-Q).

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.

The following table outlines the expected future recognition of unearned revenue as of March 31, 2026:

(In millions)		
Three Months Ending		
June 30, 2026	**$**	**24,810**
September 30, 2026		**13,449**
December 31, 2026		**9,526**
March 31, 2027		**3,139**
Thereafter		**2,753**
Total	**$**	**53,677**

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 11 – Unearned Revenue of the Notes to Financial Statements (Part I, Item 1 of this Form 10-Q).

Material Cash Requirements and Other Obligations

Share Repurchases

For the nine months ended March 31, 2026 and 2025, we repurchased 27 million shares and 23 million shares of our common stock for $13.3 billion and $9.8 billion, respectively, through our share repurchase program. All repurchases were made using cash resources. As of March 31, 2026, $44.0 billion remained of our $60 billion share repurchase program. Refer to Note 14 – Stockholders' Equity of the Notes to Financial Statements (Part I, Item 1 of this Form 10-Q).

Dividends

For the nine months ended March 31, 2026 and 2025, our Board of Directors declared dividends totaling $20.3 billion and $18.5 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 14 – Stockholders' Equity of the Notes to Financial Statements (Part I, Item 1 of this Form 10-Q).

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, 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 I, Item 1 of this Form 10-Q).

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.

Remaining performance obligations represent the revenue we expect to recognize for our products and services for which control has not yet been transferred to customers. We estimate total consideration to be received at the outset of the agreement and throughout the term of the agreement. Estimating the total consideration and revenue that will be allocated to remaining performance obligation can involve significant judgments, including identifying and assessing variable consideration and potential renegotiation of commitments. We consider factors such as the nature of the terms and duration of the contract across our portfolio of contracts.

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.

ITEM 3. 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	March 31, 2026	Impact
Foreign currency – Revenue	10% decrease in foreign exchange rates	$ **(12,938)**	Earnings
Foreign currency – Investments	10% decrease in foreign exchange rates	**(5)**	Fair Value
Interest rate	100 basis point increase in U.S. treasury interest rates	**(1,230)**	Fair Value
Credit	100 basis point increase in credit spreads	**(429)**	Fair Value
Equity	10% decrease in equity market prices	**(2,248)**	Earnings

ITEM 4. 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. There were no changes in our internal control over financial reporting during the quarter ended March 31, 2026 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Refer to Note 13 – Contingencies of the Notes to Financial Statements (Part I, Item 1 of this Form 10-Q) for information regarding legal proceedings in which we are involved.

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 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. Additionally, we have a long-term strategic partnership with OpenAI. 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, these transactions and arrangements have been and may be subject to legal and regulatory challenge. 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 to update or apply 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.

Cyberthreats are constantly evolving and becoming increasingly sophisticated and complex, increasing the difficulty of detecting and successfully defending against them. Threat actors also utilize emerging technologies such as AI and machine learning to, among other things, increase the speed and scale of attacks by generating and refining malicious content and code, automate reconnaissance and targeting, and rapidly iterate on attack techniques, which can broaden the scope, intensity, and sophistication of campaigns and reduce the time we have to identify and mitigate emerging threats. 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 AI, including models, algorithms, copilots, and autonomous or semi-autonomous agents, in our internal or third-party 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.

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. Further, third parties that we utilize may also face the AI-based enhanced cybersecurity risk as described elsewhere in these risk factors. 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 exploit the supply chain by introducing malware through software updates or compromised supplier accounts or hardware.

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, software, 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, software, including features that rely on or were generated by AI can be susceptible to cyberattacks.

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 of 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, the rapid evolution of AI technologies and use cases may outpace the development, deployment, and effectiveness of security products, controls, and industry standards, particularly in complex customer environments, increasing the risk that security measures will be insufficient to address newly emerging threats. 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, including through the deployment of AI-based and automated defenses. 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, including in response to enhanced AI-based threats. 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. This content may negatively affect users, and may negatively affect our reputation, our brands, and user engagement, or could result in legal liability. Regulations and other initiatives have been enacted to make platforms responsible for preventing or eliminating harmful content online and for taking actions against user accounts responsible for such content. At the same time, regulations and other initiatives protecting freedom of expression and user privacy may conflict with these platform regulations. Duties to reduce risks to children are driving new obligations for effective age-assurance systems and parental controls across the online ecosystem, including within app stores and operating systems. The legal and regulatory environment in this area is complex and is not harmonized across jurisdictions. 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 or other forms of human oversight may be required, including for agentic AI systems that can take actions autonomously. Companion or highly-personalized AI systems may result in over-reliance or dependence by users that is harmful. Our implementation of AI systems could result in legal liability, regulatory action, litigation, brand, reputational, or competitive harm, or other adverse impacts. These risks may stem from issues related to AI model and system capabilities, intellectual property, data privacy, product liability, and other claims associated with AI training, outputs, and system behavior. They are further compounded by the evolving regulatory landscape, with new laws emerging globally and increased scrutiny from regulators and lawmakers. Certain AI technologies and use cases present ethical issues or may have broad or uneven impacts on society or vulnerable groups within 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. 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. 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, and scale further 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. We also face community opposition, local moratoriums, and hyper-local dissent that may impede or delay infrastructure development. 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. As components are delayed or become unavailable or more expensive, 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, higher costs, 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 have and 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, cybersecurity, 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 evolving with respect to 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, content provenance, digital replicas, and AI companions.
- **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 could prohibit 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, shifting AI export controls policies, and disagreements among governments on sanctions policies toward third countries, 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 rescinded AI Diffusion Rule, expanded export license conditions, and other potential AI-related rulemakings could adversely affect Microsoft's business, strategy, and operations. Periods of intense diplomatic or armed conflict, such as the conflicts in Ukraine and the Middle East could continue to 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 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. AI development and deployment has and may continue to raise energy use and emissions, making it harder to meet these goals. 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, quality, or accessibility 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 conflicts in Ukraine and the Middle East, 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. 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, disagreements among governments on export controls and sanctions toward third countries, 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 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

SHARE REPURCHASES AND DIVIDENDS

Following are our monthly share repurchases for the third quarter of fiscal year 2026:

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)
January 1, 2026 – January 31, 2026	5,579,825	$ 465.49	5,579,825	$ 44,833
February 1, 2026 – February 28, 2026	973,952	402.72	973,952	44,440
March 1, 2026 – March 31, 2026	1,048,250	391.53	1,048,250	44,030
	7,602,027		7,602,027	

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.

Our Board of Directors declared the following dividends during the third quarter of fiscal year 2026:

Declaration Date	Record Date	Payment Date	Dividend Per Share	Amount
				(In millions)
March 10, 2026	May 21, 2026	June 11, 2026	$ 0.91	$ 6,760

We returned $10.2 billion to shareholders in the form of share repurchases and dividends in the third quarter of fiscal year 2026. Refer to Note 14 – Stockholders' Equity of the Notes to Financial Statements (Part I, Item 1 of this Form 10-Q) for further discussion regarding share repurchases and dividends.

ITEM 5. OTHER INFORMATION

Insider Trading Arrangements

Our Section 16 officers and directors, as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934 (the "Exchange Act"), may from time to time enter into plans for the purchase or sale of our common stock that are intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act. During the quarter ended March 31, 2026, the following Section 16 officers and directors adopted, modified, or terminated "Rule 10b5-1 trading arrangements" (as defined in Item 408 of Regulation S-K of the Exchange Act):

- Satya Nadella, our Chief Executive Officer and Chairman of the Board of Directors, adopted a new written 10b5-1 trading plan on March 8, 2026, during an open trading window. The plan's maximum duration is until September 4, 2026. The first trade will not occur until August 31, 2026, at the earliest. Under the trading plan, Mr. Nadella will sell 80% of the net vested shares of our common stock upon the August 31, 2026 vest of a performance stock award. The actual number of shares sold under the trading plan will depend upon achievement of previously disclosed performance metrics and a relative total shareholder return modifier applicable to the performance stock award.

No other officers or directors, as defined in Rule 16a-1(f), 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 March 31, 2026.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
10.1*	Microsoft Corporation 2026 Stock Plan	X				
10.2*	Form of Stock Award Agreement Under the Microsoft Corporation 2026 Stock Plan	X				
10.3*	Microsoft Corporation Executive Incentive Plan	X				
10.4*	Microsoft Corporation Deferred Compensation Plan for Non-Employee Directors	X				
15.1	Letter regarding unaudited interim financial information	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				
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.*

Items 3 and 4 are not applicable and have been omitted.

SIGNATURE

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

MICROSOFT CORPORATION

/s/ ALICE L. JOLLA
Alice L. Jolla
Corporate Vice President and Chief Accounting Officer (Duly Authorized Officer)

April 29, 2026

MICROSOFT CORPORATION

2026 STOCK PLAN

1. **Purpose of the Plan.** The purposes of this Plan are to attract and retain Employees and Consultants, and knowledgeable, independent Non-Employee Directors of the Company, and to provide additional incentives to those persons to continue to work in the best interests of the Company and its shareholders.

