

Microsoft

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INCOME STATEMENTS - USD (\$) shares in Millions, \$ in Millions	12 Months Ended		
	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2019
Revenue	\$ 168,088	\$ 143,015	\$ 125,843
Cost of revenue	52,232	46,078	42,910
Gross margin	115,856	96,937	82,933
Research and development	20,716	19,269	16,876
Sales and marketing	20,117	19,598	18,213
General and administrative	5,107	5,111	4,885
Operating income	69,916	52,959	42,959
Other income, net	1,186	77	729
Income before income taxes	71,102	53,036	43,688
Provision for income taxes	9,831	8,755	4,448
Net income	\$ 61,271	\$ 44,281	\$ 39,240
Earnings per share:			
Basic	\$ 8.12	\$ 5.82	\$ 5.11
Diluted	\$ 8.05	\$ 5.76	\$ 5.06
Weighted average shares outstanding:			
Basic	7,547	7,610	7,673
Diluted	7,608	7,683	7,753
Product			
Revenue	\$ 71,074	\$ 68,041	\$ 66,069
Cost of revenue	18,219	16,017	16,273
Service and Other			
Revenue	97,014	74,974	59,774
Cost of revenue	\$ 34,013	\$ 30,061	\$ 26,637

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SEGMENT INFORMATION AND GEOGRAPHIC DATA	12 Months Ended
	Jun. 30, 2021
Segment Reporting [Abstract]	
SEGMENT INFORMATION AND GEOGRAPHIC DATA	<p data-bbox="856 266 1652 293" style="text-align: center;"><u>NOTE 19 — SEGMENT INFORMATION AND GEOGRAPHIC DATA</u></p> <p data-bbox="506 321 2003 440">In its operation of the business, management, including our chief operating decision maker, who is also our Chief Executive Officer, reviews certain financial information, including segmented internal profit and loss statements prepared on a basis not consistent with GAAP. During the periods presented, we reported our financial performance based on the following segments: Productivity and Business Processes, Intelligent Cloud, and More Personal Computing.</p> <p data-bbox="506 467 1050 495">Our reportable segments are described below.</p> <p data-bbox="506 529 980 557">Productivity and Business Processes</p> <p data-bbox="506 584 2003 643">Our Productivity and Business Processes segment consists of products and services in our portfolio of productivity, communication, and information services, spanning a variety of devices and platforms. This segment primarily comprises:</p> <ul data-bbox="594 654 2003 980" style="list-style-type: none"> • Office Commercial (Office 365 subscriptions, the Office 365 portion of Microsoft 365 Commercial subscriptions, and Office licensed on-premises), comprising Office, Exchange, SharePoint, Microsoft Teams, Office 365 Security and Compliance, and Skype for Business. • Office Consumer, including Microsoft 365 Consumer subscriptions and Office licensed on-premises, and Office Consumer Services, including Skype, Outlook.com, and OneDrive. • LinkedIn, including Talent Solutions, Marketing Solutions, Premium Subscriptions, Sales Solutions, and Learning Solutions. • Dynamics business solutions, including Dynamics 365, comprising a set of intelligent, cloud-based applications across ERP, CRM, Customer Insights, Power Apps, and Power Automate; and on-premises ERP and CRM applications. <p data-bbox="506 1015 716 1042">Intelligent Cloud</p> <p data-bbox="506 1070 2003 1128">Our Intelligent Cloud segment consists of our public, private, and hybrid server products and cloud services that can power modern business and developers. This segment primarily comprises:</p> <ul data-bbox="594 1140 2003 1239" style="list-style-type: none"> • Server products and cloud services, including Azure; SQL Server, Windows Server, Visual Studio, System Center, and related Client Access Licenses (“CALs”); and GitHub. • Enterprise Services, including Premier Support Services and Microsoft Consulting Services. <p data-bbox="506 1273 837 1300">More Personal Computing</p> <p data-bbox="506 1328 2003 1386">Our More Personal Computing segment consists of products and services that put customers at the center of the experience with our technology. This segment primarily comprises:</p> <ul data-bbox="594 1398 2003 1520" style="list-style-type: none"> • Windows, including Windows OEM licensing and other non-volume licensing of the Windows operating system; Windows Commercial, comprising volume licensing of the Windows operating system, Windows cloud services, and other Windows commercial offerings; patent licensing; Windows Internet of Things; and MSN advertising. • Devices, including Surface and PC accessories.

