

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE
SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant [X]
Filed by a Party other than the Registrant []

Check the appropriate box:

- [] Preliminary Proxy Statement
 [X] Definitive Proxy Statement
 [] Definitive Additional Materials
 [] Soliciting Material Pursuant to (S) 240.14a-11(c) or (S) 240.14a-12

MICROSOFT CORPORATION
(NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MICROSOFT CORPORATION
(NAME OF PERSON(S) FILING PROXY STATEMENT)

Payment of Filing Fee (Check the appropriate box):

- [X] No fee required.
 [] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction
applies: _____

(2) Aggregate number of securities to which transaction applies: _____

(3) Per unit price or other underlying value of transaction computed
pursuant to Exchange Act Rule 0-11 (set forth the amount on which the
filing fee is calculated and state how it was determined): _____

(4) Proposed maximum aggregate value of transaction: _____

(5) Total fee paid: _____

- [] Fee paid previously with preliminary materials.
 [] Check box if any part of the fee is offset as provided by Exchange Act Rule
0-11(a)(2) and identify the filing for which the offsetting fee was paid
previously. Identify the previous filing by registration statement number,
or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
(2) Form, Schedule or Registration Statement No.:
(3) Filing Party:
(4) Filing Date:

- - - - -
/1/ Set forth the amount on which the filing fee is calculated and state how
it was determined.

[LOGO OF MICROSOFT APPEARS HERE]

September 26, 1997

Dear Shareholder:

You are cordially invited to attend the annual meeting of shareholders of Microsoft Corporation, which will be held at the Washington State Convention and Trade Center, 800 Convention Place, Seattle, Washington, on November 14, 1997, at 8:00 a.m. I look forward to greeting as many of our shareholders as possible.

Details of the business to be conducted at the annual meeting are given in the attached Notice of Annual Meeting and Proxy Statement.

You will notice in reading the Proxy Statement that Robert D. O'Brien, a director of the Company since 1986, is retiring from the Board of Directors and hence, not standing for re-election. We want to express our deep appreciation to Bob for his valuable contributions to our Company during his decade of service.

Whether or not you attend the annual meeting it is important that your shares be represented and voted at the meeting. Therefore, I urge you to sign, date, and promptly return the enclosed proxy in the enclosed postage-paid envelope. If you decide to attend the annual meeting and vote in person, you will of course have that opportunity.

On behalf of the Board of Directors, I would like to express our appreciation for your continued interest in the affairs of the Company.

Sincerely,

/s/ Robert J. Herbold

Robert J. Herbold
Executive Vice President and
Chief Operating Officer

MICROSOFT CORPORATION
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
November 14, 1997

To the Shareholders:

The annual meeting of the shareholders of Microsoft Corporation will be held at Washington State Convention and Trade Center, 800 Convention Place, Seattle, Washington, on November 14, 1997, at 8:00 a.m. for the following purposes:

1. To elect directors.
2. To transact such other business as may properly come before the meeting.

Only shareholders of record at the close of business on September 12, 1997 are entitled to notice of, and to vote at, this meeting.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ William H. Neukom,

William H. Neukom, Secretary

Redmond, Washington
September 26, 1997

IMPORTANT

Whether or not you expect to attend in person, we urge you to sign, date, and return the enclosed Proxy at your earliest convenience. This will ensure the presence of a quorum at the meeting. PROMPTLY SIGNING, DATING, AND RETURNING THE PROXY WILL SAVE THE COMPANY THE EXPENSES AND EXTRA WORK OF ADDITIONAL SOLICITATION. An addressed envelope for which no postage is required if mailed in the United States is enclosed for that purpose. Sending in your Proxy will not prevent you from voting your stock at the meeting if you desire to do so, as your Proxy is revocable at your option.

MICROSOFT CORPORATION
ONE MICROSOFT WAY
REDMOND, WASHINGTON 98052

PROXY STATEMENT FOR ANNUAL MEETING
OF SHAREHOLDERS
TO BE HELD NOVEMBER 14, 1997

This Proxy Statement, which was first mailed to shareholders on September 26, 1997, is furnished in connection with the solicitation of proxies by the Board of Directors of Microsoft Corporation (the "Company"), to be voted at the annual meeting of the shareholders of the Company, which will be held at 8:00 a.m. on November 14, 1997, at the Washington State Convention and Trade Center, 800 Convention Place, Seattle, Washington, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. Shareholders who execute proxies retain the right to revoke them at any time prior to the exercise of the powers conferred thereby, by delivering a signed statement to the Secretary of the Company at or prior to the annual meeting or by executing another proxy dated as of a later date. The cost of solicitation of proxies is to be borne by the Company.