2. **Definitions.** As used in this Plan, the following definitions apply:
   (a) "**Award**" means any award or benefits granted under the Plan, including Options, Share Awards, SARs, and Director Fee Awards.
   (b) "**Award Agreement**" means a written or electronic agreement setting forth the terms of an Award.
   (c) "**Awardee**" means the holder of an outstanding Award.
   (d) "**Board**" means the Board of Directors of the Company.
   (e) "**Change in Control**" means the occurrence of any of the following events:
      (i) during any period of not more than 36 months, individuals who constitute the Board as of the beginning of the period (the "**Incumbent Directors**") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the beginning of such period, whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) will be an Incumbent Director; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or publicly threatened election contest with respect to directors or as a result of any other actual or publicly threatened solicitation of proxies by or on behalf of any person other than the Board will be deemed to be an Incumbent Director;
      (ii) any "person" (as such term is defined in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then-outstanding securities eligible to vote for the election of the Board ("**Company Voting Securities**"); provided, however, *that* the event described in this clause (ii) will not be deemed to be a Change in Control by virtue of the ownership, or acquisition, of Company Voting Securities: (A) by the Company, (B) by any employee benefit plan (or related trust) sponsored or maintained by the Company, (C) by any underwriter temporarily holding securities pursuant to an offering of such securities, or (D) pursuant to a Non-Qualifying Transaction (as defined in clause (iii) of this definition);
      (iii) the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company that requires the approval of the Company's shareholders, whether for such transaction or the issuance of securities in the transaction (a "**Business Combination**"), unless immediately following such Business Combination: (A) more than 50% of the total voting power of (x) the entity resulting from such Business Combination (the "**Surviving Entity**"), or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of at least 95% of the voting power, is represented by Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (B) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Entity or the parent), is or becomes the beneficial owner, directly or indirectly, of 50% or more of the total voting power of the outstanding voting securities eligible to elect directors of the parent (or, if there is no parent, the Surviving Entity) and (C) at least a majority of the members of the board of directors of the parent (or, if there is no parent, the Surviving Entity) following the consummation of the Business Combination were Incumbent Directors at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination (any Business Combination which satisfies all of the criteria specified in (A), (B) and (C) of this clause (iii) will be deemed to be a "**Non-Qualifying Transaction**"); or
      (iv) the consummation of a sale of all or substantially all of the Company's assets (other than to an affiliate of the Company).

(f) "**Code**" means the Internal Revenue Code of 1986, as amended.

(g) "**Committee**" means the Compensation Committee of the Board.

(h) "**Company**" means Microsoft Corporation, a Washington corporation, and any successor entity.

(i) "**Consultant**" means any individual other than an Employee or a Non-Employee Director who is directly engaged by, and paid by, the Company, to render personal services to the Company.

(j) "**Continuous Status**" and "**Continuous Status as a Participant**" mean (1) for Employees, the absence of any interruption or termination of service as an Employee, (2) for Non-Employee Directors, the absence of any interruption, removal, termination, or other cessation of service as a Non-Employee Director, and (3) for Consultants, the absence of any interruption, expiration, or termination of that person's personal services to the Company or the occurrence of any termination event as set forth in that person's Award Agreement. An Employee's Continuous Status is not considered interrupted in the case of a leave of absence or other time away from work during which Continuous Status is not considered interrupted in accordance with Company policies.

(k) "**Conversion Options**" means the Options described in Section 6(c) of the Plan.

(l) "**Director Fee Award**" means a cash award granted under the Plan to a Non-Employee Director, including retainers and meeting-based fees.

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

(n) "**Effective Date**" means March 1, 2026.

(o) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

(p) "**Incentive Stock Option**" means any Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(q) "**Non-Employee Director**" means a member of the Company's Board of Directors who is not an Employee.

(r) "**Nonqualified Stock Option**" means an Option not intended to qualify as an Incentive Stock Option.

(s) "**Option**" means a stock option granted under the Plan, including any Incentive Stock Option and any Nonqualified Stock Option.

(t) **"Parent"** means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(u) **"Plan"** means this 2026 Stock Plan, including any amendments to it.

(v) **"Restricted Stock Award"** means a grant of Shares that is subject to certain specified restrictions (including, without limitation, a requirement that the Awardee remain in Continuous Status for a specified period of time).

(w) **"SAR"** means a stock appreciation right awarded under the Plan.

(x) **"Section 409A"** means Section 409A of the Code, including any amendments or successor provisions to that section, and any regulations and other administrative guidance thereunder, in each case as they may be from time to time amended or interpreted through further administrative guidance.

(y) **"Share"** means one share of Company common stock.

(z) **"Share Award"** means a Restricted Stock Award or Stock Award, or other grant of Shares or of a right to receive Shares or their cash equivalent (or both), under the Plan.

(aa) **"Stock Award"** means an unfunded and unsecured promise to deliver Shares or their cash equivalent (or both), subject to certain restrictions (including, without limitation, a requirement that the Awardee remain in Continuous Status for a specified period of time).

(bb) **"Subsidiary"** means (i) in the case of an Incentive Stock Option, a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code, and (ii) in the case of a Nonqualified Stock Option, a SAR or a Share Award, with the approval of the Committee, a limited liability company, partnership, or other entity in which the Company controls 50 percent or more of the voting power or equity interests.

(cc) **"Total and Permanent Disability"** means with respect to an Employee, that the Participant either: (i) has been determined by the U.S. Social Security Administration to be eligible for disability benefits under the Social Security disability insurance program or the Supplemental Security Income program, and is currently receiving such disability benefits; or (ii) is currently receiving, and has been receiving for a continuous period of at least three months, income replacement benefits under the long term disability plan sponsored by the Company or a Subsidiary.

3. **Shares Subject to the Plan.** Subject to the provisions of Sections 15 and 17, the maximum aggregate number of Shares that may be awarded and delivered under the Plan after the Effective Date will not exceed the sum of (i) 226,000,000 Shares, (ii) the number of Shares available for future awards under the Company's 2017 Stock Plan as of the Effective Date, and (iii) the number of undelivered Shares subject to awards under the 2017 Stock Plan and the Company's 2001 Stock Plan that again become available for Awards under the Plan on or after the Effective Date as provided under this paragraph (the "Absolute Share Limit"). The Absolute Share Limit will be adjusted pursuant to the provisions of Section 15. If an Award under the Plan, the 2017 Stock Plan or the 2001 Stock Plan expires, terminates, is settled in cash, or is cancelled or forfeited, without delivery of Shares, or otherwise results in the return of Shares to the Company on or after the Effective Date, the undelivered Shares covered by the Award will again become available for other Awards under the Plan. Notwithstanding the foregoing, in no event will any of the following Shares again become available for other Awards: (A) previously issued Shares tendered or unissued Shares withheld in respect of taxes, (B) previously issued Shares tendered or unissued Shares withheld to pay the exercise price of Options, (C) Shares repurchased by the Company from the Awardee with the proceeds from the exercise of Options, and (D) Shares underlying any exercised SARs. The Shares awarded under the Plan may be authorized but unissued or reacquired Shares.

4. **Administration of the Plan.**

(a) **Procedure.** The Plan is administered by the Committee. The Board, at its discretion, may take any action that the Committee may take under the Plan and may grant Awards to Non-Employee Directors as described in Section 10. The Committee may delegate its authority to administer the Plan to the extent permitted by applicable law. References to the Committee under the Plan will be deemed to include a person acting within the scope of a delegation of authority from the Committee.

(b) **Powers of the Committee.** Subject to the provisions of the Plan, the Committee has the authority, in its discretion: (i) to grant Incentive Stock Options, Nonqualified Stock Options, Share Awards, and SARs; (ii) to determine, in accordance with Section 8(b), the fair market value of the Shares; (iii) to determine, in accordance with Section 8(b), the exercise price per Share of Options and SARs; (iv) to determine the Employees and Consultants to whom, and the time or times at which, Awards are granted and the number of Shares to be represented by each Award; (v) to interpret the Plan and the terms of Awards; (vi) to prescribe, amend, and rescind rules and regulations relating to the Plan, including the form of Award Agreement, and manner of acceptance of an Award; (vii) to determine the terms and provisions of each Award to be granted (which need not be identical) and, with the consent of the Awardee, modify or amend any Award; (viii) to authorize conversion or substitution under the Plan of any or all Conversion Options; (ix) to accelerate or defer (with the consent of the Awardee) the vesting date of any Award or exercise date of any Option or SAR; (x) to authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of an Award previously granted under the Plan; and (xi) to make all other determinations deemed necessary or advisable for the administration of the Plan; provided that, no consent of an Awardee is necessary under clauses (vii) or (ix) if the modification, amendment, acceleration, or deferral, in the reasonable judgment of the Committee confers a benefit on the Awardee, or is made pursuant to an adjustment in accordance with Section 15. The Committee's determinations under the Plan and Award Agreements need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, Awards under the Plan (whether or not the persons are similarly situated). Without limiting the generality of the foregoing, the Committee will be entitled, among other things, to make non-uniform and selective determinations under Award

Agreements, and to enter into non-uniform and selective Award Agreements, as to (a) the persons to receive Awards, (b) the terms and provisions of Awards and (c) whether an Awardee has experienced a cessation of Continuous Service for purposes of the Plan.

(c) **Effect of Committee Actions.** All decisions, determinations, and interpretations of the Committee under the Plan are final and binding on all Awardees.

5. **Eligibility.** Awards may be granted to Employees, Non-Employee Directors, and Consultants. Incentive Stock Options may only be granted to Employees. Director Fee Awards may only be granted to Non-Employee Directors.

6. **Options.**

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

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

(c) Options converted or substituted under the Plan for any or all outstanding stock options and stock appreciation rights held by employees and consultants granted by entities subsequently acquired by the Company or a subsidiary or affiliate of the Company ("**Conversion Options**") will be effective as of the close of the respective mergers into, or acquisitions of the entities by, the Company or a subsidiary or affiliate of the Company; provided that Conversion Options may not be exercised during any periods that may be specified by the Company immediately following the close of the merger or acquisition necessary to ensure compliance with applicable law. The Conversion Options may be Incentive Stock Options or Nonqualified Stock Options, as determined by the Committee; provided that, stock appreciation rights in the acquired entity will only be converted to or substituted with Nonqualified Stock Options. The Conversion Options will be options to purchase the number of Shares determined by multiplying the number of shares of the acquired entity's common stock underlying each stock option or stock appreciation right immediately prior to the closing of the merger or acquisition by the number specified in the applicable merger or acquisition agreement for conversion of each share of the entity's common stock to a Share (the "**Merger Ratio**"), rounded down to the closest whole share. Conversion Options will be exercisable at an exercise price per Share (increased to the nearest whole cent) equal to the exercise price per share of the acquired entity's common stock under each stock option or stock appreciation right immediately prior to closing divided by the Merger Ratio. Conversion Options may be granted and exercised without the issuance of an Award Agreement.

