Shareholder/Analyst Meeting

Company Participants

- Amy E. Hood, Executive VP & CFO
- Bradford L. Smith, President, Chief Legal Officer & Chief Compliance Officer
- Chris Suh, General Manager of IR
- John A. Seethoff, VP, Deputy General Counsel and Secretary
- John Wendell Thompson, Independent Chairman
- Satya Nadella, CEO & Non
- Shun Grewal, Unknown
- Unidentified Speaker, Unknown

Other Participants

- Ken Copley, CEO, Capital Executive LLC
- Lonnie Lusardo, Analyst, Unknown
- Unidentified Participant, Analyst, Unknown

Presentation

Operator

Today's presentation may contain forward-looking statements which are predictions, projections or other statements about future events based on current expectations and assumptions. Actual results may differ materially from these forward-looking statements because of a variety of risks and uncertainties about our business, which are discussed today or described in our filings with the Securities and Exchange Commission, including our Form 10-K and 10-Q. We do not undertake any duty to update any forward-looking statement.

Please welcome to the stage, Microsoft Chairman, John Thompson.

John Wendell Thompson {BIO 15832126 <GO>}

Good morning. Welcome. I'm John Thompson, Chairman of the Board at Microsoft. For those of you who are here with us at the Meydenbauer Center in Bellevue as well as those of you listening to our online website, we welcome you to our Annual Shareholder Meeting. We're streaming live from our Investor Relations website. We strive to make the meeting as inclusive as possible. We're also excited to offer shareholders the opportunity to participate and vote via the virtual shareholder meeting. Our board values your feedback. The thoughtfully expressed and diverse opinions you provide help us create real value for you, our shareholders.

I'd like to share with you the presenters for today's meeting. I will be joined on stage by Satya Nadella, our Chief Executive Officer; Amy Hood, our Executive Vice President and Chief Financial Officer; Brad Smith, our President and Chief Legal Officer; and John Seethoff, our Deputy Secretary -- I'm sorry, Deputy General Counsel and Corporate Secretary.

John will address the business portion of the meeting, followed by Amy, who will review Microsoft's financial results. Brad will share the plan for the Redmond campus redevelopment and our commitment to this region. And finally, Satya will talk about our expansive opportunity and how Microsoft is uniquely positioned to lead our customers across every industry digital transformation. Following his remarks, we'll then show you some exciting innovations that are all happening all around Microsoft. Then we'll have an opportunity for Q&A. But first, let's attend to a few formalities.

Broadview Financial has been appointed the inspector of elections for this meeting. The inspectors are located in the reception table in the lobby. Most of you have already voted your proxy, or your proxy votes have already been tallied. If you're a shareholder of record or a beneficial shareholder holding a legal proxy from your bank or broker. And you want to vote your shares now or change your vote, ballots are available from the inspectors at the reception table in the lobby. Following a ballot -- filling a ballot, I'm sorry. And giving it to the inspectors will revoke any earlier proxy you gave. If you are a beneficial shareholder with a voting instruction form, you also may submit those forms and use the computers in the reception table to cast a new vote. The votes are now open and will close in a few minutes. And the presentation of our business matters will be here.

As Satya said in his letter to you, we are proud of the progress we've made this past year. And we're eager, very eager, about the opportunities ahead. We continue to be guided by our mission to empower every person and every organization on the planet to achieve more. Microsoft's strategy is to build best-in-class platforms and productivity services for an intelligent cloud and an intelligent edge, all infused with AI. We believe achieving our mission extends beyond providing our customers with products and services, to helping address economic, social and environmental issues around the world. Microsoft's approach in important areas like energy usage, data privacy and diversity inclusion is always grounded in its mission and values.

We also have a long-standing commitment to pursue governance in a way that is thoughtful, proactive and constructive. We regularly evaluate governance frameworks to ensure our policies meet the needs of our company and the expectations of you, our shareholders. Effective this past July, we adopted a new board policy that targets an average tenure of 10 years or less for the board's independent directors. This approach strikes a balance between retaining directors with deep knowledge about our company and adding new directors who bring fresh, important perspective.

In the past year, we refined our executive compensation plan to align performance-based pay with strategic opportunities, business results and shareholder returns. We adopted preestablished financial metrics that determine 50% of the annual cash

incentive for all executive officers. We aligned the metrics of our performance stock awards with our 3 strategic ambitions. And we reduced the maximum award levels for performance stock awards.

As part of our ongoing commitment to create a balanced board with diverse viewpoints and deep industry experience, we regularly add new directors. Though we still have more work to do, our board nominees continue to be more diverse than ever. Seven of 14 nominees are either female, nationally or ethnically diverse.

Now I'd like to introduce the nominees for the Board of Directors who are here with us today: William H. Gates III, our cofounder; Reid Hoffman is a member of our Regulatory and Public Policy Committee; Hugh Johnston is a member of our Audit Committee; Teri List-Stoll is a member of our Audit Committee and the Governance and Nominating Committee; Chuck Noski is chair of our Audit Committee and a member of the Governance and Nominating Committee; Dr. Helmut Panke, chair of our Regulatory and Public Policy Committee and a member of the Audit Committee; Sandi Peterson is a member of the Compensation Committee and the Regulatory and Public Policy Committee; Charlie Scharf is a member of the Compensation Committee and Governance and Nominating Committee; John Stanton, chair of our Compensation Committee and a member of the Regulatory and Public Policy Committee; and Padma Warrior is a member of the Compensation Committee.

And we have 2 new nominees, Penny Pritzker and Arne Sorenson. Following the election this morning, the board will consider the committee appointments for Penny and Arne. And also consider other adjustments in committee assignments for the next year.

And lastly, Mason Morfit is not seeking reelection. I personally want to thank Mason, as does the full board, for the many contributions that he's made over the course of his tenure here.

Also here with us today is Steve Sinwell, Chris Weber. And James LaCamp representing Deloitte & Touche, our independent auditors.

And now I'd like to call the 2017 Annual Shareholder Meeting to order. I'll be serving as the chair of the meeting. And John Seethoff will be serving as the secretary. This will be John's last meeting serving in this capacity as he will retire later this year after 17 years with Microsoft. As with all people like John, I can't tell you how impressive he is and how important he has been to this company and to this board. We would like to thank him for his leadership and his guidance.

As chair of the meeting, I've adopted an agenda that will govern the order of business and the rules of conduct for the meeting. Copies of the agenda and the rules are available at the reception table outside the meeting room. The rules of conduct also govern the Q&A session.

John will join us now to report the notice of the meeting, the proxies received and present the matters to be voted on. John?

John A. Seethoff {BIO 4224917 <GO>}

Thank you, John, for those kind words. Welcome, everyone. This morning, I'll walk us through the short formal meeting. Then as John said, you'll hear from Amy, Brad and Satya, followed by a Q&A session. The notice of the meeting and Internet availability of the proxy materials were mailed by Broadridge Corporation beginning October 16, 2017. And it went to all shareholders of record as of September 29, 2017. As a result, the meeting is being held pursuant to proper notice. Proxies representing more than 88% of the roughly 7.7 billion shares of the company's stock that are eligible to vote have been received. This means we have a quorum present and the meeting is duly constituted and will proceed.

This morning, we have 6 management proposals for you to consider. They were all described in the proxy statement for today's meeting.