Shareholders of record at the close of business on September 12, 1997 will be entitled to vote at the meeting on the basis of one vote for each share held. On September 12, 1997, there were 1,212,567,717 shares of common stock outstanding, held of record by 54,371 shareholders.

1. ELECTION OF DIRECTORS AND MANAGEMENT INFORMATION

The Company's Board of Directors currently consists of eight members. Robert D. O'Brien, a director of the Company since 1986, is retiring from the Board effective as of the date of the annual meeting. In connection with the retirement of Mr. O'Brien, the Board of Directors will, at its meeting on November 14, 1997, decrease the size of the Board to seven members, as authorized under the Company's Bylaws.

Seven directors are to be elected at the annual meeting, to hold office until the next annual meeting of shareholders and until their successors are elected and qualified. It is intended that the accompanying proxy will be voted in favor of the following persons to serve as directors unless the shareholder indicates to the contrary on the proxy. Management expects that each of the nominees will be available for election, but if any of them is not a candidate at the time the election occurs, it is intended that such proxy will be voted for the election of another nominee to be designated by the Board of Directors to fill any such vacancy.

NOMINEES

William H. Gates, 41, was a founder of the Company and has been its Chief Executive Officer and Chairman of the Board since the Company's predecessor partnership was incorporated in 1981. From 1975 to 1981, Mr. Gates was a partner with Paul Allen, Microsoft's other founder, in the predecessor partnership. Mr. Gates is also a director of ICOS Corporation.

Paul G. Allen, 44, has been a director of the Company since 1990, and also served on the Board from 1981 to 1984. Mr. Allen was a founder of the Company and worked at Microsoft from 1975 to 1984. Mr. Allen owns and invests in a suite of companies exploring the potential of multimedia digital communications. His wholly-owned companies include Asymetrix Corporation, Interval Research Corp., and Vulcan Ventures Inc. He is also the owner of the Portland Trail Blazers basketball team and the Seattle Seahawks football team, a partner in the entertainment studio DreamWorks SKG, and holds investments in more than 35 technology companies. Mr. Allen is also a director of both HSN, Inc. and Ticketmaster Corp.

Jill E. Barad, 46, has been a director of the Company since 1996. Ms. Barad has been the president and chief executive officer of Mattel, Inc. since January 1997. Starting as a product manager at Mattel in 1981, she was named executive vice president of marketing and worldwide product development in 1986 and, in 1989, president of the girls and activity toys division. In 1990 she was named president of Mattel USA and, in 1992, president and chief operating officer of Mattel, Inc. Ms. Barad is also a director of Mattel, Inc., Pixar Animation Studios, and BankAmerica Corporation.

Richard A. Hackborn, 60, has been a director of the Company since 1994. Mr. Hackborn retired in 1993 from Hewlett-Packard Company, which designs, manufactures, and services electronic products and systems for measurement, computation, and communications, and currently serves on that company's Board of Directors. From 1990 to 1993, he was Hewlett-Packard's Executive Vice President, Computer Products Organization, and from 1984 through 1990, he was its Vice President and General Manager, Peripherals Group.

David F. Marquardt, 48, has served as a director of the Company since 1981. Mr. Marquardt is a founding general partner of August Capital, formed in 1995, and has been a general partner of various Technology Venture Investors entities, which are private venture capital limited partnerships, since August 1980. He is a director of Auspex Systems, Inc., Farallon Communications, Inc., Visioneer, Inc., and various privately held companies.

William G. Reed, Jr., 58, has been a director of the Company since 1987. From 1971 to 1986, Mr. Reed was Chairman of the Board of Simpson Timber Company, a forest products company. Since 1986, Mr. Reed has served as Chairman of the Board of Simpson Investment Company, a forest products holding company which is the parent of Simpson Timber Company. He is also a director of Safeco Corporation, Washington Mutual, Inc., and the Seattle Times Company.