7. **SARs.** Each SAR will cover a specified number of Shares and will be exercisable upon the terms and conditions the Committee determines. Upon exercise of the SAR, the holder will be entitled to receive a distribution from the Company in an amount equal to the excess of (A) the aggregate fair market value (on the exercise date) of the Shares underlying the exercised right over (B) the aggregate base price in effect for those Shares. The number of Shares underlying each SAR and the base price in effect for those Shares will be determined by the Committee at the time the SAR is granted. The distribution with respect to an exercised SAR may be made in Shares valued at fair market value on the exercise date, in cash, or partly in Shares and partly in cash, as the Committee deems appropriate.

8. **Options and SARs.**

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

(b) **Exercise Price/Consideration.** The per Share exercise price under each Option or SAR will be determined by the Committee or other person authorized to grant the award, except that for an Incentive Stock Option granted to (A) an Employee who, at the time of the grant of the Incentive Stock Option, owns shares representing more than ten percent (10%) of the voting power of all classes of shares of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than 110% of the fair market value per Share on the date of grant or (B) any other Employee, the per Share exercise price will be no less than 100% of the fair market value per Share on the date of grant. Except for Conversion Options, the per Share exercise price under a Nonqualified Stock Option or SAR will be no less than the fair market value per Share on the date of grant. The fair market value per Share will be the closing price per Share on the Nasdaq Stock

Market ("NASDAQ") on the date of grant (or, if the date of grant is not a trading day, the closing price per Share on the NASDAQ on the most recent trading day preceding the date of grant). If the Shares cease to be listed on NASDAQ, the Committee will designate an alternative method of determining the fair market value of the Shares. The consideration to be paid for the Shares to be issued upon exercise of an Award, including the method of payment, will be determined by the Committee at the time of grant.

(c) **Exercise.** Any Option or SAR granted under the Plan will be exercisable at the times and under the conditions described in the Award Agreement, subject to the terms of the Plan. An Option or SAR may not be exercised for a fraction of a Share. An Option or SAR is deemed to be exercised when the person entitled to exercise the Award gives notice of exercise in accordance with the Award Agreement and with procedures established by the Company, the Awardee has arranged for the payment of any required tax with respect to the Award, and full payment of the exercise price has been received by the Company. Full payment may consist of any consideration and method of payment allowable under the Award Agreement and the Plan.

(d) **Rights as a Shareholder and Dividends.** Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the Shares, no right to vote or receive dividends or any other rights as a shareholder will exist with respect to the Shares subject to the Award, notwithstanding in the vesting or exercise of the Award. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Share is issued, except as provided in Section 15.

(e) **Termination of Continuous Status.** In the event of termination of an Awardee's Continuous Status, the Awardee may exercise an outstanding Option or SAR to the extent exercisable on the date of termination (but in no event after the term of the Option or SAR as set forth in the Award Agreement). To the extent that the Awardee was not entitled to exercise an Option or SAR at the termination of Continuous Status, or does not exercise the Option or SAR within the time specified in the applicable Award Agreement, the Option or SAR will terminate unless otherwise provided in the Plan or the Award Agreement.

9. **Share Awards.** Awardees of a Share Award will be notified by means of an Award Agreement of the terms, conditions and restrictions, including vesting, if any, related to the Share Award, including the number of Shares that the Awardee will be entitled to receive or purchase, the price to be paid, if any, and, if applicable, the time within which the Awardee must accept the Share Award. The Award Agreement will provide for the forfeiture of the non-vested Shares under the Share Award upon the Awardee's cessation of Continuous Status unless otherwise provided in the Plan or the Award Agreement. An Award Agreement shall not be required to the extent the Share Award is for fully vested shares without additional terms, conditions or restrictions.

10. **Non-Employee Director Awards.** The Board may grant Director Fee Awards and Stock Awards in its discretion to any Non-Employee Director. Aggregate Director Fee Awards and Stock Awards to any individual Non-Employee Director in respect of any fiscal year of the Company, solely with respect to service as a Non-Employee Director, may not exceed 20,000 Shares (or, in the event the Award is paid in cash, the equivalent cash value thereof as determined by the Board based on the market price of the Company common stock on the last trading day preceding the date of payment), in each case, as adjusted pursuant to the provisions of Section 15. The Board may make exceptions to these limits for individual Non-Employee Directors in extraordinary circumstances, as the Board may determine in its discretion, provided that the Non-Employee Director receiving such additional compensation shall not participate in the decision to award such compensation.

11. **Term of Plan.** The Plan is effective as of the Effective Date. It will continue in effect until terminated under Section 18.

12. **Limitations on Awards, Vesting, Repricing, Dividends and Dividend Equivalents.**

(a) The maximum number of Shares with respect to which Awards may be granted to any Employee or Consultant in any one taxable year of the Company will not exceed 20,000,000 Common Shares for Options or SARs, or 5,000,000 shares for Share Awards, in each case, as adjusted pursuant to the provisions of Section 15; provided that substituted or assumed Share Awards described in Section 17 do not count against the limit of this Section 12(a).

(b) Without approval of the shareholders of the Company, no Option or SAR may be repriced, replaced, regranted through cancellation, repurchased for cash or other consideration, or modified (except in connection with an adjustment pursuant to Section 15), in each case if the effect would be to reduce the exercise price for the Shares underlying the Option or SAR.

(c) No more than 226,000,000 Shares, as adjusted pursuant to the provisions of Section 15, that can be delivered under the Plan may be issued through the grant of Incentive Stock Options.

(d) The Committee may provide that a Share Award includes dividends or dividend equivalents, payable in cash or Shares. Any dividends or dividend equivalents under a Share Award will be subject to the same vesting and performance conditions and payment dates as the underlying Shares, and in no event shall any dividends or dividend equivalents be paid to an Awardee unless and until the Award to which they relate has vested.

13. **Disability or Death of Awardee.** Notwithstanding other provisions of the Plan and unless otherwise provided in the Award Agreement, if an Employee Awardee's Continuous Status terminates as a result of Total and Permanent Disability or Death, the Employee's outstanding but unvested Stock Awards will become immediately vested (with any performance-based Stock Awards for which the performance period has not yet been completed, vesting at target level) unless otherwise provided in the Award Agreement. This Section 13 does not apply to Awards other than Stock Awards, or to Stock Awards that are substituted or assumed pursuant to Section 17.

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

15. **Adjustments to Shares Subject to the Plan.**

(a) If any change is made to the Shares by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Shares as a class without the Company's receipt of consideration, appropriate adjustments will be made to (i) the maximum number and/or class of securities issuable under the Plan, (ii) the share limits set forth under Sections 10, 12(a) and 12(c), (iii) the number and/or class of securities and/or the price per Share covered by outstanding Awards under the Plan, and (iv) the maximum aggregate number of Shares underlying all Nonqualified Stock Options and SARs with a per Share exercise price of less than fair market value on any grant date that may be granted under the Plan. The Committee may also make adjustments described in (i)-(iv) of the previous sentence in the event of any distribution of assets to shareholders other than a normal cash dividend.

(b) In determining adjustments to be made under this Section 15, the Committee may take into account factors it deems appropriate, including (i) applicable law, (ii) the potential tax consequences of an adjustment, and (iii) the possibility that some Awardees might receive an adjustment and a distribution or other unintended benefit, and in light of the factors or circumstances may make adjustments that are not uniform or proportionate among outstanding Awards, modify vesting or Share issuance dates, or make other equitable adjustments. Any adjustments to outstanding Awards will be effected in a manner that precludes the enlargement of rights and benefits under the Awards. Adjustments, if any, and any determinations or interpretations, including any determination of whether a distribution is other than a normal cash dividend, made by the Committee will be final, binding, and conclusive. For purposes of this Section 15, conversion of any convertible securities of the Company will not be deemed to have been effected without receipt of consideration. Except as expressly provided in this Section 15, no issuance by the Company of shares of any class, or securities convertible into shares of any class, will affect, and no adjustment by reason thereof will be made with respect to, the number or price of Shares subject to an Award.

(c) In the event of the proposed dissolution or liquidation of the Company, the Award will terminate immediately prior to consummation of the proposed action, unless otherwise provided by the Committee. The Committee may, in the exercise of its discretion in these instances, declare that any Award will terminate as of a date fixed by the Committee and give each Awardee the right to exercise an Award as to all or any part of the Shares subject to an Award, including Shares as to which the Award would not otherwise be exercisable.

16. **Impact of a Change in Control.**

(a) **Committee Actions.** In the event of a Change in Control, an Awardee's Award will be treated, to the extent determined by the Committee to be permitted under Section 409A, in accordance with the following methods, as determined by the Committee:

(i) provide for the assumption of or the issuance of substitute awards that will substantially preserve the otherwise applicable terms of any affected Awards previously granted under the Plan, as determined by the Committee; and/or

(ii) to the extent the affected Awards (whether vested or unvested) are not assumed or substituted as provided in (i) above, settle the Awards (whether vested or unvested) for an amount of cash or securities equal to their value (determined without regard to any vesting conditions), where in the case of Options and SARs, the value of such Awards, if any, will be equal to their in-the-money spread value (if any), as determined by the Committee.