- Gaming, including Xbox hardware and Xbox content and services, comprising digital transactions, Xbox Game Pass and other subscriptions, video games, third-party video game royalties, cloud services, and advertising.
- Search advertising.

Revenue and costs are generally directly attributed to our segments. However, due to the integrated structure of our business, certain revenue recognized and costs incurred by one segment may benefit other segments. Revenue from certain contracts is allocated among the segments based on the relative value of the underlying products and services, which can include allocation based on actual prices charged, prices when sold separately, or estimated costs plus a profit margin. Cost of revenue is allocated in certain cases based on a relative revenue methodology. Operating expenses that are allocated primarily include those relating to marketing of products and services from which multiple segments benefit and are generally allocated based on relative gross margin.

In addition, certain costs incurred at a corporate level that are identifiable and that benefit our segments are allocated to them. These allocated costs include legal, including settlements and fines, information technology, human resources, finance, excise taxes, field selling, shared facilities services, and customer service and support. Each allocation is measured differently based on the specific facts and circumstances of the costs being allocated. Certain corporate-level activity is not allocated to our segments.

Segment revenue and operating income were as follows during the periods presented:

(In millions)

Year Ended June 30,	2021	2020	2019
Revenue			
Productivity and Business Processes	\$ 53,915	\$ 46,398	\$ 41,160
Intelligent Cloud	60,080	48,366	38,985
More Personal Computing	54,093	48,251	45,698
Total	<u>\$ 168,088</u>	<u>\$ 143,015</u>	<u>\$ 125,843</u>
Operating Income			
Productivity and Business Processes	\$ 24,351	\$ 18,724	\$ 16,219
Intelligent Cloud	26,126	18,324	13,920
More Personal Computing	19,439	15,911	12,820
Total	<u>\$ 69,916</u>	<u>\$ 52,959</u>	<u>\$ 42,959</u>

No sales to an individual customer or country other than the United States accounted for more than 10% of revenue for fiscal years 2021, 2020, or 2019. Revenue, classified by the major geographic areas in which our customers were located, was as follows:

(In millions)

Year Ended June 30,	2021	2020	2019
United States (a)	\$ 83,953	\$ 73,160	\$ 64,199
Other countries	84,135	69,855	61,644
Total	<u>\$ 168,088</u>	<u>\$ 143,015</u>	<u>\$ 125,843</u>

(a) Includes billings to OEMs and certain multinational organizations because of the nature of these businesses and the impracticability of determining the geographic source of the revenue.

Revenue from external customers, classified by significant product and service offerings, was as follows:

(In millions)

Year Ended June 30,	2021	2020	2019
Server products and cloud services	\$ 52,589	\$ 41,379	\$ 32,622
Office products and cloud services	39,872	35,316	31,769
Windows	23,227	22,294	20,395
Gaming	15,370	11,575	11,386
LinkedIn	10,289	8,077	6,754
Search advertising	8,528	7,740	7,628
Enterprise Services	6,943	6,409	6,124
Devices	6,791	6,457	6,095
Other	4,479	3,768	3,070
Total	<u>\$ 168,088</u>	<u>\$ 143,015</u>	<u>\$ 125,843</u>

Our commercial cloud revenue, which includes Azure, Office 365 Commercial, the commercial portion of LinkedIn, Dynamics 365, and other commercial cloud properties, was \$69.1 billion, \$51.7 billion and \$38.1 billion in fiscal years 2021, 2020, and 2019, respectively. These amounts are primarily included in Server products and cloud services, Office products and cloud services, and LinkedIn in the table above.

Assets are not allocated to segments for internal reporting presentations. A portion of amortization and depreciation is included with various other costs in an overhead allocation to each segment. It is impracticable for us to separately identify the amount of amortization and depreciation by segment that is included in the measure of segment profit or loss.

Long-lived assets, excluding financial instruments and tax assets, classified by the location of the controlling statutory company and with countries over 10% of the total shown separately, were as follows:

(In millions)

June 30,	2021	2020	2019
United States	\$ 76,153	\$ 60,789	\$ 55,252
Ireland	13,303	12,734	12,958
Other countries	38,858	29,770	25,422
Total	<u>\$ 128,314</u>	<u>\$ 103,293</u>	<u>\$ 93,632</u>