The first item is the election of directors. The following 14 people have been properly nominated by the board: William H. Gates III; Reid Hoffman; Hugh Johnston; Teri List-Stoll; Satya Nadella; Charles Noski; Dr. Helmut Panke; Sandra Peterson; Penny Pritzker; Charles Scharf; Arne Sorenson; John Stanton; John Thompson; and Padma Warrior. The board recommends a vote for each of them.

The second item is an advisory vote to approve executive compensation as disclosed in the company's proxy statement. The board recommends a vote for this proposal.

The third item is an advisory vote on the frequency of future advisory votes on executive compensation. The board recommends a vote for every year.

As the fourth item, we ask that you ratify selection of the company's independent auditor, Deloitte & Touche, for fiscal year 2018. The board recommends a vote for the proposal.

The fifth item is approval of the material terms of the performance goals under the Microsoft Corporation executive incentive plan. The board recommends approval of the proposal.

Last, the sixth item is approval of the Microsoft Corporation 2017 stock plan. The board recommends approval of that proposal as well.

The discussion of matters for shareholder consideration is now closed. And the polls are also now closed. So now, I'll share with you the preliminary voting tabulation.

First, the 14 nominees on the ballot to become a director are elected with over 98% of votes cast. They'll serve until the Annual Shareholder Meeting and until their

successors are elected and qualified.

Proposal 2, the advisory vote on executive compensation, has been approved by more than 95% of votes cast.

Proposal 3, the advisory vote on the frequency of future advisory votes on executive compensation, has been approved for a vote every year by more than 90% of votes cast.

Proposal 4, ratification of the company's auditor, Deloitte & Touche, has been approved by over 98% of votes cast.

Proposal 5, the approval of material terms of the performance goals under the Microsoft Corporation executive incentive plan, has been approved by more than 98% of the votes cast.

Finally, proposal 6, the approval of the Microsoft Corporation 2017 stock plan, has been approved by over 96% of votes cast.

We expect to post the details of the final voting results on all these matters on our Investor Relations website later today. We'll also report the results including the company's decision on the frequency of future say-on-pay votes in a Form 8-K that will be filed with the Securities and Exchange Commission within 4 business days.

With that, we completed the formal portion of the meeting. And the meeting is now adjourned. So let me hand the stage over to our Chief Financial Officer, Amy Hood.

Amy E. Hood {BIO 18040963 <GO>}

Thanks, John. Hello, everyone. And thank you for being here or watching online today. I'm proud of our performance and achievement in FY '17. We executed well and finished the year with $90 billion in revenue, with 11% operating income growth and 29% EPS growth. Strategic areas like Commercial Cloud and gaming continued to have strong momentum. And we welcomed LinkedIn to Microsoft, bringing together the world's leading professional network and the world's leading professional cloud to create unique scenarios that open new addressable market opportunities and enrich productivity experiences of our customers.

And in May, at our Financial Analyst Briefing, we shared our view on the key initiatives to drive long-term growth and shareholder value. To meet the evolving needs of our customers and partners, we've aligned our sales and go-to-market approach to 5 core customer solution areas: modern workplace, business applications, applications and infrastructure, data and AI. And gaming.

We completed 8 acquisitions to enhance our capabilities and talent in strategic growth areas. For example, we purchased Mixer, a gameplay streaming company, to broaden our engagement with the Xbox community. And we added Maluuba, a

company that built machine learning and inference engine that reads and comprehends text, to help us advance our AI strategy and make it accessible and valuable to everyone.

We continue to invest in innovation and expand our market opportunities, while maintaining our commitment to shareholder return, which included a total cash return of $22.3 billion. And in September, we announced an 8% increase in our quarterly dividend. We completed our prior $40 billion buyback authorization in December 2016. And are now executing against the current $40 billion buyback authorization.

Now I'll share a few highlights from the past fiscal year. First, our Commercial Cloud, which is comprised of Office 365, Azure and Dynamics 365 as well as other cloud properties. We ended fiscal '17 with more than $18.9 billion in Commercial Cloud annualized revenue run rate and nearly $15 billion in revenue. Commercial Cloud results were driven by strong growth rates in each of the services. Office 365 grew 46%, Azure grew 99% and Dynamics 365 grew 78%.

We also made a commitment to material gross margin improvement. And we finished the year at 50% gross margin, substantial progress from our prior year and a reflection of great work by our engineering, marketing and sales teams in this critical business.

On the consumer side, our Office 365 consumer subscriber base grew to 27 million as more users chose our cloud-enabled productivity solutions.

I want to briefly talk about our server and Azure businesses. Collectively, we look at these 2 businesses as our hybrid cloud, which enables customers to run their own data centers with our public cloud in a single cohesive infrastructure and at scale. Our true hybrid cloud approach is a key differentiator and competitive advantage in the market. And in fiscal '17, we grew that multibillion-dollar business by 13% year-on-year.

Now let's turn to progress across our broad Windows ecosystem. We continue to see healthy, commercial and consumer demand for Windows 10, increasing our base of active Windows 10 devices. And in turn, contributed growth in usage-driven services like search or gaming. Search continued its revenue growth and profitability. And our gaming business exceeded $9 billion in revenue, with 53 million Xbox LIVE monthly users. In our devices business, we expanded the Surface family, introducing Surface Studio, Surface Laptop and the newest Surface Pro, ending the year with more than $4 billion in revenue.

Now just a few comments on our current fiscal year. We adopted revenue standard 606, an accounting standard that allows us to simplify the communication of our results by eliminating non-GAAP revenue reporting. As we do at the start of each fiscal year, we also updated our investor metrics. Given the size of our Commercial Cloud business, we now provide both the Commercial Cloud revenue as well as

gross margin percentage as quarterly metrics. And we had a strong start to the fiscal year with double-digit top and bottom line growth in Q1, a result of our consistent execution and ongoing investment in product innovation and sales capacity. We surpassed our goal of $20 billion in Commercial Cloud annualized revenue run rate set a little over two years ago. And we're ahead of our original financial commitment for LinkedIn, which we expect to be accretive to EPS this fiscal year, excluding the impact of amortization from purchase accounting.

We are confident that our innovation road map, our disciplined investment approach and world-class talent position us for continued growth. And we believe that the highest shareholder value is created by investing in our future and creating differentiated scenarios and solutions for every organization and person to achieve more.

And with that, please join me in welcoming our President and Chief Legal Officer, Brad Smith.

Bradford L. Smith {BIO 1721351 <GO>}

Thanks, Amy. Well. Good morning. It's my pleasure this morning to share with all of you the next steps, the next chapter for Microsoft, our campus and for Redmond, Washington. Because as you may have seen in the news this morning, we announced earlier today our plans for all of this.

Well the interesting thing is that Redmond has been changing periodically for a century. Back in the 1920s, the land where Microsoft sits today was owned by a gentleman named Silvio Morelli. And he used the land as a chicken farm. Well he was fortunate. His business prospered. He grew. He invested in the land. And it eventually became what was known as Silvio Morelli's Chicken Ranch. In the 1960s, it was sold. It was anticipated that the land would become in fact a shopping mall, something that never happened. But eventually, it was purchased in the 1980s. It was sold to Microsoft to become our new home. The ground was broken in 1985. And in 1986, a new campus was born.