In the event that the consideration paid in the Change in Control includes contingent value rights, earnout or indemnity payments or similar payments, then the Committee will determine if Awards settled under clause (i) and/or (ii) above are (A) valued at closing taking into account such contingent consideration (with the value determined by the Committee in its discretion) or (B) entitled to a share of such contingent consideration. For the avoidance of doubt, in the event of a Change in Control where all Options and SARs are settled for an amount (as determined by the Committee) of cash or securities, the Committee may terminate any Option or SAR for which the exercise price is equal to or exceeds the per share value of the consideration to be paid in the Change in Control transaction without payment of consideration therefor. Similar actions to those specified in this Section 16(a) may be taken in the event of a merger or other corporate reorganization that does not constitute a Change in Control.

(b) **Performance-Based Stock Awards.** As of the Change in Control date, any outstanding Awards subject to performance conditions will be deemed earned at the actual performance level at the date of the Change in Control (as determined by the Committee) with respect to all open performance periods and will continue to be subject to time-based vesting following the Change in Control in accordance with the original vesting terms. After application of this Section 16(b), such Awards shall be treated in accordance with Section 16(a) hereof.

(c) **Non-Employee Director Awards.** In the case of a Non-Employee Director Awardee, notwithstanding the vesting provisions contained in the Award Agreement granting a Stock Award, the Stock Award shall become fully vested and nonforfeitable if, on or within one year after a Change in Control, that Non-Employee Director shall cease for any reason to be a member of the Board.

17. **Substitutions and Assumptions.** The Committee has the right to substitute or assume Awards in connection with mergers, reorganizations, separations, or other corporate transactions (as defined in Treasury Regulation 1.424-1(a)(3)), provided such substitutions and assumptions are not prohibited by Section 424 of the Code and the regulations promulgated thereunder. The number of Shares reserved pursuant to Section 3 may be increased by the corresponding number of Awards assumed or substituted.

18. **Amendment and Termination of the Plan.**

(a) **Amendment and Termination.** The Committee may amend or terminate the Plan from time to time in such respects as the Committee may deem advisable (including, but not limited to amendments which the Committee deems appropriate to enhance the Company's ability to claim deductions related to Option exercises); provided that any increase in the number of Shares subject to the Plan (other than in connection with an adjustment under Section 15 and assumptions and/or substitutions under Section 17), and any amendment described in Section 12(b), requires approval of or ratification by the shareholders of the Company.

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

(c) **Effect of Amendment or Termination.** Except as otherwise provided in Sections 4 and 15, any amendment or termination of the Plan will not affect Awards already granted and such Awards will remain in full force and effect as if the Plan had not been amended or terminated, unless mutually agreed otherwise between the Awardee and the Committee, which agreement must be in writing and signed by the Awardee and the Company.

19. **Conditions Upon Issuance of Shares.** Shares will not be issued pursuant to the settlement or exercise of an Award unless the settlement or exercise of such Award and the issuance and delivery of such Shares pursuant thereto will comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the Shares may then be listed.

20. **Reservation of Shares.** The Company, during the term of the Plan, will at all times reserve and keep available a sufficient number of Shares to satisfy the requirements of the Plan.

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

22. **Compensation Recovery.** All Awards granted under the Plan will be subject to recoupment in accordance with (i) the Company's Executive Compensation Recovery Policy (as may be amended from time to time), (ii) any other recoupment policies that the Company adopts, and/or (iii) applicable law, in each case, to the extent recipients of such Awards are covered by such policies or law. Any Awards which are subject to such policies or law will not be earned or vested, even if already granted, paid or settled, until such policies or law, as applicable, cease to apply to such Awards and any other vesting conditions applicable to such Awards are satisfied. In addition, the Committee may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Committee determines necessary or appropriate, including but not limited to a reacquisition right in respect of previously acquired Shares or other cash or property upon the occurrence of any event or omission as determined by the Committee.

23. **Governing Law and Venue.** The Plan and Awards are governed by the laws of the State of Washington, U.S.A., without regard to Washington laws that might cause other law to govern under applicable principles of conflicts of law. The venue for any litigation related to the Plan or Awards will be in King County, Washington.

STOCK AWARD AGREEMENT UNDER
THE MICROSOFT CORPORATION 2026 STOCK PLAN

Award Number <<GrantIdentifier>>

1. Award. Microsoft Corporation (the "Company"), in the exercise of its sole discretion pursuant to the Microsoft Corporation 2026 Stock Plan (the "Plan"), does on **<<GrantDate>>** (the "Award Date") hereby award to **<<FullName>>** (the "Awardee") **<<SharesGrantedQuantity>>** Stock Awards ("SAs") upon the terms and subject to the conditions of this Award Agreement. Capitalized terms used but not defined in this Award Agreement shall have the meanings assigned to them in the Plan.

SAs represent the Company's unfunded and unsecured promise to issue Shares at a future date, subject to the terms of this Award Agreement and the Plan. Awardee has no rights under the SAs other than the rights of a general unsecured creditor of the Company.

2. Vesting Schedule and Conversion of SAs.

a) Subject to the terms of this Award Agreement and the Plan and provided that Awardee remains in Continuous Status through the vesting dates set out below (except as otherwise provided in this Award Agreement), the SAs shall vest and be converted into an equivalent number of Shares as follows; provided that fractional SAs shall be converted into Shares as set out in Section 9(c) of this Award Agreement:

<<VestScheduleAtIssue>>

Vesting will not occur before the first Nasdaq Stock Market regular trading day that is on or after the applicable vesting date, as described above. For the avoidance of doubt, Awardee is not entitled to vest in any pro-rata portion of the SAs if Awardee is in Continuous Status only for a portion of the vesting period prior to a vesting date, but no longer in Continuous Status on the respective vesting date.

(b) AWARDEE'S RIGHTS IN THE SAs SHALL BE AFFECTED, WITH REGARD TO BOTH THE VESTING SCHEDULE AND THE TERMINATION PROVISIONS BELOW, BY LEAVES OF ABSENCE, CHANGES IN THE NUMBER OF HOURS WORKED AND OTHER CHANGES IN AWARDEE'S CONTINUOUS STATUS AS PROVIDED IN THE COMPANY'S CURRENT POLICIES FOR THESE MATTERS. ACCOMPANYING THIS AWARD AGREEMENT IS A CURRENT COPY OF THESE POLICIES. THESE POLICIES MAY CHANGE FROM TIME TO TIME WITHOUT NOTICE IN THE COMPANY'S SOLE DISCRETION, AND AWARDEE'S RIGHTS WILL BE GOVERNED BY THE POLICIES IN EFFECT AT THE TIME OF ANY CONTINUOUS STATUS CHANGE. E-MAIL "ASKHR" FOR A COPY OF THE MOST CURRENT POLICIES.

3. Termination. Unless terminated earlier under Section 4 below, an Awardee's rights under this Award Agreement with respect to the SAs under this Award Agreement shall terminate at the time the SAs are converted into Shares and distributed to Awardee.

4. Termination of Awardee's Continuous Status. Except as otherwise specified in Sections 5, 6 and 7 below, in the event of termination of Awardee's Continuous Status, Awardee's rights under this Award Agreement in any unvested SAs shall terminate. For the avoidance of doubt, an Awardee's Continuous Status also terminates if and at the time Awardee's actual employer ceases to be the Company or a Subsidiary.

5. Disability of Awardee. Notwithstanding the provisions of Section 4 above, in the event of termination of Awardee's Continuous Status as a result of Total and Permanent Disability, the outstanding unvested SAs under this Award Agreement shall become immediately vested.

6. Death of Awardee. Notwithstanding the provisions of Section 4 above, if Awardee is, at the time of death, in Continuous Status, outstanding unvested SAs under this Award Agreement shall become immediately vested.

7. [For Retirement Awards] [Retirement of Awardee; Vesting under Severance Plan. (a) Notwithstanding the provisions of Section 4 above, in the event of Awardee's Retirement, Awardee shall be treated as being in Continuous Status through the vesting periods in Section 2(a) above. For this purpose, "Retirement" means termination of Continuous Status with the Company or a Subsidiary after the earlier of (a) age 65, or (b) attaining age 55 and 15 years of Continuous Service, provided that immediately prior to termination of employment Awardee is employed by the Company (or a Subsidiary) in the United States and that such termination of employment is not due to Awardee's Total and Permanent Disability.

This Section 7 will only apply to a Retirement if (a) the Retirement is at least one year after the Award Date, (b) Awardee executes a release in conjunction with the Retirement in the form provided by the Company, and (c) during, and for one year following termination of Awardee's Continuous Status, Awardee has not engaged in misconduct (as determined in the sole discretion of the Company's senior corporate officer in charge of the Human Resources department), including but not limited to (i) misconduct in violation of Company policy or that leads to a breach of Awardee's Employee Agreement and (ii) misconduct that adversely affects the Company's interests or reputation.

For purposes of this Section 7, "Continuous Service" means that Awardee has continuously remained an employee of the Company or a Subsidiary, measured from Awardee's "most recent hire date" as reflected in the Company records. For an Awardee who became an employee of the Company or a Subsidiary following the acquisition of Awardee's employer by the Company or a Subsidiary, service with the acquired employer shall count toward Continuous Service, and Continuous Service shall be measured from Awardee's acquired company hire date as reflected in the Company's records.

If the Awardee dies after an eligible Retirement under this Section 7, then any Shares that would, but for the Awardee's death, be distributed pursuant to this Section 7 on vesting dates that follow the Awardee's death shall be immediately vested and distributed in accordance with this Award Agreement.

(b)][Vesting Under Severance Plan] Awardee may also continue to vest in SAs following Awardee's termination of Continuous Status to the extent Awardee is entitled to the continued vesting under a severance benefit plan established by the Company (assuming Awardee's termination of Continuous Status is not due to Awardee's Total and Permanent Disability). In no event, however, shall any continued vesting under a Company severance benefit plan change the time of payment specified under this Award Agreement.