Jon A. Shirley, 59, served as President and Chief Operating Officer of Microsoft from 1983 to 1990. He has been a director of the Company since 1983. Mr. Shirley also serves as Chairman of the Board of Directors of Mentor Graphics Corporation.

INFORMATION REGARDING THE BOARD AND ITS COMMITTEES

The Company's Board of Directors has an Audit Committee, a Compensation Committee, and a Finance Committee. There is no standing nominating committee. Messrs. O'Brien, Reed and Shirley serve on the Audit Committee, which meets with financial management, the internal auditors, and the independent auditors to review internal accounting controls and accounting, auditing, and financial reporting matters. Messrs. Hackborn, Marquardt and Reed and Ms. Barad serve on the Compensation Committee, which reviews the compensation of the Chief Executive Officer and other officers of the Company, reviews executive bonus plan allocations, and grants stock options to officers and employees of the Company under its stock option plan. Messrs. Hackborn, Marquardt, O'Brien and Shirley serve on the Finance Committee, which reviews and provides guidance to the Board of Directors and management with respect to major financial policies of the Company.

The Audit Committee and Compensation Committee each met four times during fiscal 1997. The Finance Committee met three times. The entire Board of Directors met six times during the last fiscal year. All directors attended 75% or more of the aggregate number of Board meetings and committee meetings, except Ms. Barad, who attended five out of seven of the aggregate number of Board meetings and meetings of the committee of which she is a member.

Messrs. Gates and Allen receive no cash compensation for serving on the Board except for reimbursement of reasonable expenses incurred in attending meetings. Pursuant to agreements with the Company, the other six directors are each paid \$8,000 per year plus \$1,000 for each Board meeting and \$500 for each committee meeting they attend. During fiscal 1997, Messrs. Allen, Marquardt, O'Brien, Reed, and Shirley each received an annual option to purchase 5,000 shares of the Company's common stock. The exercise price of each option was the market price of Microsoft common stock on the date of grant.

INFORMATION REGARDING BENEFICIAL OWNERSHIP OF PRINCIPAL SHAREHOLDERS,
DIRECTORS, AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of the Company's common shares by the nominees for directors, the Company's Chief Executive Officer and the four other highest paid executive officers ("Named Executive Officers"), and the directors and executive officers as a group.

NAMES -----	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP PERCENT OF COMMON SHARES AS OF OF 9/12/97(1) CLASS -----	
	William H. Gates.....	270,797,000(2)(3)
Paul G. Allen.....	92,298,325(4)	7.6
Jill E. Barad.....	12,000(5)	*
Richard A. Hackborn.....	30,000(6)	*
David F. Marquardt.....	598,514(7)	*
Robert D. O'Brien.....	259,284(8)	*
William G. Reed, Jr.....	458,954(7)	*
Jon A. Shirley.....	3,121,914(9)	*
Steven A. Ballmer.....	59,906,647	4.9
Robert J. Herbold.....	126,301(10)	*
Paul A. Maritz.....	917,931(11)	*
Bernard R. Vergnes.....	857,500	*
Executive Officers and Directors as a group (21) persons).....	436,013,437(12)	35.8

* Less than 1%

- (1) Beneficial ownership represents sole voting and investment power. To the Company's knowledge, the only shareholders who beneficially owned more than 5% of the outstanding common shares as of September 12, 1997, were Messrs. Gates and Allen.
- (2) The business address for Mr. Gates is: Microsoft Corporation, One Microsoft Way, Redmond, Washington 98052.
- (3) Does not include 54,424 shares owned by Mr. Gates' wife, as to which he disclaims beneficial ownership.
- (4) Includes 310,000 shares that may be purchased within 60 days of September 12, 1997, pursuant to outstanding stock options ("Vested Options"). Mr. Allen's business address is: Vulcan Northwest, Inc., 110 -110th Avenue N.E., Suite 530, Bellevue, Washington 98004.
- (5) Includes 10,000 Vested Options.
- (6) Includes 30,000 Vested Options.
- (7) Includes 220,000 Vested Options.
- (8) Includes 112,528 shares held by RDOB Limited Partnership, a family limited partnership, of which Mr. O'Brien is one of three general partners, and 105,000 Vested Options.
- (9) Includes 165,270 shares held by the Shirley Family Limited Partnership, a limited partnership of which Mr. Shirley is the president of the sole general partner, 30,000 shares held by the Shirley Investment Company, a corporation owned equally by Mr. Shirley and his wife, 21,360 shares held by Mr. Shirley as trustee under trusts for two grandsons, and 220,000 Vested Options.
- (10) Includes 125,000 Vested Options.
- (11) Includes 909,000 Vested Options.
- (12) Includes 6,789,228 Vested Options.

