

**FORM 5**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

| OMB APPROVAL                                 |           |
|--|-----------|
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**ANNUAL STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP**

- Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).
- Form 3 Holdings Reported.
- Form 4 Transactions Reported.

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

|   |   |   |
|---|---|---|
| 1. Name and Address of Reporting Person*<br><u>ALLCHIN JAMES E</u><br><br>(Last) (First) (Middle)<br><u>ONE MICROSOFT WAY</u><br><br>(Street)<br><u>REDMOND WA 98052-6399</u><br><br>(City) (State) (Zip) | 2. Issuer Name and Ticker or Trading Symbol<br><u>MICROSOFT CORP [ MSFT ]</u>     | 5. Relationship of Reporting Person(s) to Issuer (Check all applicable)<br>Director 10% Owner<br>Officer (give title below) Other (specify below)<br>X Group Vice President |
|   | 3. Statement for Issuer's Fiscal Year Ended (Month/Day/Year)<br><u>06/30/2003</u> |   |
|   | 4. If Amendment, Date of Original Filed (Month/Day/Year)                          |   |

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5) |            |       | 5. Amount of Securities Beneficially Owned at end of Issuer's Fiscal Year (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|------------|-------|--|--|---|
|                                 |                                      |  |                                | Amount  | (A) or (D) | Price |  |  |   |
| Common Stock                    | 07/31/2002                           |  | A                              | 16,000 <sup>(1)</sup>   | A          | \$0   | 19,480 <sup>(2)</sup>  | D  |   |

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) |     | 6. Date Exercisable and Expiration Date (Month/Day/Year) |                 | 7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4) |                            | 8. Price of Derivative Security (Instr. 5) | 9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4) | 10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 11. Nature of Indirect Beneficial Ownership (Instr. 4) |
|--|--|--------------------------------------|--|--------------------------------|--|-----|--|-----------------|---|----------------------------|--|--|---|--|
|  |  |                                      |  |                                | (A)  | (D) | Date Exercisable   | Expiration Date | Title   | Amount or Number of Shares |  |  |   |  |
| Employee Stock Option (Right to Buy)       | \$23.99 <sup>(3)</sup>                                 | 07/31/2002                           |  | A                              | 1,300,000 <sup>(3)</sup>   |     | 01/31/2004 <sup>(4)</sup>                                | 07/31/2012      | Common Stock  | 1,300,000 <sup>(3)</sup>   | \$0  | 1,300,000 <sup>(3)</sup>   | D   |  |

**Explanation of Responses:**

- Represents vesting stock award which shall vest over 5 years at the rate of 20% on the first anniversary of the date of grant and then at the rate of 20% on each of the following four anniversaries thereafter, subject to continued employment. Adjusted to reflect a 2-for-1 stock split effective February 14, 2003.
- Includes 930 shares acquired on June 30, 2003 under the Microsoft employee stock purchase plan. This total represents shares owned as of June 30, 2003.
- Adjusted to reflect a 2-for-1 stock split effective February 14, 2003.
- The option vests over 5 years at the rate of 12.5% on January 31, 2004 and then at the rate of 12.5% each six months thereafter.

**Remarks:**

John A. Seethoff, Attorney-in-Fact for James E. Allchin      08/08/2003  
 \*\* Signature of Reporting Person      Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

\* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

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