Here you see Bill Gates, Steve Ballmer and Jon Shirley. The so-called iconic X wings were created buildings 1 through 4, surrounding what has forever since been known as Lake Bill. A new tradition was born. When a development team would finish its product, it would release it to manufacturing. And everyone would promptly run to the lake, where the leader of the team would be thrown in the water.

Well now, it's time for a new generation for Microsoft and for our campus. We have a new generation of employees. They're building the tools and services that are really redefining the future work space for our customers, not just here in Washington state. But around the world. So it's only fitting, in fact it's even essential, that this new generation of employees have the new generation of workspace where they too can do their best work. So let me share with you the vision of what's coming to Redmond.

Clearly, this is no longer a chicken farm. We're excited about what's coming ahead. Well it'd be taking down those first 4 buildings as well as 8 others. And as those 12 buildings come down, 18 new buildings will go up in their place. Those 18 buildings will have 2.5 million square feet. In addition, we'll be renovating 6.7 million other square feet. Put all together, we'll have the equivalent of 180 football fields of the most modern workspace for people in our industry. We'll have 2,500 employees working in the construction and development space over the next five years. And when they're done, we think that we're going to have a place that will enable the employees of Microsoft to create, to connect, to collaborate and most importantly to innovate, to do their best work to create great products for our customers.

The space will be more open than what they have today. It'll be less formal. There will be team neighborhoods. There will be natural light. It's exactly the kind of environment that we have found in our most recent buildings here and around the world do the best to help our employees do the work that they need to do.

It also is going to take advantage of other things. It will connect with the light rail station that will open in 2023. And in no small measure, our ability to take this kind of step is really enhanced by the long-term investments that this community and this region have made. It has really required a long-term partnership, not just by companies like Microsoft. But with the state of Washington, with King County, with the city of Redmond and other cities in the region. And sometimes, by voters including many of you in this room, the votes that made it possible to replace and expand the 520 Bridge, the vote that will make it possible to bring light rail literally to our doorstep in 2023.

And when people decide to where -- about where they want to work, our employees will know they can live in the middle of Bellevue and take the train and be at our campus in 10 minutes. If they want to live in the middle of Seattle, they can take the train and be on our campus in 0.5 hour. And when they get off the train, they'll find that they can go [ph] one direction and walk over a new pedestrian bridge to buildings that exist today. They can get on their bicycle. They can go the other direction and they'll find themselves in the heart of this new part of the campus. They'll walk past restaurants and retail space. They'll find this plaza of 2 acres that has room for up to 12,000 people. So you can imagine employee meetings in the summer, customer events and the like.

We're also doing what we've always done, which is taking advantage of the outdoors. As you saw in the video, this will continue to be a campus that offers great opportunities for people, not just who work at Microsoft. But for our neighbors as well. People who want to walk, who want a bicycle, there'll be fields for people to play baseball and soccer and even cricket. It really is something that we've tried to focus on with the neighborhood in mind. That's why we're proud that we'll be making $150 million in investments from Microsoft to invest in this neighborhood with that pedestrian bridge, with better roadways, with the new storm water system and with the new Redmond Technology Center Station, where these trains will arrive.

It's also a development that we're focusing on with the environment in mind as well. In recent years, we've taken steps to build a smart campus, focused on reducing energy, waste and our use of carbon. We're using Azure for all of the monitoring of our HVAC systems. We're bringing down our electric -- electricity consumption. We've become a 0 waste campus. We've been certified and will retain that certification as this moves forward.

And we're committed to taking the kinds of steps that will broadly reduce the use of carbon. That's why we'll continue to provide fun transit options for all of our employees, like the ORCA transit card or their use of cars and van pools or the Microsoft connector service.

We also believe that this is a smart investment for all of you, for our shareholders. Instead of using our space as we do today to park cars above ground, as you'll see, we'll park cars underground. We'll create a more urban feel where people work in the buildings. But have just as much green space as we've had before.

And even as we have our eye on the future, we're going to continue to nurture the legacies that matter to everybody. Lake Bill will survive.

Ultimately, we're excited about what this enables us to do here in Puget Sound. When you think about it, Microsoft has an asset that's not only unusual, it's maybe even unique. We have a campus of 500 acres. It's 500 acres that neighbors a vibrant urban core, healthy suburban cities, mountains, lakes and literally miles of forest. I think one would be hard pressed to find any company anywhere in the world that can look to an asset that can match this. We think it's one of the crowned jewels for Microsoft. We think it's one of the crowned jewels for Puget Sound. And with this kind of investment and this kind of work, we are excited about bringing this into the future and contributing even more, both here at home and around the world. Thank you very much.

So now, please join me in giving a warm welcome to our CEO, Satya Nadella.

Satya Nadella {BIO 3224315 <GO>}

Thank you, Brad. Thank you for being here today as well as all of you joining online. We greatly appreciate your commitment as shareholders to Microsoft.

I'm proud of the progress we have made this year at Microsoft. And more importantly, with our customers and partners. We are eager to make even more progress in the years to come. We are always guided by our mission to empower every person and every organization on the planet to achieve more. Our mission provides us an unprecedented opportunity as digital technology is transforming every industry and every walk of life. It enables us to create local opportunity, growth and impact in every community and country around the world that we operate in and serve.

As Amy shared, we have seen tremendous cloud growth, innovation in AI and digital transformation progress with customers. It's great to see increased usage and engagement across all of the solution areas.

Let me share a few of the highlights. More than 120 million people use Office 365 Commercial today. More than 28 million consumers use Office Home and Personal. More than 53 million members are active on Xbox LIVE, as we speak. More than 530 million members use LinkedIn. Dynamics 365 customer growth was 40% year-over-year. And Azure compute usage grew or doubled year-over-year. And now, Windows 10 is active on more than 600 million devices around the world.

Everywhere I go, I see firsthand the impact we are having. Boeing is using Azure AI to create a digital twin for every plane they build. Ford's designers are completely redesigning how they think about the design process itself using HoloLens. State Bank of India is using Office 365 to empower more than 200,000 of their employees. In China, we integrated Office 365 with WeChat to empower the nearly 1 billion users to be more productive.

Celebrating our customers' success is what really drives us at Microsoft. With that as a backdrop, I wanted to turn to the opportunity ahead. A new technology paradigm is emerging, one with an intelligent cloud and an intelligent edge. Microsoft is uniquely positioned to lead in this new technology era. There are 3 characteristics that define this shift. First at the experience layer is becoming more multidevice and multisense. That means a person's experience with technology will span a multitude of devices and become more natural with voice, ink, gaze, gesture-based interactions. Second, artificial intelligence will be pervasive across all of the apps, all of the devices as well as all of the infrastructure to help drive the next level of insights and action. Third, computing will be even more distributed than ever before. Compute power at the edge, whether it's a connected car, a connected factory floor or a connected device.

With this new paradigm comes a complete new opportunity for us. Every customer I talk to is looking for both innovative technology to drive their growth. But also a strategic partner that they can rely on to help them build their own digital capability. Microsoft is that partner. We are focused on bringing our technology and products together into experiences and solution that deliver new value to our customers.