INFORMATION REGARDING EXECUTIVE OFFICER COMPENSATION

CASH COMPENSATION

The following table discloses compensation received for the three fiscal years ended June 30, 1997, by the Company's Chief Executive Officer and the four other Named Executive Officers.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		LONG-TERM COMPENSATION AWARDS	ALL OTHER COMPENSATION(2)
		SALARY	BONUS(1)	SECURITIES UNDERLYING OPTIONS(#)	
William H. Gates.....	1997	\$349,992	\$241,360	0	0
Chairman of the Board;	1996	340,618	221,970	0	0
Chief Executive Officer; Director	1995	275,000	140,580	0	0
Steven A. Ballmer.....	1997	316,242	265,472	0	\$5,125
Executive Vice President, Sales and Support	1996	271,869	212,905	0	4,875
	1995	249,174	162,800	0	4,770
Robert J. Herbold.....	1997	536,127	673,096	0	50,094
Executive Vice President;	1996	471,672	608,245	0	12,633
Chief Operating Officer	1995	286,442	453,691	650,000	99,241
Paul A. Maritz.....	1997	282,084	243,105		5,025
Group Vice President, Platforms and Applications	1996	244,382	222,300	48,000	5,175
	1995	203,750	138,794	300,000	4,722
Bernard P. Vergnes.....	1997	384,088	329,842	0	0
Senior Vice President, Microsoft;	1996	398,001	226,191	0	0
President, Microsoft Europe (3)	1995	356,660	169,785	300,000	0

(1) The amounts disclosed in the Bonus column were all awarded under the Company's Executive Bonus Plan, except the amounts disclosed for Mr. Herbold include payments of \$250,000 each year pursuant to a signing bonus. See the description of Mr. Herbold's employment agreement below.

(2) The amounts disclosed in this column only include Company contributions under the Company's 401(k) plan, except that for Mr. Herbold, in 1995 it also includes \$93,358 related to the Company's purchase and subsequent sale of his former home in Ohio, and \$4,758 in 1995 and 1996 and \$45,344 for life insurance premiums in 1997.

(3) As of July 1, 1997, Mr. Vergnes' title became Chairman, Microsoft Europe.

COMPENSATION PURSUANT TO STOCK OPTIONS

No stock options were granted to any of the Named Executive Officers during fiscal 1997.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION VALUES

The following table provides information on option exercises in fiscal 1997 by the Named Executive Officers and the value of such officers' unexercised options at June 30, 1997.

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FISCAL YEAR-END(#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END(\$)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
William H. Gates.....	0	0	0	0	0	0
Steven A. Ballmer.....	0	0	0	0	0	0
Robert J. Herbold.....	0	0	100,000	550,000	\$ 9,525,000	\$52,387,500
Paul A. Maritz.....	150,000	\$14,804,792	890,500	361,000	105,274,871	36,261,175
Bernard P. Vergnes.....	97,500	5,829,531	22,500	320,000	2,445,938	32,907,500

ROBERT J. HERBOLD EMPLOYMENT AGREEMENT

Mr. Herbold joined Microsoft in November 1994. Microsoft offered him an attractive compensation package in order to convince him to leave Procter & Gamble after over 25 years at that company. He received \$250,000 upon hiring, and is entitled to receive \$250,000 per year for three years, payable at each of the first three anniversaries of his hire date. He received stock options for 650,000 shares when he joined the Company. He will not be eligible for additional stock options until 1999. He receives enhanced health and disability benefits during and after his employment. Microsoft agreed to purchase a \$650,000 whole life policy and a \$1.35 million term life policy to replace policies he had at P&G.