8. Value of Unvested SAs. In consideration of the Award of these SAs, Awardee agrees that upon and following termination of Awardee's Continuous Status for any reason (whether or not in breach of applicable laws), and regardless of whether Awardee is terminated with or without cause, notice, or pre-termination procedure or whether Awardee asserts or prevails on a claim that Awardee's Continuous Status was terminable only for cause or only with notice or pre-termination procedure, any unvested SAs under this Award Agreement shall be deemed to have a value of zero dollars ($0.00).

9. Conversion of SAs to Shares; Responsibility for Taxes.

(a) Provided Awardee has satisfied the requirements of Section 9(b) below and subject to the provisions of this Section 9(a), on the vesting of any SAs (including any continued vesting that may apply pursuant to Section 7 above), the vested SAs shall be converted into an equivalent number of Shares that will be distributed to Awardee or, in the event of Awardee's death, to Awardee's legal representative on the earlier of (i) the regularly scheduled vesting date(s) set forth in Section 2(a) of this Award Agreement, and in any case by the end of the calendar year in which such applicable vesting date(s) occurs or (ii) the date of the applicable vesting event set forth in Section 5 or Section 6, or as soon as administratively feasible and in any case within 2.5 months thereafter, or within such other period as permitted under Section 409A. If accelerated vesting of an SA occurs pursuant to a provision of the Plan not addressed in this Award Agreement, to the extent required by Section 409A, distribution of the related Shares shall not occur until the date distribution would have occurred under this Award Agreement absent such accelerated vesting, unless otherwise determined by the Company. Notwithstanding the foregoing provisions of this Section 9(a), to the extent that the SAs are exempt or otherwise not subject to Section 409A, the SAs shall be converted into an equivalent number of Shares that will be distributed to Awardee within the period contemplated by the "short-term deferral exception" of Section 409A. The distribution to Awardee, or in the case of Awardee's death, to Awardee's legal representative (or Awardee's beneficiary, if one has been designated in accordance with procedures designated by the Company), of Shares in respect of the vested SAs shall be evidenced by means that the Company determines to be appropriate.

In the event vesting of the SAs and/or ownership or issuance of Shares subject to the SAs is not permissible or otherwise not feasible or practicable due to applicable exchange controls, securities regulations, tax laws, or other provisions of applicable law, as determined by the Company in its sole discretion, Awardee, or in the event of Awardee's death, Awardee's legal representative (or designated beneficiary, if applicable), shall receive cash proceeds in an amount equal to the value of the Shares otherwise distributable to Awardee, as determined by the Company in its sole discretion, net of amounts withheld in satisfaction of the requirements of Section 9(b) below. Alternatively, the Company may decide to defer vesting of the SAs and/or issuance of the Shares as long as this vesting or issuance is in violation of applicable laws, as determined by the Company in its sole discretion. Lastly, the Company may decide to cancel the SAs if it determines, in its sole discretion that applicable laws require this cancellation or make it advisable.

(b) Regardless of any action the Company or Awardee's actual employer takes with respect to any or all income tax (including federal, state and local taxes), social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items ("Tax-Related Items") that arise in connection with the SAs, Awardee acknowledges and agrees that the ultimate liability for any Tax-Related Items determined by the Company in its discretion to be legally due by Awardee or to be an appropriate charge to Awardee even if technically due by the Company or Awardee's employer is and remains Awardee's responsibility. Awardee acknowledges and agrees that the Company and/or Awardee's actual employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the SAs, including the grant of the SAs, the vesting of SAs, the conversion of the SAs into Shares or the receipt of an equivalent cash payment, the subsequent sale of any Shares acquired at vesting and the receipt of any dividends; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the SAs to reduce or eliminate Awardee's liability for any Tax-Related Items. If Awardee has relocated to a different jurisdiction after the Award Date, Awardee acknowledges that the Company and/or Awardee's actual employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

In connection with the relevant taxable or tax withholding event, as applicable, Awardee shall pay, or make adequate arrangements satisfactory to the Company and to Awardee's actual employer (in their sole discretion) to satisfy all obligations for Tax-Related Items. In this regard, except where applicable law prohibits or makes it inadvisable, until otherwise determined by the Company, the standard process for the satisfaction of withholding obligations or rights for an Awardee's Tax-Related Items shall be for the Company to withhold in whole or fractional Shares (up to such amount determined by the Company as not resulting in negative accounting consequences for the Company). Alternatively, or in addition, Awardee authorizes the Company, at its sole discretion, to satisfy the Company's and/or any Subsidiary's withholding obligations or rights with regard to all Tax-Related Items by one or a combination of the following: (i) sell or arrange for the sale of Shares to be issued on the vesting of SAs or other event (on Awardee's behalf and at Awardee's direction pursuant to this authorization without further consent) and withhold from the sale proceeds, (ii) withhold from Awardee's wages or other cash compensation payable to Awardee by the Company, Awardee's actual employer or any other Subsidiary, (iii) withhold from proceeds of a voluntary sale by Awardee of Shares acquired upon vesting of the SAs, and/or (iv) any other method as determined by the Company to be in compliance with applicable law and the Plan.

The Company may withhold or account for Tax-Related Items by considering applicable statutory withholding rates or other applicable withholding rates, including maximum rates applicable in Awardee's jurisdiction(s). In the event of over-withholding, Awardee may receive a refund of any over-withheld amount in cash through Awardee's actual employer's normal payroll processes (with no entitlement to the equivalent in Shares) or, if not refunded, Awardee may seek a refund from the local tax authorities. In the event of under-withholding, Awardee may be required to pay additional Tax-Related Items directly to the applicable tax authority or to the Company and/or Awardee's actual employer. If the obligation for Tax-Related Items is satisfied by withholding in Shares, Awardee will be deemed to have been issued the full number of Shares subject to the SAs, notwithstanding that a number of vested Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of Awardee's SAs. Awardee shall pay to the Company or to Awardee's actual employer any amount of Tax-Related Items that the Company or Awardee's actual employer may be required to withhold or account for as a result of Awardee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to deliver Shares to Awardee if Awardee fails to comply with Awardee's obligation in connection with the Tax-Related Items as described in this Section 9(b).

(c) In determining the number of Shares that vest on any given date, the Company shall round the Shares down to the nearest whole Share and any remaining fraction of a Share will be included in a subsequent vest date. Notwithstanding the foregoing, fractional Shares may be delivered as a result of fractional Share tax withholding pursuant to Section 9(b) above.

(d) Until the distribution to Awardee of the Shares in respect of the vested SAs is evidenced by deposit in Awardee's brokerage account, Awardee shall have no right to vote or receive dividends or any other rights as a shareholder with respect to the Shares, notwithstanding the vesting of SAs. The Company shall cause the distribution to Awardee to occur upon the vesting of SAs in accordance with Section 9(a) above. No adjustment will be made for a dividend or other right for which the record date is prior to the date Awardee is recorded as the owner of the Shares, except as provided in the Plan.

(e) By accepting the Award of SAs evidenced by this Award Agreement, Awardee agrees not to sell any of the Shares received on account of vested SAs at a time when applicable laws or Company policies prohibit a sale. This restriction shall apply so long as Awardee is an Employee, Consultant or outside director of the Company or a Subsidiary, and may apply even after Continuous Status ends if required under applicable law or Company policies.

10. Non-Transferability of SAs. Awardee's right in the SAs awarded under this Award Agreement and any interest therein may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner, other than by will or by the laws of descent or distribution. SAs shall not be subject to execution, attachment or other process.

11. Acknowledgment of Nature of Plan and SAs. In accepting the Award, Awardee acknowledges that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, as provided in the Plan;

(b) the Award of SAs is voluntary and occasional and does not create any contractual or other right to receive future awards of SAs or other awards, or benefits in lieu of SAs even if SAs have been awarded repeatedly in the past;

(c) all decisions with respect to SAs or other future awards of SAs, if any, will be at the sole discretion of the Company;

(d) Awardee's participation in the Plan is voluntary;

(e) the future value of the underlying Shares is unknown and cannot be predicted with certainty;

(f) if Awardee receives Shares, the value of the Shares acquired on vesting of SAs may increase or decrease in value;

(g) notwithstanding any terms or conditions of the Plan to the contrary and consistent with Section 4 above, in the event of termination of Awardee's Continuous Status under circumstances where Section 7 above does not apply (whether or not in breach of applicable laws), Awardee's right to receive SAs and vest under the Plan, if any, will terminate effective as of the date that Awardee is no longer in Continuous Status and will not be extended by any notice period mandated under applicable law. Awardee's right to receive Shares pursuant to the SAs after termination of Continuous Status, if any, will be calculated as of the date of termination of Awardee's Continuous Status. The senior corporate officer in charge of the Human Resources department shall have the exclusive discretion to determine when Awardee is no longer in Continuous Status for purposes of the award of SAs; and

(h) Awardee acknowledges and agrees that, regardless of whether Awardee is terminated with or without cause, notice or pre-termination procedure or whether Awardee asserts or prevails on a claim that Awardee's Continuous Status was terminable only for cause or only with notice or pre-termination procedure, Awardee has no right to, and will not bring any legal claim or action for, (a) any damages for any portion of the SAs that have been vested and converted into Shares, or (b) termination of any unvested SAs under this Award Agreement.

12. No Employment Right. Awardee acknowledges that neither this Award of SAs nor any provision of this Award Agreement, the Plan or the policies adopted pursuant to the Plan confers upon Awardee any right with respect to employment or other service or continuation of current employment or other service with the Company or with Awardee's actual employer, or to employment or other service that is not terminable at will. Awardee further acknowledges and agrees that neither the Plan nor this Award of SAs makes Awardee's Continuous Status with the Company or Awardee's actual employer for any minimum or fixed period, and that this employment is subject to the mutual consent of Awardee and the Company or Awardee's actual employer, and may be terminated by either Awardee or the Company or Awardee's actual employer at any time, for any reason or no reason, with or without cause or notice or any kind of pre- or post-termination warning, discipline or procedure.