Let me briefly discuss these solution areas. I'll start with what we describe as the modern workplace. The workplace itself is transforming very rapidly. The expectations of the employees are changing. There's a very diverse set of skills that are coming together across globally distributed teams. We want to empower everyone to participate in this new culture of work, enterprises, small; and medium-sized businesses, students and teachers, more than 2 billion first-line workers from health care professionals to barristers. Microsoft 365 brings together Windows 10, Office 365 and Enterprise Mobility and Security into one complete integrated solution for organizations of all sizes. It's a people-centered approach spanning all devices to unlock the creativity, inspire teamwork while simplifying security and management. We've infused AI deeply across Microsoft 365. And you'll see many

examples of this in the demos. PowerPoint automatically transcribes and translates presentations. The Word Editor suggest bias-free language. OneNote Math Assistant converts handwritten equations into digital form. Microsoft Teams, for example, takes collaboration to a completely new level, bringing people, conversations and content together into a digital hub. Windows 10 Fall Creators Update unlocks the creator in all of us with new interfaces in Cortana, inking immersive 3D content creation and mixed reality experiences. And we're making Windows 10 more accessible with new features like the eye control, which gives people the ability to operate a PC just using their eyes. You'll see our great holiday lineup of Windows 10 devices from the new Surface Laptop to devices from our OEM partners.

Now let me talk about our unique approach to the next solution area, business applications. Every process inside a business is increasingly being digitized. Today, much of the value still, when it comes to sales or finance or operations or HR, is locked up in data silos. We have a unique opportunity to help our customers connect these valuable assets and transform their businesses. The combination of LinkedIn and Dynamics 365 enables us to build a much more modern, modular business application suite with AI that is deeply infused for organizations of all sizes.

Now I'll turn to the last 2 solution areas, the hybrid cloud value and -- which is -- comes across applications and infrastructure as well as data and AI. We've been focused on addressing the real-world needs of our customers ever since the beginning of our infrastructure efforts. Customers with our differentiated approach to cloud architecting for hybrid consistency, developer productivity, AI capabilities and trusted security and compliance. From Costco to Bank of America, our hybrid cloud approach is one reason nearly every Fortune 500 company has chosen to partner with Microsoft. Azure Stack and Azure provides this hybrid consistency that every organization needs both at the edge and in the cloud. With our Azure AI and data platforms, we are democratizing AI, enabling organizations to get more out of their own data assets and giving them powerful building blocks to create their own AI capability. From machine learning to vision to speech to text understanding, translation, emotion detection and many more capabilities, we want to give them that capability to create their own intelligence.

Finally, we continue to invest in making Azure the most trusted cloud with AI-based security. Our data center expansion brings Azure to 42 regions globally, more than any other cloud provider and with the most comprehensive compliance coverage in the industry.

And now I'll go to the last solution area, gaming. We're mobilizing to pursue our expansive opportunity in 100-plus billion gaming market. This means broadening our approach to how we think about gaming end to end, about starting with games and how they are created and distributed and to how they are played and viewed. We will continue to connect our gaming assets across the PC, the console and mobile. We will also work to grow and engage our more than 53 million Xbox LIVE members more deeply and frequently with new services like the Game Pass and Mixer. And our new Xbox One X, the most technically advanced and most powerful console ever built, is seeing incredible response from fans this holiday season.

When I reflect on the past year, I'm proud of our progress, both in our own continued transformation and in how our customers are using our technology to digitally transform themselves. Everywhere we operate, we focus on contributing to the local communities in positive ways: helping spark their local growth, competitiveness and economic opportunity for all. Our work and accessibility has an incredibly deep meaning for me personally from the learning tools in Word and OneNote to our autism hiring program, I'm inspired by how Microsoft is advancing our mission. We will continue to invest in the highest growth opportunities, innovate boldly and empower people and organizations in creating the platforms and tools that enable others to grow and thrive now and well into the future.

Now I would love to welcome the Microsoft team on stage to give you a great demo of all of the new innovations over the last 12 months, especially from a consumer and an end-user point of view. So let's just welcome the Microsoft team up on stage. Thank you.

Shun Grewal

Last year, we showed you some of the amazing new editions to the Surface family of devices and how we're enabling everyone to be more creative using Microsoft technology. This year, we wanted to do something just a little bit different. We want to show you how we're inspiring and empowering the creator in all of us with the new Windows 10 Fall Creators Update, how we're extending experiences beyond mobile devices and PCs, how businesses are transforming the way they work with mixed reality. And how we're are building the modern workplace with the help of Microsoft 365 and artificial intelligence. So Molly and I are going to dive right in.

Unidentified Speaker

Thank you, Shun. Creating and editing videos just got easier with the Windows 10 Fall Creators Update, no editing experience required. With our totally reimagined photos app, we're making it easy for you to personalize and share your story like never before, using your own photos, videos, inking and even 3D effects. With the new photos app, I can edit my own photos and videos into one video with a soundtrack, theme, ink and polish transitions. And with 3D effects, I can add glowing sparkles, autumn leaves or snow, like I did here to enhance my video.

Now extending 3D even further, I'd like to show you how I can bring fall right here into this room. I begin by visiting Remix 3D, our online 3D community. And I'm going to start by searching for a fall tree. Here's one. Shun, could I have you step over here, please?

Shun Grewal

Absolutely.

Unidentified Speaker

Thank you. So now that I've selected my fall tree, I'm going to place it here on stage simply by clicking view and mixed reality. And with mixed reality viewer, I'm going to be able to place it right here on stage with Shun. All right. So we've got our tree. I'm going to set it right over here on the corner of this stage and what's really cool is I'm able to move the tree around on the stage. I can scale it to make it bigger. I can rotate it around to get it just the way that I want. And my favorite part, I can snap a photo of Shun with the tree to save it and share with her later. Thank you.

Now for the first time, Windows connects with your iPhone or Android phone to deliver a seamless experience across devices. With continue on your PC, I can start reading a long news article on my phone's browser and continue reading it right here on my PC.

Shun Grewal

Molly [ph], I absolutely love this feature and at Microsoft stores, we're showing the same seamless Microsoft experience across devices using the Samsung Galaxy. The Microsoft launcher app for Android released just a few weeks ago and it brings a unique experience to Android users, complementing the productivity experience with Microsoft apps on a mobile device. By swiping right, I can easily access all of the tools and apps that I care about the most and since I can link all of my accounts to the launcher, all of my content, my personal content is accessible here. For example, the document section shows me a list of all the files that I recently accessed on any of my devices and just as Molly showed us that we can pick up the browsing experience from our phone to our PC, I can also send a notification from my Android to all of my devices so that I can resume viewing this exact same document on whichever device I am using next.

And from this screen, I can also access all the recent activities that I've engaged in. All of the people that matter most to me and that I contact most frequently and all of the apps that I use most often. With Office 365, Microsoft launcher not only allows me to have a productive experience. But it also allows me to personalize it, by creating pages for the things that I use most like my Office 365 calendar, I can easily access my calendar just by swiping left from my home screen.

Unidentified Speaker

So what you just saw was how a seamless connection of technologies helps us be more productive on both a mobile device and on a laptop. But we're also lighting up ambient devices to help you increase your productivity whether you're at home or in the car. Because Cortana connects directly with Microsoft 365, I can manage my calendar with just my voice. "Hey Cortana, help me schedule vacation the week of December 25."

Thank you. With one simple phrase, Cortana takes care of what is normally a multistep flow to book time off. Cortana books my time off in the company reporting tool, updates my calendar as out of office, notifies my manager of the day's off and sets up my e-mail autoresponder, saving me tons of time and allowing me to get right back to work.

