

**FORM 5**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**ANNUAL STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP**

OMB APPROVAL	
OMB Number:	3235-0362
Estimated average burden hours per response:	1.0

- 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* <b>MUNDIE CRAIG J</b>			2. Issuer Name and Ticker or Trading Symbol <b>MICROSOFT CORP [ MSFT ]</b>			5. Relationship of Reporting Person(s) to Issuer (Check all applicable) <input checked="" type="checkbox"/> Director 10% Owner <input checked="" type="checkbox"/> Officer (give title below) Other (specify below) <b>Senior Vice President</b>		
(Last)	(First)	(Middle)	3. Statement for Issuer's Fiscal Year Ended (Month/Day/Year) <b>06/30/2005</b>			6. Individual or Joint/Group Filing (Check Applicable Line) <input checked="" type="checkbox"/> Form filed by One Reporting Person <input type="checkbox"/> Form filed by More than One Reporting Person		
<b>ONE MICROSOFT WAY</b>			4. If Amendment, Date of Original Filed (Month/Day/Year)					
(Street) <b>REDMOND WA 98052-6399</b>								
(City) (State) (Zip)								

**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							14,605 <sup>(1)</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					
Performance Rights	\$0 <sup>(2)</sup>						08/31/2006 <sup>(3)</sup>	08/31/2008	Common Stock	102,667	102,667 <sup>(4)(5)</sup>	D	
Employee Stock Option (right to buy) #0149436	\$38.6157 <sup>(6)</sup>						11/15/2004	07/30/2006	Common Stock	42,778	42,778 <sup>(6)</sup>	D	
Employee Stock Option (right to buy) #0163078	\$37.7157 <sup>(7)</sup>						11/15/2004	08/09/2006	Common Stock	9,778	9,778 <sup>(7)</sup>	D	
Employee Stock Option (right to buy) #0167463	\$40.4157 <sup>(8)</sup>						11/22/2005 <sup>(9)</sup>	11/22/2009	Common Stock	52,556	52,556 <sup>(8)</sup>	D	
Employee Stock Option (right to buy) #0171057	\$40.7813 <sup>(10)</sup>						03/06/2005	03/06/2010	Common Stock	2,222,222	2,222,222 <sup>(10)</sup>	D	
Employee Stock Option (right to buy) #0176665	\$29.9813 <sup>(11)</sup>						11/15/2004	04/24/2007	Common Stock	52,556	52,556 <sup>(11)</sup>	D	
Employee Stock Option (right to buy) #0202680	\$29.9813 <sup>(11)</sup>						10/24/2005 <sup>(12)</sup>	04/24/2010	Common Stock	52,556	52,556 <sup>(11)</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) #0203528	\$29.9813 <sup>(13)</sup>						04/24/2005	04/24/2010	Common Stock	1,111,111		1,111,111 <sup>(13)</sup>	D	
Employee Stock Option (right to buy) #0285325	\$25.1438 <sup>(14)</sup>						08/20/2005 <sup>(15)</sup>	02/20/2011	Common Stock	1,111,111		1,111,111 <sup>(14)</sup>	D	
Employee Stock Option (right to buy) #0365250	\$21.591 <sup>(16)</sup>						07/31/2005 <sup>(17)</sup>	07/31/2012	Common Stock	777,778		777,778 <sup>(16)</sup>	D	

**Explanation of Responses:**

- Includes 801 shares acquired on March 31, 2005 and 147 shares acquired on June 30, 2005 under the Microsoft employee stock purchase plan. Also includes an increase of 667 shares to the existing July 31, 2002 stock award in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
- 1-for-1
- One-third of the number of shares of common stock ultimately awarded under the shared performance stock award ("SPSA") will be distributed to the reporting person on or about August 31, 2006 (the "initial vest date"), an additional one-third shall vest and be distributed to the reporting person on each of the first and second anniversaries of the initial vest date, provided that the Reporting Person remains continuously employed through the applicable vesting date.
- Represents an increase in the minimum number of shares of common stock issuable under the SPSA for the fiscal 2004-2006 performance period in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
- The number of shares ultimately received depends on the company's performance against specified performance targets. At the end of the performance period, the number of shares of stock and stock awards will be determined by adjusting upward or downward from a target in a range between 33% and 150%. The number reported herein is based on the 33% minimum. The final performance percentage on which the payout will be based, considering company performance metrics established for the performance period, will be determined by the board or a board committee in its sole discretion. Shares of stock are issued at the end of the performance period and as the stock awards vest over the following two years, provided that the reporting person remains continuously employed through the applicable vest date.
- This option was previously reported as an option covering 19,250 shares at an exercise price of \$85.81 per share, and has been adjusted as a result of a 2-for-1 stock split on February 14, 2003. The option has been further adjusted in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
- This option was previously reported as an option covering 4,400 shares at an exercise price of \$83.81 per share, and has been adjusted as a result of a 2-for-1 stock split on February 14, 2003. The option has been further adjusted in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
- This option was previously reported as an option covering 23,650 shares at an exercise price of \$89.81 per share, and has been adjusted as a result of a 2-for-1 stock split on February 14, 2003. The option has been further adjusted in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
- 40,456 shares are vested and immediately exercisable, 4,033 shares will vest and become exercisable on each of November 22, 2005 and May 22, 2006, and 4,034 shares will vest and become exercisable on November 22, 2006.
- This option was previously reported as an option covering 1,000,000 shares at an exercise price of \$90.63 per share, and has been adjusted as a result of a 2-for-1 stock split on February 14, 2003. The option has been further adjusted in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
- This option was previously reported as an option covering 23,650 shares at an exercise price of \$66.63 per share, and has been adjusted as a result of a 2-for-1 stock split on February 14, 2003. The option has been further adjusted in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
- 36,422 shares are vested and immediately exercisable, 4,034 shares will vest and become exercisable on October 24, 2005, 4,033 shares will vest and become exercisable on each of April 24, 2006 and October 24, 2006, and 4,034 shares will vest and become exercisable on April 24, 2007.
- This option was previously reported as an option covering 500,000 shares at an exercise price of \$66.63 per share, and has been adjusted as a result of a 2-for-1 stock split on February 14, 2003. The option has been further adjusted in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
- This option was previously reported as an option covering 500,000 shares at an exercise price of \$55.88 per share, and has been adjusted as a result of a 2-for-1 stock split on February 14, 2003. The option has been further adjusted in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
- 833,333 shares are vested and immediately exercisable, 138,889 shares will vest and become exercisable on each of August 20, 2005 and February 20, 2006.
- This option was previously reported as an option covering 700,000 shares at an exercise price of \$23.99 per share, and has been adjusted in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
- 291,667 shares are vested and immediately exercisable, 97,222 shares will vest and become exercisable on each of July 31, 2005, January 31, 2006, July 31, 2006, and January 31, 2007, and 97,223 shares will vest and become exercisable on July 31, 2007.

**Remarks:**

Keith R. Dolliver, Attorney-in-Fact for Craig J. Mundie      07/08/2005

\*\* 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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