13. Administration. Except as otherwise expressly provided in the Plan, the authority to manage and control the operation and administration of this Award Agreement shall be vested in the Committee (as that term is defined in the Plan), and the Committee shall have all powers and discretion with respect to this Award Agreement as it has with respect to the Plan. Any interpretation of the Award Agreement by the Committee and any decision made by the Committee with respect to the Award Agreement shall be final and binding on all parties. References to the Committee in this Award Agreement shall be read to include a reference to any delegate of the Committee acting within the scope of his or her delegation.

14. Plan Governs. Notwithstanding anything in this Award Agreement to the contrary, the terms of this Award Agreement shall be subject to the terms of the Plan and, if applicable, the Executive Incentive Plan, and this Award Agreement is subject to all interpretations, amendments, rules and regulations promulgated by the Committee from time to time pursuant to the Plan and, if applicable, the Executive Incentive Plan.

15. Notices. Any written notices provided for in this Award Agreement that are sent by mail shall be deemed received three business days after mailing, but not later than the date of actual receipt. Notices shall be directed, if to Awardee, at Awardee's address indicated by the Company's records and, if to the Company, at the Company's principal executive office.

16. Electronic Delivery/Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to SAs awarded under the Plan or future SAs that may be awarded under the Plan by electronic means or request Awardee's consent to participate in the Plan by electronic means. Awardee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

17. Acknowledgment. By Awardee's acceptance of this Award Agreement in the manner prescribed by the Company, Awardee acknowledges that Awardee has received and has read, understood and accepted all the terms, conditions and restrictions of this Award Agreement, the Plan, and the current policies referenced in Section 2(b) of this Award Agreement. Awardee understands and agrees that this Award Agreement is subject to all the terms, conditions, and restrictions stated in this Award Agreement and in the other documents referenced in the preceding sentence, as the latter may be amended from time to time in the Company's sole discretion.

Awardee further acknowledges that Awardee must accept this Award Agreement in the manner prescribed by the Company no later than the earlier of the first anniversary of Award Date or the first vesting date specified in Section 2(a) above.

18. Board Approval. These SAs have been awarded pursuant to the Plan and accordingly this Award of SAs is subject to approval by an authorized Committee of the Board of Directors. If this Award of SAs has not already been approved, the Company agrees to submit this Award for approval as soon as practical. If this approval is not obtained, this Award is null and void.

19. Governing Law and Venue. This Award Agreement shall be governed by the laws of the State of Washington, U.S.A., without regard to Washington laws that might cause other law to govern under applicable principles of conflicts of law. For purposes of litigating any dispute that arises under this Award of SAs or this Award Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of Washington, and agree that such litigation shall be conducted solely in the courts of King County, Washington, or the federal courts for the United States for the Western District of Washington, and no other courts, where this Award of SAs is made and/or to be performed.

20. Severability If one or more of the provisions of this Award Agreement shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions that could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Award Agreement to be construed so as to foster the intent of this Award Agreement and the Plan.

21. Waiver. Awardee acknowledges that a waiver by the Company of breach of any provision of this Award Agreement shall not operate or be construed as a waiver of any other provision of this Award Agreement, or of any subsequent breach by Awardee.

22. Complete Award Agreement and Amendment. This Award Agreement (including the policies referenced in Section 2(b) above) and the Plan constitute the entire agreement between Awardee and the Company regarding SAs. Any prior agreements, commitments or negotiations concerning these SAs are superseded. This Award Agreement may be amended only by written agreement of Awardee and the Company, without consent of any other person, provided that no consent is necessary to an amendment that in the reasonable judgment of the Committee confers a benefit on Awardee. Awardee agrees not to rely on any oral information regarding this Award of SAs or any written materials not identified in this Section 22.

23. Code Section 409A. This Award Agreement shall be interpreted, operated, and administered in a manner so as not to subject Awardee to the assessment of additional taxes or interest under Code section 409A, and this Award Agreement shall be amended as the Company, in its sole discretion, determines is necessary and appropriate to avoid the application of any such taxes or interest. Payments under this Award Agreement may be made within any period as permitted in compliance with Section 409A. In addition, notwithstanding any provision herein to the contrary, in the event that following the Award Date, the Committee (including any delegate thereof) determines that it may be necessary or appropriate to do so, the Committee may adopt such amendments to the Plan and/or this Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to (a) exempt the Plan and/or the SAs from the application of Section 409A and/or preserve the intended tax treatment of the benefits provided with respect to this Award, or (b) comply with the requirements of Section 409A; provided, however, that this paragraph shall not create an obligation on the part of the Committee to adopt any such amendment, policy or procedure or take any such other action. No payment hereunder shall be made to Awardee during the six (6)-month period following Awardee's "separation from service" (within the meaning of Section 409A) to the extent that the Company determines that paying such amount at the time set forth herein would be a prohibited distribution under Section 409A(a)(2)(B)(i). If the payment of any such amounts is delayed as a result of the previous sentence, then within thirty (30) days following the end of such six (6)-month period (or, if earlier, Awardee's death), the Company shall pay to Awardee (or to Awardee's legal representative or estate) the cumulative amounts that would have otherwise been payable to Awardee during such period, without interest. The Committee makes no representation that any of the SAs or amounts received under this Award Agreement will be exempt from or comply with Section 409A and makes no undertaking to prevent Section 409A from applying to any such SAs or amounts. An Awardee will be solely responsible for the payment of any taxes and penalties incurred under Section 409A.

24. Compensation Recovery. In accepting the Award, Awardee acknowledges, understands and agrees that the SAs, and other incentive or performance-based compensation Awardee receives or has received from the Company, are subject to (a) the Company's Executive Compensation Recovery Policy (as may be amended from time to time), (b) any other recoupment policies that the Company adopts, and/or (c) any recoupment policy prescribed by applicable law, in each case, to the extent Awardee is covered by such policies or law. Further, any clawback, recovery or recoupment under this section can be made by withholding compensation otherwise due to Awardee, by cancelling vested but unpaid SAs, by reacquiring any previously issued Shares or other cash or property, or by such other means determined appropriate by the Committee.

MICROSOFT CORPORATION

EXECUTIVE INCENTIVE PLAN

Section 1. Purpose

The Microsoft Corporation Executive Incentive Plan is intended to provide incentive compensation to executive officers of the Company and those other senior officers that the Committee has determined should participate in the Plan. The Plan replaces the Microsoft Corporation Executive Incentive Plan effective for fiscal year 2019 and later awards.

Section 2. Definitions

The terms used in this Plan include the feminine as well as the masculine gender and the plural as well as the singular, as the context in which they are used requires. The following terms, unless the context requires otherwise, are defined as follows:

2.1 **"Award"** means the incentive compensation awarded by the Committee under Section 4.1. Awards may be in the form of cash awards and/or equity-based awards issued under the Stock Plan.

2.2 **"Code"** means the Internal Revenue Code of 1986, as amended.

2.3 **"Committee"** means the Compensation Committee of the Company's Board of Directors.

2.4 **"Company"** means Microsoft Corporation.

2.5 **"Deferred Compensation Plan"** means the Microsoft Corporation Deferred Compensation Plan, or a similar or successor plan or other arrangement for the deferral of compensation specified by the Committee.

2.6 **"Participant"** means an employee who receives an award under the Plan, as described in Section 3 of the Plan.

2.7 **"Plan"** means the Microsoft Corporation Executive Incentive Plan, as it may be amended from time to time.

2.8 **"Stock Plan"** means the Company's 2026 Stock Plan, 2017 Stock Plan or, for French-qualified stock awards, the Company's 2001 Stock Plan, or a similar or successor plan or other arrangement of the issuance of equity-based awards specified by the Committee.

Section 3. Eligibility and Participation

Executive officers of the Company are eligible to receive Awards under the Plan. In addition, other senior officers of the Company may be designated by the Committee to receive Awards under the Plan. Any person who receives an Award under Section 4.1 shall be a Participant in the Plan and shall continue to be a Participant until any amounts due under any Awards he may receive have been paid.

Section 4. Incentive Awards

4.1 Grants of Awards.

Awards under the Plan may be granted for a fiscal year in the form of:

- Cash ("Cash Incentives"), with payouts based on the Participant's target Cash Incentive percentage, and on qualitative and/or quantitative measures;
- Grants of stock awards ("Stock Awards") under the Stock Plan; and
- Grants of performance stock awards under the Stock Plan ("Performance Stock Awards"), with payouts determined under a pre-established formula based on the Participant's target Performance Stock Award.

Target Awards and actual Awards will be approved by the Compensation Committee or, for the Chief Executive Officer, the independent members of the Board.

4.2 Payment of the Award.

(a) Unless otherwise determined by the Committee, payment of a Cash Incentive for performance during a Company fiscal year will be made by the end of the fiscal quarter following the end of the fiscal year. Payment under a Stock Award will be made in accordance with the applicable award agreement.

(b) As permitted by the Committee, a Participant may, in accordance with section 409A of the Code, voluntarily defer receipt of an Award in the form of cash under the terms of the Deferred Compensation Plan.

(c) The Company shall have the right to deduct from any Award payable in cash any applicable Federal, state and local income and employment taxes and any other amounts that the Company is required to deduct. Deductions from an Award in the form of an equity compensation award shall be governed by the Company's Stock Plan and the applicable grant documentation.

Section 5. Administration

5.1 General Administration. The Plan is to be administered by the Committee. Subject to the terms and conditions of the Plan, the Committee is authorized and empowered in its sole discretion to select Participants and to make Awards in such amounts and upon such terms and conditions as it shall determine.

5.2 Administrative Rules. The Committee shall have full power and authority to adopt, amend and rescind administrative guidelines, rules and regulations pertaining to this Plan and to interpret the Plan and rule on any questions respecting any of its provisions, terms and conditions.