Shun Grewal

Love that. Cortana is Keeping you productive. Next, let's talk about mixed reality. Mixed Reality has the potential to help customers and businesses across the globe do things that until now have never been possible. Mixed Reality experiences will help businesses and their employees complete crucial tasks faster, safer, more efficiently and create new ways to connect to customers and partners.

ThyssenKrupp is using HoloLens for remote elevator service repair and to digitize the sales and manufacturing processes of in-home stair lift solutions, improving processes and reducing their operating costs by up to 4x. Stryker Medical is using HoloLens to design operating rooms of the future by using holograms for space planning and collaboration between teams. And Ford is designing vehicles of the future using HoloLens and mixed reality, allowing them to move more quickly and to improve collaboration between teams, which is taking processes that used to take days down to just hours.

Unidentified Speaker

Finally, let's talk about gaming. Gaming is one of the most popular forms of entertainment. And the way people play, watch and interact is changing with game streaming services like Mixer. It's been an exciting time for gaming over the last few weeks. The Fall Creators Update delivered improvements for PC gamers. And with the recently released Xbox One X, the world's most powerful console, we're excited to deliver gamers incredible experiences and immersive true 4K gaming. Thank you. Let's roll the video.

Shun Grewal

Three years ago, Steve Gleason, the former New Orleans Saints football player, challenged us at Microsoft to create technology that could help him as someone with ALS to be able to digitally share his thoughts, communicate with the outside world, talk to his wife and play with his son, Rivers. So a dedicated team worked together as part of Microsoft's annual hackathon to build technology that could help people with ALS gain greater independence and enabled Steve to move his wheelchair with only his eyes. After three years of collaboration between Windows and Microsoft Research, a new product inspired by this work called Eye Control was released as a beta in the Windows 10 Fall Creators Update. I'm on stage with Jay Cowen [ph]. And he's going to demonstrate this for us.

Unidentified Speaker

Thanks, Shun. I'm really excited to be here to talk about Eye Control. For those that don't know, ALS is a neurological disease that causes you to lose the ability to move your muscles and to eventually talk and can often leave you with only being able to move your eyes. At Microsoft, we strive to empower every person on the planet to achieve more. And we asked ourselves, why shouldn't you be able to use your computer with only your eyes?

We started this exciting journey by building native support for eye tracking technology right into Windows. And this enabled us to build Eye Control. At the top of the screen, you can see the Eye Control launchpad, the starting point for this experience. And with a compatible eye tracking device, I can interact with this UI using only my eyes, by simply fixating my eyes on the icon to click it. This unlocks true hands-free interactions.

Now one of the most difficult consequences of ALS is losing your voice, the ability to communicate with friends and loved ones, something that's easy to take for granted. But now windows can be your voice. With the power of input AI, we are able to let your eyes speak for you. And the Eye Control text-to-speech experience, I can leverage quick phrases at the top of the screen to let the conversation continue flowing naturally. I could say something like, "Hello. How are you doing? It's great to see you."

Shun Grewal

So all you're doing right now, Jay [ph], I mean your hands are on table, right? You're just looking at the phrase. And it's being spoken out loud.

Unidentified Speaker

That's right. The true power of eye tracking. And in addition to quick phrases, that can be customized to say anything you want. I can leverage the keyboard to type anything. And along the way, I can leverage intelligent predictions to help me get the words out faster. "Now I have a voice."

Shun Grewal

That's incredible. And this works across other applications as well, right?

Unidentified Speaker

That's right. Not only does Eye Control let you communicate. But it lets you control a mouse and keyboard throughout all of Windows and any application. A great example is the mail app, which can extend your conversations from in person to any one over e-mail. I can use my eyes and control where the mouse cursor is. And at this stage, I can even fine-tune the position and then commence an action like a left click. And just like that, I have full access to all the apps on my start menu.

Awesome. So we learned pretty quickly though that typing one letter at a time with your eyes can be slow and tedious over long periods of time. And we challenged ourselves to make this experience better. Well on the touch keyboard on PCs and phones, we have a technology called shape writing, which lets you swipe your finger on the screen to type words faster. We took that technology and integrated it right into the Eye Control keyboard to let you do that with your eyes to type even faster. This is really exciting technology coming together to make something work. Check this out.

Remember, this is hands-free.

Shun Grewal

Yes.

That's incredible.

Unidentified Speaker

And with just one more click, I'm able to send the e-mail.

Shun Grewal

Really taking a moment there, Jay, to think about what you just did. You just opened an application, wrote an e-mail and sent it using nothing but your eyes.

Unidentified Speaker

That's right. I'm incredibly proud of our team and the work we've done to make this possible so far. And what's really exciting is this shipped last month in the Windows 10 Fall Creators Update for anyone to use. This work has been truly inspiring. And it really changed when we started working with people in person living with ALS, like Steve, to understand the challenges they live with every day. And to find ways technology like this can help improve their lives. We're really excited for the future opportunities of technology in this to come.

Shun Grewal

Thanks, Jay.

Unidentified Speaker

Thanks so much.

Shun Grewal

Now in the last couple of years, we've seen the convergence of 3 critical technology advancements: the cloud, big data and machine learning and reading. This convergence is helping us unlock the potential of artificial intelligence to augment human capability. So today, we wanted to show you how we're enabling AI through some of our familiar Office applications. And Nina [ph] here is going to show us how.

Unidentified Speaker

Thank you, Shun. Microsoft is a global company serving customers around the world that communicate across many cultural and language differences. Imagine a teacher

delivering an online lecture to students around the world. Imagine a multinational CEO addressing their global workforce. Wouldn't it be nice to provide real-time transcriptions for anyone in the audience? Wouldn't it be nicer to provide real-time translations so that anyone can access the presentation in their own native language? Well that's exactly what we're doing with PowerPoint and Presentation Translator. Let me show you.

The nice thing about translator is that there's nothing new for me to learn. It's right here in the PowerPoint experience. I click this button. And a dialog will allow me to select the language that I'm going to be speaking in my presentation. In this case, I'm going to select Spanish among 9 different languages that are available. Then I'm going to select the language for the subtitles. In this case, I'm going to select English among 60 different languages that are available. And just like that, I'm going to start the presentation with subtitles.

I'm going to mute myself for a second just to show you what happened. Notice that PowerPoint inserted an additional slide with a QR code so that anyone in the audience can join using their own device and select an additional language if they want to. Shun, do you want to join using the Microsoft Translator app?

Now we're ready to start the presentation. I'm going to advance the slide. And un-mute myself. I want you to pay close attention to the translations on the screen.

(foreign language)

Shun Grewal

That's amazing, Nina. I have absolutely no idea what you were saying. But I can read it on the phone.

Unidentified Speaker

As you can see, I can stand here and speak in Spanish. And you see all of the subtitles in English. But remember, people who are following along can get the subtitles in any language they choose. This is all possible using the power of Microsoft Translation services. And I can even customize the translation model based on the content of my deck and my voice.

AI is more powerful when there is nothing new to learn, when it is integrated into the technology that we love and use every single day. And this particular experience is helping us break through language barriers in amazing new ways.

Shun Grewal

You know it's incredible to see how empowering the tools within our Office applications can be. I recently started graduate school. And though I've always been an avid OneNote user, I've now started using it in a new way as a student. And

OneNote and a Surface Pro and a Surface Pen have made that experience incredible. OneNote is truly enhanced learning experience for me in my economics class.

