

FORM 5

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

ANNUAL STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

OMB APPROVAL	
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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* SMITH BRADFORD L			2. Issuer Name and Ticker or Trading Symbol MICROSOFT CORP [MSFT]			5. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director 10% Owner <input checked="" type="checkbox"/> Officer (give title below) Other (specify below) Senior Vice President		
(Last)	(First)	(Middle)	3. Statement for Issuer's Fiscal Year Ended (Month/Day/Year) 06/30/2005			6. Individual or Joint/Group Filing (Check Applicable Line) <input checked="" type="checkbox"/> Form filed by One Reporting Person Form filed by More than One Reporting Person		
ONE MICROSOFT WAY			4. If Amendment, Date of Original Filed (Month/Day/Year)					
(Street) REDMOND WA 98052-6399								
(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	06/16/2005		G	6,000	D	\$0	57,866 ⁽¹⁾	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 ⁽²⁾						08/31/2006 ⁽³⁾	08/31/2008	Common Stock	80,667	80,667 ⁽⁴⁾⁽⁵⁾	D	
Employee Stock Option (right to buy) #0132866	\$24.1313 ⁽⁶⁾						11/15/2004	07/02/2008	Common Stock	266,667	266,667 ⁽⁶⁾	D	
Employee Stock Option (right to buy) #0163175	\$38.6157 ⁽⁷⁾						11/15/2004	07/30/2006	Common Stock	10,667	10,667 ⁽⁷⁾	D	
Employee Stock Option (right to buy) #0170956	\$40.7813 ⁽⁸⁾						03/06/2005	03/06/2010	Common Stock	666,667	666,667 ⁽⁸⁾	D	
Employee Stock Option (right to buy) #0177510	\$29.9813 ⁽⁹⁾						11/15/2004	04/24/2007	Common Stock	10,667	10,667 ⁽⁹⁾	D	
Employee Stock Option (right to buy) #0203625	\$29.9813 ⁽¹⁰⁾						04/24/2005	04/24/2010	Common Stock	333,333	333,333 ⁽¹⁰⁾	D	
Employee Stock Option (right to buy) #0285336	\$25.1438 ⁽¹¹⁾						08/20/2005 ⁽¹²⁾	02/20/2011	Common Stock	333,333	333,333 ⁽¹¹⁾	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) #0314921	\$30.177 ⁽¹³⁾						12/10/2005 ⁽¹⁴⁾	12/10/2011	Common Stock	1,111,111		1,111,111 ⁽¹³⁾	D	

Explanation of Responses:

- Includes 505 shares acquired on March 31, 2005 and 475 shares acquired on June 30, 2005 under the Microsoft employee stock purchase plan. Also includes an increase to the existing 2002, 2003 and 2004 stock awards in the aggregate of 2,707 shares 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 120,000 shares at an exercise price of \$53.625 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 4,800 shares at an exercise price of \$85.8125 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 300,000 shares at an exercise price of \$90.625 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 4,800 shares at an exercise price of \$66.625 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 150,000 shares at an exercise price of \$66.625 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 150,000 shares at an exercise price of \$55.875 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.
- 249,999 shares are vested and immediately exercisable, 41,667 shares vest and become exercisable on each of August 20, 2005 and February 20, 2006.
- This option was previously reported as an option covering 500,000 shares at an exercise price of \$67.06 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.
- 694,444 shares are vested and immediately exercisable, 138,889 shares vest and become exercisable on each of December 10, 2005, June 10, 2006, and December 10, 2006.

Remarks:

Keith R. Dolliver, Attorney-in-Fact for Bradford L. Smith 07/05/2005

** 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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