5.3 Decisions Binding. All decisions of the Committee concerning this Plan shall be binding on the Company and its subsidiaries and their respective boards of directors, and on all Participants and other persons claiming rights under the Plan.

5.4 Recovery Policy. Amounts paid under the Plan shall be subject to recovery by the Company under its executive compensation recovery policy as in effect from time to time.

Section 6. Amendment and Termination

The Plan may be amended or terminated by the Committee at any time, provided that the amendment or termination of the Plan will not adversely affect the rights of a Participant under an award granted under the Plan.

Section 7. Miscellaneous

7.1 Duration of the Plan. The Plan shall remain in effect until all payments under outstanding Plan awards have been made.

7.2 Awards Not Assignable. No Award, or any right thereto, shall be assignable or transferable by a Participant except by will or by the laws of descent and distribution. Any attempted assignment or alienation shall be void and of no force or effect.

7.3 Participant Rights. The right of any Participant to receive any Award payments under the provisions of the Plan shall be an unsecured claim against the general assets of the Company. The Plan shall not create, nor be construed in any manner as having created, any right by a Participant to any Award for any period because of a Participant's participation in the Plan for any prior period.

7.4 Employment at Will. Neither this Plan nor any action or communication under this Plan: (1) gives any employee any right with respect to employment or continuation of current employment with the Company or its subsidiaries or to employment that is not terminable at will, or (2) sets any employee's employment with the Company or its subsidiaries for any minimum or fixed period. Employment by the Company or a Company subsidiary may be terminated by either the employee or the employer at any time, for any reason or no reason, with or without cause, and with or without notice or any kind of pre- or post-termination warning, discipline or procedure. This Section 7.4 applies to employment in the United States.

7.5 Successors. Any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the Company's business or assets, shall assume the Company's liabilities under this Plan and perform any duties and responsibilities in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

7.6 References. All statutory and regulatory references in this Plan include successor provisions.

7.7 Severability. If any provision of the Plan is held invalid or illegal for any reason, any illegality or invalidity shall not affect the remaining parts of the Plan, but the Plan shall be construed and enforced as if the illegal or invalid provision had never been inserted.

7.8 Applicable Law and Venue. The Plan shall be governed by the laws of the State of Washington. If the Company or any Participant (or beneficiary) initiates litigation related to this Plan, the venue for such action will be in King County, Washington.

MICROSOFT CORPORATION
DEFERRED COMPENSATION PLAN FOR
NON-EMPLOYEE DIRECTORS
(Amended and Restated Effective as of March 1, 2026)

1. Purpose

The purpose of the Microsoft Corporation Deferred Compensation Plan for Non-Employee Directors (the "Plan") is to further the long-term growth of Microsoft Corporation (the "Company") by allowing the non-employee directors of the Company the opportunity to defer certain compensation, keeping their financial interests aligned with the Company, and providing them with a long-term incentive to continue providing services to the Company.

This Plan is intended to comply with section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and official guidance issued thereunder. Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with this intention.

2. Effective Date

The Plan is effective January 16, 2006. This restatement of the Plan is effective as of March 1, 2026.

3. Definitions

In addition to the terms defined above, the following terms shall have the meanings indicated below.

Account - means a bookkeeping account established by the Company for each Participant electing to defer Eligible Compensation under the Plan, which may include sub-accounts for amounts payable at different times and/or payable in different forms.

Affiliate - means any corporation or other entity that is treated as a single employer with the Company under Code section 414.

Board - means the Board of Directors of Microsoft Corporation.

Cash Retainer - means the amount of annual retainer payable in cash for service on the Board, including any annual retainer payable for service as a chair or member of any Board committee.

Common Stock - means the Common Stock, $0.00000625 par value, of the Company.

Director - means a member of the Board who is not an officer or employee of the Company or any Affiliate.

Eligible Compensation - means both the Cash Retainer and Equity Retainer. For the avoidance of doubt, Eligible Compensation earned in a Plan Year refers to the Cash Retainer and Equity Retainer earned in the four quarterly cycles beginning in the applicable Plan Year measured from the date of the annual shareholders meeting in the immediately prior Plan Year.

Equity Retainer - means the amount of annual retainer payable in Common Stock for service on the Board, including any annual retainer payable for service as a chair or member of any Board committee.

New Director - means a Director who was not eligible to participate in the Plan (or any other plan sponsored by the Company or any Affiliate, which may be aggregated with the Plan under Code section 409A) prior to becoming a Director; provided, all Directors providing services to the Company as of the Effective Date shall be deemed to be New Directors for purposes of making an initial election pursuant to Section 5.1(b)(ii) with respect to Eligible Compensation earned in 2006.

Open Enrollment - means the period during each Plan Year when Directors may elect to make, terminate or change an initial election to defer amounts under the Plan. Open Enrollment shall normally be held during the month of December of each Plan Year.

Participant - means a Director who elects to defer Eligible Compensation under the Plan.

Plan Administrator - means the Compensation Committee of the Board, or its delegate or delegates appointed to administer the Plan.

Plan Year - means the 12-month period from January 1 to December 31.

Separation from Service or Separates from Service - means a "separation from service" with the Company and its Affiliates within the meaning of Code section 409A.

HR Officer - means the senior corporate officer in charge of the Human Resources department.

4. Participation

4.1 Any Director shall be eligible to participate in the Plan. A Director becomes a Participant in the Plan on the date he or she first enrolls in the Plan by electing to defer Eligible Compensation in accordance with Section 5.1(b).

4.2 A Director who has been a Participant under the Plan will cease to be a Participant on the date his or her Account is fully distributed.

5. Participant Accounts

5.1 Elections to Defer Eligible Compensation

(a) Initial Deferral Election. A Director may make an irrevocable election to defer the following types of Eligible Compensation in one (1) percent increments up to the specified maximum percentages:

(i) A Director may elect to defer up to 100% of his or her Cash Retainer.

(ii) A Director may elect to defer up to 100% of his or her Equity Retainer.

(b) Time and Manner of Making an Initial Election

(i) A Director may make an irrevocable election to defer one or more types of Eligible Compensation during the Open Enrollment period that occurs in the Plan Year preceding the Plan Year in which the Eligible Compensation is earned.

(ii) In addition to Open Enrollment elections under Section 5.1(b)(i), a New Director may make an irrevocable election to defer one or more types of Eligible Compensation, provided such election is made within thirty (30) days of becoming a New Director and such election shall only apply to amounts earned after the election is filed.

(iii) A deferral election shall be made in accordance with procedures established by the Plan Administrator.

(c) Evergreen Election. An initial deferral election shall be effective for succeeding Plan Years and shall become irrevocable on each December 31 with respect to Eligible Compensation earned in the immediately following Plan Year unless the Participant terminates or modifies such election. A Participant may terminate or modify an initial deferral election during the Open Enrollment period immediately prior to the applicable Plan Year. Any termination of, or modification to, an initial deferral election shall be made in accordance with procedures established by the Plan Administrator.

5.2 Crediting of Deferrals. Eligible Compensation deferred by a Participant under the Plan shall be credited to the Participant's Account as soon as practicable after the amounts would have otherwise been paid to the Participant. Amounts credited to a Participant's Account shall be deemed immediately invested in shares of Common Stock (calculated to one one-thousandth of a share). Any dividends which would have been received had such amount actually been invested in shares of Common Stock will also be credited to the Participant's Account and deemed immediately invested in additional shares of Common Stock (calculated to one one-thousandth of a share). Nothing in this Section or otherwise in the Plan, however, will require the Company to actually invest any amounts credited to a Participant's Account in shares of Common Stock or otherwise.

5.3 Vesting. A Participant shall at all times be one-hundred (100) percent vested in any amounts credited to his or her Account.

5.4 Adjustments upon Changes in Capitalization. If any change is made to the shares of Common Stock without the Company's receipt of consideration, appropriate adjustments shall be made to the number and/or class of securities credited to a Participant's Account under the Plan in the same manner and to the same extent that adjustments are made to the maximum number and/or class of securities issuable under the Company's 2026 Stock Plan.

6. Distribution of Account Balances

6.1 Distribution Form

(a) In the event a Participant elects to have the distribution of a deferred amount (and dividends thereon) commence thirty (30) days following the date of his or her Separation from Service pursuant to Section 6.2, the Participant may elect to have the deferred amount (and dividends thereon) distributed in a lump sum payment or in equal annual installments over a period of five (5) years. Such election must be made at the time of making the initial deferral election under Section 5.1.

(b) In the event a Participant fails to specify the form in which a deferred amount (and dividends thereon) will be distributed at the time of making an initial deferral election under Section 5.1, or if a Participant elects to receive a distribution other than pursuant to Section 6.2(a)(i), the Participant shall receive such deferred amount (and dividends thereon) in a lump sum payment.

(c) Distribution of a Participant's Account balance shall be made in Common Stock; provided, however, any fractional shares of Common Stock credited to the Account shall be paid in cash.

6.2 Distribution Time

(a) A Participant may elect to have the distribution of a deferred amount (and dividends thereon) commence thirty (30) days following: (i) the date of the Participant's Separation from Service; (ii) the first, second, third, fourth or fifth anniversary of the Participant's Separation from Service; or (iii) a specified date or, if earlier, the fifth anniversary of the Participant's Separation from Service (provided that the specified date must be at least twelve (12) months after the date on which the final payment of the deferred amount would have been made to the Participant absent deferral).

(b) A Participant must elect the date on which distributions will commence at the time of making the initial deferral election under Section 5.1. In the event a Participant fails to elect the date on which a distribution will commence at the time of making an initial deferral election under Section 5.1, or if a Participant specifies a date under Section 6.2(a)(iii) that is less than twelve (12) months after the date on which the final payment of the deferred amount would have been made to the Participant absent deferral, the Participant shall receive the distribution thirty (30) days following the date of the Participant's Separation from Service.