As you can see here in every lecture, I take quite a few notes to capture the concepts that my professor is teaching us. He always says he wants to see 3 things for any question. He wants to see an equation, a graph and an explanation. And the beautiful thing about OneNote is that it can help me with this. Now I always free-hand the curves when I'm in class so that I can learn them conceptually. But when I get home, I use the math tool to graph the equation at scale and compare them.

So over here, I have an equation for a budget line. I'm going to go ahead and select that equation. And when I click on the math button, you can see that it transcribes the written equation. And I have a few different options here. I'm going to select the action to graph it. So not only does it give me the graph for that equation, I also have the opportunity to look at key graph features here: the x and y intercept, the domain, the range. And when I insert the graph on the page, I can put it right next to the one that I drew. And with my pen, I can even draw my indifference curve right on top of my budget line.

Unidentified Speaker

That's definitely a great example. Now let me show you one in Word. I'm sure most of you in this room have gone through the process of creating a resume. And while this is not something that we do every single day, when we do it, we want to make sure that it's just perfect so it can help us land that next dream job.

Well we know that around 80% of worldwide resumes are created in Microsoft Word. So we set out to make this task easier with a new feature called Resume Assistant. Here, I'm going to help my friend Amy with her resume.

Using artificial intelligence, Microsoft Word has already identified that I am creating a resume and has automatically scanned the roles and experiences. Now it took this information and connected it with LinkedIn to find the highest performing examples for people with similar roles. I can scroll to these examples and get inspiration for writing my own. I can even filter by the industry, for example gaming, to get additional results. And I can get the top skills for this particular role listed by people in their public profiles. This is all made possible using the integration of the LinkedIn graph and Microsoft cognitive services to help tailor the resume based on the skills that employees are looking for.

Shun Grewal

Love that. Now we've shown you just a few of the new innovations that we brought to market in 2017. We've talked about the Windows 10 Fall Creators Update, gaming and the new Xbox One X, artificial intelligence and why we think it will be the next big technology paradigm shift. And the importance of making all of our products accessible so we can enable every person and every organization on the planet to

achieve more. But before we leave, there is one more story we wanted to share. Let's roll the video.

Unidentified Speaker

Thank you.

Questions And Answers

A - Chris Suh {BIO 17955231 <GO>}

Good morning. I'm Chris Suh, Microsoft's Head of Investor Relations. I'll be the moderator for today's question-and-answer session. I'll now invite the speakers to come back out on stage.

I hope you enjoyed that incredible product showcase. If you haven't already done so, we -- after we conclude the Q&A, I encourage you to visit with the Microsoft Store associates, who are on hand in the room next door, to experience firsthand some of Microsoft's latest products and services. They're also available to assist with any technical support questions as well.

In the aisles, you'll see microphone stands set up. If you have a question, please queue up at the stands. There's also a representative at each mic from the Investor Relations team that can provide any assistance. And we'll try to get to as many questions as we can. So let's go ahead and start with mic #4.

Q - Unidentified Participant

I recently read that about 95% or more of Internet search -- searches are done with that other search engine. So I'm just wondering how far is Bing going to go against this competitor.

A - Satya Nadella {BIO 3224315 <GO>}

So let me answer that. Overall, we are very, very focused on building the Bing search technology. That technology investment in fact has helped us grow a lot of our AI, our capability that you saw today. It's in fact even helped us build some of the distributed systems infrastructure that's very core part of what we're doing with Azure. But on search itself, it's a fairly substantial business for us that's growing very nicely because of the amount of searches that are still done on the PC and in Windows. And in the context of Windows, our search share continues to grow. So we are now well north of 20% search share in the United States. The PC search market happens to be one of the largest markets. And so -- in that sense, for us, it's actually a growth opportunity. So we continue to make progress month-over-month, quarter-over-quarter, while also taking advantage of the core technology investment underneath Bing in many, many different areas.

A - Chris Suh {BIO 17955231 <GO>}

Terrific. Let's go to mic #2 please.

Q - Ken Copley {BIO 17030769 <GO>}

I'm Ken Copley, Capital Executive; shareholder since 1991. To frame my argument or question, I'm only talking about Windows and Office for the PC. Why use a consumer pricing strategy that was basically developed before the Internet, which brought scale to software service? Learn how to strategically price the consumer software service to build and protect the legacy of Microsoft. I want to question the strategy of application design. Operating system, browser, e-mail once dominant positions of Microsoft, what happened? I'll tell you one reason. With respect to software as a service, Google has figured out the relationship between the consumer and the enterprise. Specifically, how you can strategically price the software service to literally create synergy between the market segments. How? Through application design one software, one service, 2 versions, one for the consumer, one for the enterprise. They have more functionality security. But both have the same user interface. Think of it this way. The more consumers you serve, the more value you create for the enterprise. And this market dynamic maximizes monetization potential. Fortunately, Microsoft still has a dominant position in Windows and Office, a great, great competitive advantage for Microsoft. And again, I just wanted to question the consumer pricing strategy and the strategy of application design. Thank you.

A - Satya Nadella {BIO 3224315 <GO>}

The 2 data points that I shared with you today speak very directly to I think what your question or comment was. It is 28 million subscribers of Office 365 Home and Personal, 120 million users of Office 365 Commercial are 2 sides of the same product. And that's our strategy. We absolutely think of Windows as a key part of it. But you can see where we are going with Microsoft 365 and Microsoft 365 at Home and Microsoft 365 Commercial as essentially the 2 sides of the same coin. This is something that, as you rightfully pointed out, is our heritage. And that's what we're going to take forward in a new era where subscriptions and devices come together.

A - Chris Suh {BIO 17955231 <GO>}

We'll go to mic #1 please.

Q - Unidentified Participant

Recently, there was an article in The Seattle Times talking about how Google have been working with the Girl Scouts Western Washington on some AI projects to get them more involved and interested in working in the tech field. Is Microsoft doing similar things with the girl scouts, or with other initiatives to improve the ratio of females in technology?

A - Satya Nadella {BIO 3224315 <GO>}

Absolutely. I mean I'll start and then maybe Brad and others can add. Overall, we are very, very focused on bringing all of our capability so that we can get more women and girls interested in STEM and successful. And for example, one of the tools that we're very, very excited about is Minecraft in education. It turns out when you introduce especially girls to computer science through Minecraft. And the open world nature of Minecraft makes it possible for them to express themselves and learn

without any restrictions of the current curriculum of any STEM education. So that's one of the opportunities that we fully believe can over the fullness of time get more girls interested in computer science. But that's just one piece. We're working with many organizations to make sure that we have more women and girls join the STEM field, join Microsoft and other technology organizations and succeed after joining in their careers. So I don't know, Brad, if you wanted to add more to it.

A - Bradford L. Smith {BIO 1721351 <GO>}

Sure. It's a really great point. And what we're trying to do is build the pipeline of people in this country and elsewhere who, first of all, have the opportunity to learn to code and get exposed to computer science. And in doing that, make sure that we're taking special efforts to reach girls or women and also ethnic and underrepresented minorities. We have one signature program that we call TEALS, Technology Education and Literacy in Schools. This is in 348 high schools in 29 states across the country this year. But we also have key partnerships with code.org, with Girls Who Code, with the Boys & Girls Club of America and a variety of other groups. And one of the things we're measuring every year is what number of participants or what percentage of participants are female and what percentage of participants are from underrepresented minorities. And we're focusing on getting into urban cores where people may have less opportunity and also into more rural areas, especially with the new partnership with the 4-H.

