

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* RUDDER ERIC D			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							29,467 ⁽¹⁾	D	
Common Stock							42,715 ⁽²⁾	I	Eric D. Rudder and Elizabeth Savage, Joint Tenants
Common Stock							45,385	I	Eric D. Rudder and Elizabeth Savage FBO Revocable Living Trust

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				
Performance Rights	\$0 ⁽³⁾						08/31/2006 ⁽⁴⁾	08/31/2008	Common Stock	80,667		80,667 ⁽⁵⁾⁽⁶⁾	D	
Employee Stock Option (right to buy) #083937	\$6.2227 ⁽⁷⁾						11/15/2004	07/15/2006	Common Stock	391,111		391,111 ⁽⁷⁾	D	
Employee Stock Option (right to buy) #0285319	\$25.1438 ⁽⁸⁾						08/20/2005 ⁽⁹⁾	02/20/2011	Common Stock	555,556		555,556 ⁽⁸⁾	D	
Employee Stock Option (right to buy) #0285320	\$25.1438 ⁽¹⁰⁾						08/20/2005 ⁽¹¹⁾	02/20/2011	Common Stock	1,111,111		1,111,111 ⁽¹⁰⁾	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) #0363966	\$23.4 ⁽¹²⁾						08/19/2005 ⁽¹³⁾	08/19/2012	Common Stock	444,444		444,444 ⁽¹²⁾	D	

Explanation of Responses:

- Includes an increase to the existing 2002, 2003 and 2004 stock awards in the aggregate of 2,947 shares in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
- Includes 758 shares acquired on March 31, 2005 and 195 shares acquired on June 30, 2005 under the Microsoft employee stock purchase plan.
- 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 352,000 shares at an exercise price of \$6.9141 per share and has been 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 250,000 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.
- 416,667 shares are vested and immediately exercisable, 69,444 shares vest and become exercisable on August 20, 2005 and 69,445 shares vest and become exercisable on February 20, 2006.
- 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 vest and become exercisable on each of August 20, 2005 and February 20, 2006.
- This option was previously reported as an option covering 400,000 shares at an exercise price of \$26.00 per share and has been adjusted in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
- 166,666 shares are vested and immediately exercisable, 55,556 shares vest and become exercisable on August 19, 2005, 55,555 shares vest and become exercisable on February 19, 2006, 55,556 shares vest and become exercisable on August 19, 2006, 55,555 shares vest and become exercisable on February 19, 2007, and 55,556 shares vest and become exercisable on August 19, 2007.

Remarks:

Keith R. Dolliver, Attorney-in-Fact for Eric D. Rudder 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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