(c) Except as otherwise permitted under IRS guidance, if a distribution is to be made upon the Separation from Service of a Key Employee, distribution may not be made before the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee). Any payments that would otherwise be made during this period of delay shall be paid in the seventh month following Separation from Service (or, if earlier, the month after the Key Employee's death). For this purpose, "Key Employee" means an individual treated as a "specified employee" under Code section 409A(a)(2)(B)(i) as of his or her Separation from Service (i.e., a key employee (as defined under Code section 416(i) without regard to paragraph (5) thereof) of a corporation any stock of which is publicly traded on an established securities market or otherwise). Key Employees shall be determined in accordance with Code section 409A, using a December 31 identification date. A listing of Key Employees as of an identification date shall be effective for the 12-month period beginning on the April 1 following the identification date.

(d) Notwithstanding Section 6.1 or 6.2 or any election to the contrary, for purposes of Eligible Compensation earned during each separate quarterly period beginning after 2014, if a Participant Separates from Service during a separate quarterly period, the distribution of any deferred amount (and dividends thereon) attributable to such period will be paid in a cash lump sum within 30 days following the last day of the quarterly period, subject to Section 6.2(c) and in accordance with Treasury Regulation §1.409A-3(c).

6.3 Distributions upon Death

(a) In the event a Participant dies prior to the distribution of his or her entire Account balance, the remaining Account balance shall be distributed to the Participant's beneficiary in accordance with Sections 6.1 and 6.2 above.

(b) A Participant shall designate his or her beneficiary prior to death in accordance with procedures established by the Plan Administrator. If a Participant has not properly designated a beneficiary, or if no designated beneficiary is living on the date of any distribution, such amount shall be distributed to the Participant's estate.

(c) For purposes of determining the proper death beneficiary under this Plan, this Plan shall not be interpreted as preempting applicable state law regarding the ownership rights of Accounts upon a Participant's death. For example, although this Plan states that upon a Participant's death, Account balances will be paid to his or her beneficiary, the personal representative will be obligated to pay any benefits owed to a spouse or otherwise as a result of any applicable community property laws.

7. Administration

The Plan Administrator shall be responsible for the operation and administration of the Plan and for carrying out the provisions hereof. The Plan Administrator shall have the full authority and discretion to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and decide or resolve any and all questions, including interpretations of this Plan, as may arise in connection with this Plan. Any such action taken by the Plan Administrator shall be final and conclusive on any party. To the extent the Plan Administrator has been granted discretionary authority under the Plan, the Plan Administrator's prior exercise of such authority shall not obligate it to exercise its authority in a like fashion thereafter. The Plan Administrator shall be entitled to rely conclusively upon all tables, valuations, certificates, opinions and reports furnished by any actuary, accountant, controller, counsel or other person employed or engaged by the Company with respect to the Plan. The Plan Administrator may, from time to time, employ agents and delegate to such agents, including the HR Officer or other employees of the Company, such administrative duties as it sees fit, and the HR Officer is expressly delegated the authority to take all actions necessary to implement the Plan in accordance with the terms approved by the Board and the Plan Administrator.

8. Amendment and Termination

8.1 Amendment or Termination. The Company reserves the right to amend or terminate the Plan when, in the sole discretion of the Company, such amendment or termination is advisable, pursuant to a resolution or other action taken by the Board or the Plan Administrator, provided that the Board or Plan Administrator may delegate the authority to amend the Plan to the HR Officer from time to time.

8.2 Effect of Amendment or Termination. No amendment or termination of the Plan shall decrease the amounts credited to a Participant's Account as of such amendment or termination. Upon termination of the Plan, Participants' Account balances shall be distributed in accordance with Sections 6.1 through 6.3, unless the Company determines in its sole discretion that all such amounts shall be distributed upon termination in accordance with the requirements under Code section 409A.

8.3 Constructive Receipt Termination. If amounts deferred under the Plan must be included in income under Code section 409A prior to the scheduled distribution of such amounts, distribution of such amount shall be made to Participants.

9. General Provisions

9.1 Rights Unsecured. The right of a Participant or his or her beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of the Company, and neither the Participant nor his or her beneficiary shall have any rights in or against any amount credited to any Account or any other specific assets of the Company. The Plan at all times shall be considered entirely unfunded for tax purposes. Any funds set aside by the Company for the purpose of meeting its obligations under the Plan, including any amounts held by a trustee, shall continue for all purposes to be part of the general assets of the Company and shall be available to its general creditors in the event of the Company's bankruptcy or insolvency. The Company's obligation under this Plan shall be that of an unfunded and unsecured promise to pay money in the future.

9.2 Construction of Plan. Nothing in this Plan shall be construed to give any Director any right to receive Eligible Compensation or any other type of compensation. No Participant or beneficiary shall have any right to receive a distribution under the Plan except in accordance with the terms of the Plan. Establishment of the Plan shall not be construed to give any Participant the right to be retained as a member of the Board. Nothing contained in the Plan shall constitute a guarantee by the Company or any other person or entity that the assets of the Company will be sufficient to pay any benefits hereunder. In the event any provision of the Plan shall be held invalid or illegal for any reason, any illegality or invalidity shall not affect the remaining parts of the Plan, but the Plan shall be construed and enforced as if the illegal or invalid provision had never been inserted. Words in the masculine gender shall include the feminine and the singular shall include the plural, and vice versa, unless qualified by the context. Any headings used herein are included for ease of reference only, and are not to be construed so as to alter the terms hereof.

9.3 Nonalienation of Benefits. This Plan inures to the benefit of and is binding upon the parties hereto and their successors, heirs and assigns; provided, however, that the amounts credited to a Participant's Account are not, except as provided in Section 9.4, subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any right to any benefits payable hereunder, will be null and void and not binding on the Plan or the Company.

9.4 Taxes. The Company or other payor may withhold from a benefit payment under the Plan or a Participant's Eligible Compensation any federal, state, or local taxes required by law to be withheld with respect to a payment or accrual under the Plan, and shall report such payments and other Plan-related information to the appropriate governmental agencies as required under applicable law.

9.5 Delivery of Shares. The obligation of the Company to issue shares of Common Stock under this Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Plan Administrator.

9.6 Participant's Cooperation. The Participant shall cooperate with the Company by furnishing any and all information requested by the Plan Administrator in order to facilitate the payment of benefits hereunder. If the Participant refuses to cooperate, the Company shall have no further obligation to the Participant under the Plan.

9.7 Incapacity of Recipient. If any person entitled to a distribution under the Plan is deemed by the Plan Administrator to be incapable of personally receiving and giving a valid receipt for such payment, then, unless and until a claim for such payment shall have been made by a duly appointed guardian or other legal representative of such person, the Plan Administrator may provide for such payment or any part thereof to be made to any other person or institution then contributing toward or providing for the care and maintenance of such person. Any such payment shall be a payment for the account of such person and a complete discharge of any liability of the Company and the Plan with respect to the payment.

9.8 Legally Binding. In the event of any consolidation, merger, acquisition or reorganization, the obligations of the Company under this Plan shall continue and be binding on the Company and its successors or assigns. The rights, privileges, benefits and obligations under the Plan are intended to be legal obligations of the Company and binding upon the Company, its successors and assigns.

9.9 Unclaimed Benefits. Each Participant shall keep the Plan Administrator informed of his or her current address and the current address of his or her designated beneficiary. The Plan Administrator shall not be obligated to search for the whereabouts of any person if the location of a person is not made known to the Plan Administrator.

9.10 Applicable Law and Venue. The Plan shall be governed by the laws of the State of Washington. In the event the Company or any Participant (or beneficiary) initiates litigation related to this Plan, the venue for such action will be in King County, Washington.

9.11 Waiver of Breach. The waiver by the Company of any breach of any provision of the Plan by a Participant shall not operate or be construed as a waiver of any subsequent breach by the Participant.

9.12 Notice. Any notice or filing required or permitted to be given to the Plan Administrator under the Plan shall be sufficient if in writing and hand-delivered, or sent by first class mail to the principal office of the Company, directed to the attention of the Plan Administrator. Such notice shall be deemed given as of the date of delivery, or, if delivery is made by mail, as of the date shown on the postmark.

9.13 Attorneys' Fees and Costs. In the event that a dispute regarding benefits arises between the Company or Plan Administrator and a Participant (or beneficiary) and such dispute is resolved through arbitration or litigation in court, the prevailing party(ies) shall be entitled to their reasonable attorneys' fees and costs incurred in such action.

Exhibit 15.1

April 29, 2026

The Board of Directors and Stockholders of Microsoft Corporation
One Microsoft Way
Redmond, WA 98052-6399

We are aware that our report dated April 29, 2026, on our review of the interim financial information of Microsoft Corporation and subsidiaries ("Microsoft") appearing in Microsoft's Quarterly Report on Form 10-Q for the quarter ended March 31, 2026, is incorporated by reference in Registration Statement Nos. 333-109185, 333-118764, 333-52852, 333-132100, 333-161516, 333-75243, 333-185757, 333-221833, 333-292490, and 333-292496 on Form S-8 and Registration Statement No. 333-283760 on Form S-3.

/s/ DELOITTE & TOUCHE LLP

Seattle, Washington

CERTIFICATION

I, Satya Nadella, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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

April 29, 2026

CERTIFICATION

I, Amy E. Hood, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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

April 29, 2026

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 Quarterly Report of Microsoft Corporation, a Washington corporation (the "Company"), on Form 10-Q for the quarter ended March 31, 2026, 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

April 29, 2026

[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 Quarterly Report of Microsoft Corporation, a Washington corporation (the "Company"), on Form 10-Q for the quarter ended March 31, 2026, 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

April 29, 2026

[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.]