A - Satya Nadella {BIO 3224315 <GO>}

And just one other program that we're very excited about is DigiGirlz. DigiGirlz is another program we started a few years ago. And it's exciting for me to see the graduates of DigiGirlz join Microsoft even as full-time employees. So it's fantastic to see the progress these programs are making. And we know there's a long way to go.

A - Chris Suh {BIO 17955231 <GO>}

Thank you for your question. Let's go to mic #3 please.

Q - Unidentified Participant

Tina Escobar [ph], shareholder. Just a quick question about cybersecurity. I know as we're going to IoT, the cloud and that gets more pervasive, what is Microsoft doing to ensure the security of all the businesses and people that are using this? Because as a consumer, you get a little bit, I guess, passive about what we're putting on to the Internet. So it's like protecting -- what are you guys doing to protect the consumers from (inaudible)?

A - Satya Nadella {BIO 3224315 <GO>}

Absolutely. Overall, the frontier of what is needed in security is rapidly changing, for the very reasons you described. Whether it's the pervasiveness of technology in our lives because now it's not just the endpoint device in terms of computing. But it's the thermostat, it's your doorbell, anything in the house and, of course, in any other setting. So the approach we're taking is for us as the technology providers, how do we build all of the software and the devices with the deepest security technology. So we're making significant investments. Out of the gate, any Windows device, for

example, comes with endpoint protection so to ensure that you can have the best technology. We also invest and we continue to invest heavily on keeping it up-to-date. There is no such thing as building something that's secure for all time if it's not kept fresh so that it can respond to any new threats. Beyond that, one of the other things that in -- when you think about cybersecurity is it's not just about the security in the product. But it's the operational security posture that you have. When it comes to consumers, we have that posture on your behalf.

Because at our -- in our data centers, we see all of the signals across all of the endpoints. We are continuously monitoring what those signals tell us, create intelligence out of it so that we can help respond to any threats. So -- and this doesn't just stop at the Windows endpoint. But it also goes into your inbox in your mail. Because when we see some threat vector on the endpoint, we make sure that, that threat vector doesn't propagate, for example, through social phishing. So that's the approach we're taking across all of our products. This is something that we are happy to sort of demonstrate and talk more. But cybersecurity all end -- end to end is a very high priority. The one other comment I'd make on IoT, since you brought it up, one of the biggest advantages of having Windows devices even in your IoT. And we have a very good program at Windows IoT is the update capability. When you sort of think about putting operating systems into new devices and those operating systems don't have the investment to keep them fresh and up-to-date. From a security perspective, that's going to be a massive challenge. Whereas with Windows IoT, you have the one assurance that Windows Update will always ensure security of that endpoint.

A - Chris Suh {BIO 17955231 <GO>}

Thank you very much. let's move to mic #4 please

Q - Unidentified Participant

I'm Paul Koshiyama [ph]. I was watching that video of the buildings going up. And I noticed there's only about 10 cars on 405. Now I've never seen that happen at least about midnight. So can you tell me how you're going to mitigate the traffic congestion beyond sound transit and the footpath? Because I still think that's just going to be a nightmare going on 405.

A - Bradford L. Smith {BIO 1721351 <GO>}

It's HoloLens teleportation. Well the first thing we would say is this is a challenge not just for Microsoft as a company. But it's for all of us who live in this region. And it really requires a comprehensive approach. And I think the one point that gives us some encouragement is that we do see increasingly the region taking a comprehensive approach. And so in part, it has involved improvements in the highway system, the continued expansion, whether it's 405 or 520 or the I-5 Corridor, it definitely involves more investment in transit. So we're seeing investments in buses. The region is doing that. King County is doing that. We're doing that. Microsoft operates the fifth largest bus service in the state of Washington with our connector service. So we're always focused on whether we can enhance that in ways that will reduce the congestion that our neighbors may face. We do see light rail as an integral part of the future. So that to us is very encouraging. People do

not have the opportunity today of living in Seattle or living in Bellevue and taking the train to work at Microsoft. That will be a reality in the year 2023. Then we have the focus on bicycles and everything else. There's no one single thing that we see that's going to solve this. So we're going to keep pressing ahead. We do measure every year the percentage of our employees that are coming to work in other than a single-occupancy vehicle. And every year, that's going up. And it's our goal to keep raising it every year.

A - Chris Suh {BIO 17955231 <GO>}

Thank you very much. Let's go to mic #2, please.

Q - Unidentified Participant

I'm sure that the folks in this room would agree that Microsoft is on the shortlist of great U.S.-based corporations, like General Motors' stature in the middle of the 1900s, although the (inaudible) said to Michael Corleone, "We are bigger than U.S. Steel." So why am I saying this? Well Microsoft is on track to receive a major tax break along with other corporations, if Congress and the President have a way of passing this legislation. This tax overhaul is relying on the business segment in America to invest in all forms of endeavors to move the American economy. My question to the panel is this. What are Microsoft's intentions vis-Ã -vis this added revenue? And by the way, your presentation prior to Q&A was spectacular.

Perhaps -- so again, what are your intentions, perhaps to accelerate the educational needs of our student population at all levels? Could (inaudible) technological curriculum be the answer? In other words, algorithms must be balanced on the metaphorical seesaw with societal rhythms. And kudos to the Gates Foundation keeping themselves on that seesaw in the right balance.

Will Microsoft strongly defend and assist the DREAMers? And finally, be positive -- be a positive voice along with the political action committees on campus to take a stand against all the fluff and no substance of the leader of this new and dangerous administration? And a quick P.S. May I respectfully submit to everyone here to read and possibly reread Sinclair Lewis' satirical novel, It Can't Happen Here. And thank you for being here.

A - Satya Nadella {BIO 3224315 <GO>}

Thank you for your comments, I guess. But the -- let me just start by one thing though, which you brought up which I think is important. For me, everything starts with our mission. When we say we want to empower every person and every organization on the planet to achieve more, each one of those words is not just words but a guide to how we think about investing for not just our future but more importantly the people we empower and more importantly the institutions that people build using our technology that in many cases will outlast them as well. And I'm a product of Microsoft technology reaching me where I was growing up. So I'm always reminded of that in terms of the power of what technology can do to create opportunity for people everywhere. But the most important part of our business model, in spite of all of our success, the one thing that we are grounded on is our success rests on our customers' and partners' success. That's core to our business

model. That's what makes us different and unique in the tech sector. So that -- to your point, anything that we can do to continue to invest, to build new technology, build new solutions that empower more people so that they can be more successful, make it possible for other institutions to thrive, that's what we will continue to do with any changing landscape around policy, around tax or others.

Q - Unidentified Participant

(inaudible)

A - Satya Nadella {BIO 3224315 <GO>}

I think we have taken a very clear stance. But Brad, if you may want to add to it.