In the event Mr. Herbold's employment is terminated prior to the fourth anniversary of his hire date, for any reason other than "Misconduct" or voluntary resignation, Microsoft will provide him the following severance benefits: (i) an immediate lump sum payment equal to the greater of (a) all compensation that would have been paid to him if he had continued in Microsoft's employ for four years following his hire date, or (b) the sum of his annual base salary at the time of termination plus the Executive and Merit Bonuses awarded to him for the most recently completed fiscal year, multiplied by two; and (ii) immediate vesting of all unvested options under his 200,000-share option (4-year vesting schedule) and immediate vesting of that portion of his 450,000-share option (7-year vesting schedule) which would have vested during the four years following his hire date. If Mr. Herbold's employment is terminated after the fourth anniversary of his hire date, for any reason other than Misconduct or voluntary resignation, the parties will negotiate in good faith a reasonable severance package with a minimum of 18 months' base salary. For severance purposes, Misconduct is limited to the commission of a felony or any other intentional misconduct that has a material adverse effect upon the business or reputation of Microsoft.

REPORT OF THE MICROSOFT CORPORATION BOARD
OF DIRECTORS COMPENSATION COMMITTEE

Microsoft's employee compensation policy is to offer a package including a competitive salary, an incentive bonus based upon individual performance goals, competitive benefits, and an efficient workplace environment. The Company also encourages broad-based employee ownership of Microsoft stock through a stock option program in which all employees are eligible to participate.

The Company's compensation policy for officers is similar to that for other employees, and is designed to promote continued performance and attainment of corporate and personal goals.

The Compensation Committee of the Board of Directors (comprised entirely of non-employee directors) reviews and approves individual officer salaries, bonus financial performance goals, bonus plan allocations, and stock option grants. The Committee also reviews guidelines for compensation, bonus, and stock option grants for non-officer employees.

Officers of the Company are paid salaries in line with their responsibilities. These salaries are structured to be within the median range of salaries paid by competitors in the computer and other relevant industries. Competitors selected for salary comparison purposes differ from the companies included in the Nasdaq Computer and Data Processing Stocks which is used in the Performance Graph that follows this report. Officers also participate in the Executive Bonus Plan. Each officer is eligible to receive a discretionary bonus of up to 15% of base salary based upon individually established performance goals. Officers are also eligible for financial performance bonuses of up to 90% of base salary, with amounts based on a graduated formula which takes into account predetermined corporate revenue and profit goals and, in the case of officers with profit and loss responsibility, group revenue and profit goals. The maximum total bonus under the Executive Bonus Plan is 105% of base salary. The Compensation Committee establishes aggressive revenue and profit goals as an incentive for superior individual, group, and corporate performance. Likewise, stock option grants to officers (and other employees) promote success by aligning employee financial interests with long-term shareholder value. Stock option grants are based on various subjective factors primarily relating to the responsibilities of the individual officers, and also to their expected future contributions and prior option grants.

As noted above, the Company's compensation policy is primarily based upon the practice of pay-for-performance. Section 162(m) of the Internal Revenue Code imposes a limitation on the deductibility of nonperformance-based compensation in excess of \$1 million paid to Named Executive Officers. The Committee currently believes that the Company should be able to continue to manage its executive compensation program for Named Executive Officers so as to preserve the related federal income tax deductions.

The Compensation Committee annually reviews and approves the compensation of William H. Gates, the Chief Executive Officer. Mr. Gates also participates in the Executive Bonus Plan, with his bonus tied to corporate revenue and profit goals, but does not participate in the individual performance portion of the Executive Bonus Plan. His maximum possible bonus is 90% of his base salary. The Committee believes Mr. Gates is paid a reasonable salary, and his bonus is based on the same corporate financial goals as the other officers of the Company. In addition, Mr. Gates is a significant shareholder in the Company, and to the extent his performance as CEO translates into an increase in the value of the Company's stock, all shareholders, including him, share the benefits.

COMPENSATION COMMITTEE

Jill E. Barad

Richard A. Hackborn

David F. Marquardt

William G. Reed, Jr.

PERFORMANCE GRAPH

Comparison of Five Year Cumulative Total Return Among Microsoft corporation, S&P 500 Index, and Nasdaq Computer & Data Processing Service (C&DPS) Index

	Fiscal Year Ended June 30					
	1992	1993	1994	1995	1996	1997
	----	----	----	----	----	----
(Dollars)						
Microsoft Corporation	100	127	148	258	343	722
Nasdaq C&DPS Index	100	126	128	208	277	349
S&P 500 Index	100	114	115	145	183	247

Note: Microsoft management consistently cautions that the stock price performance shown in the graph above should not be considered indicative of potential future stock price performance.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Jon A. Shirley filed a late Form 4 reporting a single transaction. Mr. Shirley's April Form 4 report was filed on time, but later amended to include information reporting a single transaction.