A - Bradford L. Smith {BIO 1721351 <GO>}

Yes, I think you'd be hard-pressed to find any company that has been more resolute on the issue of the DREAMers than Microsoft. In part, it reflects the fact that we have 45 employees who themselves are registered under DACA. We have employees in this area that literally have come from 157 countries around the world. So they've been just fundamental to our success. Obviously, Satya personifies that himself. And we do worry about the fact that our 45 employees are among the 800,000 DREAMers in this country who currently are having to look at the calendar and know that if nothing happens on March 6, they'll wake up and potentially face deportation. So we don't think that is good for our people. We don't think it is good for our company. We don't think it is good for our shareholders. And we don't think it's good for the country. So we've actually filed suit. We've stood up and filed briefs in other suits. And we've made clear to our employees that if any of our 45 employees face deportation, we'll provide legal counsel for them. We'll stand by their side in court. We'll seek to intervene in the court proceeding. And we'll file an amicus brief. We think that's important.

A - Satya Nadella {BIO 3224315 <GO>}

I'll just add one other comment because I think this brings up another thing that all of us are very passionate about, which is when we talk about our mission and empowerment, creating economic opportunity for everyone is super important, starting right here in the United States. So the rural broadband program, I think, is something that we are very, very excited about because I think that that's really a pressing need to create that economic opportunity in all of our communities. I don't know, Brad, if you wanted to say a few words about what we are doing there.

A - Bradford L. Smith {BIO 1721351 <GO>}

Sure. I mean it is important. One of the things that we recognize is this needs to be a country where we need to live in a community where there's opportunities, obviously not only for people who come here from other countries but for everybody who grows up in this country. And right now, there are literally 23.4 million Americans who live in rural counties who have no access to broadband. Just think about all of the services that we are working to provide. And what broadband means for people in terms of doing homework after school, what it means for a veteran who wants to get telemedicine coverage, what it means for a small business wanting to create a

job or what it means for the future of agriculture. So from our perspective, this is important. And therefore, we've launched an initiative. We call it Airband that where we've committed ourselves over the next five years to bring broadband coverage to 2 million rural Americans, always working in partnership with telephone companies because we're not going to be in that business ourselves. But more broadly, we've called for a national initiative to completely eliminate the rural broadband gap in the next five years.

A - Chris Suh {BIO 17955231 <GO>}

We're actually going to stay right here at mic #2 for the next question.

Q - Unidentified Participant

My name is Dennis [ph] (inaudible) . And I'm a nurse and a psychologist. And I've been a Microsoft user since DOS in the mid-'80s. But I don't know much about gaming. First off, I want to thank you for the great demonstration and work on the things that allow people with disabilities to use learning and be productive. I have several family members with neuromuscular disorders and cognitive disabilities. And this is going to be fantastic for them. Thank you for that terrific demonstration. But my question is around what is -- I'm not much of -- even though I've been a longtime user of Microsoft products, I don't know much about gaming. I've not spent much time using my computer as a play tool, more a work tool. What is being done in the world of gaming to address the issues of the social and cognitive and emotional development of children who are playing the games that are clearly high degree of energy and sometimes violence? And how do the games take into account the effects on the development of our youngsters as they are growing up and learning about violence as a way of solving world's problems? Can you comment at all on that?

A - Satya Nadella {BIO 3224315 <GO>}

I mean, first of all, we take all of the work around ratings of games very, very seriously and making sure that everything that's published on our platforms has the proper ratings. In our own games, which we produce, we absolutely are very focused on creating in fact content that promotes things like diversity inside of the games. The content itself is something like, especially something like Minecraft to me is a perfect game, which not only will give you a lot of entertainment. But it happens to become one of the most -- best tools to teach essentially STEM in computer science. so we want to be able to even extend what is this notion of gaming and a form of entertainment into activities that actually enhance the cognitive capabilities of people as well as give them entertainment. So therefore, we'll take a broad spectrum view of how we pursue our gaming. We are recognizing that there is certain games that have violence in them. And we just want to make sure that the ratings is the way we warn parents and children about what that may mean to them. I don't know if Brad or others want to add to any of these?

A - Bradford L. Smith {BIO 1721351 <GO>}

No. I think that addresses it.

A - Chris Suh {BIO 17955231 <GO>}

Thank you very much. Let's move to mic 1.

Q - Lonnie Lusardo

My name is Lonnie Lusardo of Seattle. I am a slow learner. The rate of technological innovation is happening at a pace I can barely keep up with. Seeing the demos today is very impressive and very positive. But most of it just goes over my head. And my first question to me is how can I use that in a consulting practice? The question for you is does Microsoft offer a site online where one can go and learn all the dynamics of these great demos so I can figure out how to apply that in my work?

A - Satya Nadella {BIO 3224315 <GO>}

Absolutely. And thank you for that question. I mean you're absolutely right. The pace of technology advance is rapid. We're doing everything possible in the product itself to make things much more intuitive when it comes to usability, the tutorials and everything else that you can use while using the product to teach yourself. But one of the other great resources we have is our professionals in our stores. So as a small business or an --

Q - Unidentified Participant

(inaudible)

A - Satya Nadella {BIO 3224315 <GO>}

I'll come back to even online. So stores is a fantastic place to go as an additional resource. Then online. So everything that we can do in-store in terms of somebody explaining how to use a product, how to take advantage of the product is all available online as well on microsoft.com. So I would encourage you to go in the product to help in -- to microsoft.com and then our stores, if that makes sense. So those are the 3 places I would point you to. But your question is something that we think about all the time because we want to make things more accessible, more easy and/or more intuitive. Thank you.

A - Chris Suh {BIO 17955231 <GO>}

Thank you very much. Looks like we're down to our final question at mic #3.

Q - Unidentified Participant

One follow-up question. You're talking about AI and Machine Learning. Has Microsoft thought of getting into autonomous driving vehicles and its role in that in the future?

A - Satya Nadella {BIO 3224315 <GO>}

Sure. One of the things that, at Microsoft, we're very, very clear on is the businesses we are in and our relationship with other of -- partners and customers. In this context, we are partnering very broadly with the auto industry, the American car

manufacturers, the Japanese, the German and many others to make sure that they can take the cutting-edge AI technology. Autonomous driving means you got to solve the computer vision problem. It turns out Microsoft has significant technology around computer vision. The other part of autonomous driving is even the connected car scenarios. In fact, we have great traction with all automakers all over around telematics and connected car scenarios. So we are partnering deeply.

Our intent is to empower many auto companies, whether they are current incumbents or even new entrants to be able to be very successful in their autonomous driving vehicles efforts by providing them the technology capability as building blocks. And so that's our intent in those markets. And what is happening in autonomous driving in auto industry quite frankly is being replicated in every other industry that's being digitally transformed. Energy is another example. Retail is another example. Manufacturing. Our intent is to not get into any business that's now being digitally transformed but more importantly is to empower people in those industries to become digital companies. That's core to our strategy. And that's what's building trust in Microsoft as a long-term technology partner because they know that we are not there to compete with them, we are there to empower them.

Q - Unidentified Participant

Sorry. One last follow-up question. Will that roll up into like the usage of the cloud or Azure?

A - Satya Nadella {BIO 3224315 <GO>}

Absolutely, absolutely. Azure is one place you can look at. But it also means things like Cortana will show up in different devices, including cars. So we have lots of different technologies, whether it's on the front end or in the cloud. But cloud is a place where there is a lot of traction, especially on that particular scenario, or on autonomous driving and connected car.

A - Chris Suh {BIO 17955231 <GO>}

Thank you. So this brings this year's annual meeting to a close. We want to thank you for your attendance today and, of course, sincerely thank you for your support and investment in Microsoft. Thank you very much.

A - Satya Nadella {BIO 3224315 <GO>}

Thank you.