PROPOSALS OF SHAREHOLDERS

Proposals of shareholders intended to be presented at the 1998 Annual Meeting of Shareholders must be received by the Company no later than June 5, 1998 to be included in the Company's Proxy Statement and form of proxy related to that meeting.

SOLICITATION OF PROXIES

The proxy accompanying this Proxy Statement is solicited by the Board of Directors of the Company. Proxies may be solicited by officers, directors, and regular supervisory and executive employees of the Company, none of whom will receive any additional compensation for their services. Also, W.F. Doring & Co. may solicit proxies at an approximate cost of \$12,500 plus reasonable expenses. Such solicitations may be made personally, or by mail, facsimile, telephone, telegraph, or messenger. The Company will pay persons holding shares of common stock in their names or in the names of nominees, but not owning such shares beneficially, such as brokerage houses, banks, and other fiduciaries, for the expense of forwarding solicitation materials to their principals. All of the costs of solicitation of proxies will be paid by the Company.

VOTING TABULATION

Vote Required: Under the Washington Business Corporation Act, the election of the Company's Directors requires a plurality of the votes represented in person or by proxy at the meeting. Votes cast by proxy or in person at the meeting will be tabulated by ChaseMellon Shareholder Services.

Effect of an Abstention and Broker Non-Votes: A shareholder who abstains from voting on any or all proposals will be included in the number of shareholders present at the meeting for the purpose of determining the presence of a quorum. Abstentions will not be counted either in favor of or against the election of the nominees or other proposals. Under the rules of the National Association of Securities Dealers, brokers holding stock for the accounts of their clients who have not been given specific voting instructions as to a matter by their clients may vote their clients' proxies in their own discretion.

AUDITORS

Representatives of Deloitte & Touche LLP, independent public auditors for the Company for fiscal 1997 and the current fiscal year, will be present at the Annual Meeting, will have an opportunity to make a statement, and will be available to respond to appropriate questions.

OTHER MATTERS

The Board of Directors does not intend to bring any other business before the meeting, and so far as is known to the Board, no matters are to be brought before the meeting except as specified in the notice of the meeting. However, as to any other business that may properly come before the meeting, it is intended that proxies, in the form enclosed, will be voted in respect thereof in accordance with the judgment of the persons voting such proxies.

DATED: Redmond, Washington, September 26, 1997.

A COPY OF THE COMPANY'S FORM 10-K REPORT FOR FISCAL YEAR 1997, CONTAINING INFORMATION ON OPERATIONS, FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, IS AVAILABLE UPON REQUEST. PLEASE WRITE TO:

INVESTOR RELATIONS DEPARTMENT
MICROSOFT CORPORATION
ONE MICROSOFT WAY
REDMOND, WASHINGTON 98052

MICROSOFT CORPORATION

PROXY

FOR ANNUAL MEETING OF THE SHAREHOLDERS OF MICROSOFT CORPORATION
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints WILLIAM H. GATES and ROBERT J. HERBOLD, and each of them, with full power of substitution, as proxies to vote the shares which the undersigned is entitled to vote at the Annual Meeting of the Company to be held at the Washington State Convention and Trade Center, 800 Convention Place, Seattle, Washington on November 14, 1997 at 8:00 a.m. and at any adjournments thereof.

(CONTINUED AND TO BE SIGNED ON THE REVERSE SIDE)

This proxy when properly signed will be voted in the manner directed herein by the undersigned shareholder. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSAL 1.

Please mark your votes [x] as indicated

- | | FOR Election of directors | NOT FOR Election of directors |
|--|---------------------------|-------------------------------|
| 1. Election of directors: William H. Gates, Paul G. Allen, Jill E. Barad, Richard A. Hackborn, David F. Marquardt, William G. Reed, Jr., and Jon A. Shirley. | [] | [] |

Except vote withheld from following nominee(s) listed in space above.

2. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.

IMPORTANT - PLEASE SIGN AND RETURN PROMPTLY. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee, or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by an authorized person.

Signature_____

Signature if held jointly_____

Dated:_____, 1997