

UBS Global Technology Conference

Company Participants

- Julie Larson-Green, EVP, Devices and StudiosÂ Engineering Group

Other Participants

- Brent Thill, Analyst, UBS
- Unidentified Participant, Analyst, Unknown

Presentation

Brent Thill {BIO 1556691 <GO>}

Good morning. Welcome. My name is Brent Thill. I run the software research initiative at UBS. We've had a busy past couple days. We have got another busy day today. We are extremely pleased to have Julie Larson Green from Microsoft with us. Julie has spent over the last two decades at Microsoft helping build the foundation of what has become obviously one of the biggest software companies in the world.

She now leads the Devices and Studios Group, responsible for all the hardware development, including Xbox, Surface. And accessories. She also led the product planning, design and delivery of Windows 7, Windows 8. And Windows 8.1. So a pretty incredible background. Started her career as a developer and is now responsible, again, for leading a lot of these new initiatives.

As my IR role I'm taking today, during this presentation Julie may make forward-looking statements which are predictions, projections, or other statements about future events. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results can materially differ. Microsoft does not undertake any duty to update any forward-looking statements. With that, thanks for coming, Julie.

Julie Larson-Green {BIO 17409552 <GO>}

Thanks for having me.

Brent Thill {BIO 1556691 <GO>}

I guess maybe walk through in your newly defined role what you're doing, the strategy. And how we should think about the devices strategy as a whole coming together in the next couple years.

Julie Larson-Green {BIO 17409552 <GO>}

Sure. As Steve Ballmer outlined in our July reorganization, it's we are coming together as a One Microsoft around devices and services as our strategy. So my role is to bring together all the device projects that were going on inside of Microsoft and turn it into a family of devices that help people get things done that they wanted to get done; share with family and be wherever they want to be.

So whether they're mobile or in their living room or at a desk, that they can get access to the things they care about, the people they care about wherever they are.

Brent Thill {BIO 1556691 <GO>}

So you have a big role.

Julie Larson-Green {BIO 17409552 <GO>}

It's fun.

Brent Thill {BIO 1556691 <GO>}

And reestablishing -- I think Microsoft has been known for the enterprise side of the house. On the consumer side it's been a work in progress, if you will. With you think you can have the biggest impact going forward terms of taking picking a lane to go after?

Julie Larson-Green {BIO 17409552 <GO>}

When I started at Microsoft about 20 years ago I started in developer tools. So it's basically the bottom layer of the stack with developers that create applications for our platforms. I moved into Internet Explorer and I helped create the SharePoint team.

Then I went to Office and redefined productivity with Office Ribbon. And I went to Windows and reinvented the platform. Now my job is to reinvent how we think about device products and how those things come together.

So Microsoft has been in hardware for a really long time. Our first hardware product was called SoftCard. It was -- it brought basic programming to the Apple II. So we've always been willing to do hardware when it has furthered the state of the art in technology.

With the mouse in 1983 and now where we are putting a big push into being there with the devices that are going to help people in their lives. And it's very exciting. And it's really fun for me because I'm focused on the design of the end product, which has always kind of been my thing that I like to think about; the delivery of the device, what it looks like when you open it up and what it's like when you take it out

of the box, what your first experience is and what your experiences over time. And then that perfect role for that.

Brent Thill {BIO 1556691 <GO>}

What do you think the biggest opportunity is? I think a lot of our clients look at mobility and say this is probably your biggest opportunity. You know, Surface is interesting. But when you look at the number of mobile phones that are out there, this is clearly your biggest, probably, challenge and biggest opportunity.

Julie Larson-Green {BIO 17409552 <GO>}

Definitely. I think mobility is going to continue to change. Mobility today people think about a cell phone or a tablet. But there's what we kind of call ubiquitous computing or things that are going to be in devices in your home, on your body. So it's going to continue to evolve.

It's a very exciting time to kind of have this services strategy where you can get access to all the data and information that you care about; the people, the documents, your entertainment, all the things in your life from whatever is most convenient to you at the time. So looking at the family of devices, mobility is a huge part of how people live and work and interact today. So we will be there with those devices.

Brent Thill {BIO 1556691 <GO>}

You are facing some formidable competitors in the space. Some of the analogies of kind of being multiple laps behind in a car race. How do you effectively step on the gas and catch up with some of the others that are out there and disrupt year multiple devices that are in my pocket -- BlackBerry, iPhone -- how do you get that experience into my family?

Julie Larson-Green {BIO 17409552 <GO>}

I think that was the genesis for the restructuring of the Company, because we have all the elements. We have talented hardware engineers. We have great platform for building applications on top of those devices -- application platform that scales from mobile devices to giant large-screen devices to your living room. We have the services that back those things up and we are uniquely positioned to bring all those things together.

So by structuring around one strategy for the Company rather than made up of individual business groups with the best of intentions but their own P&L concerns, we've will be able to focus the resources of the Company in a new direction. I think it will help us move faster. Of course the acquisition of Nokia helps, as well, to give us the engineering muscle and the muscle in inventory management and manufacturing to scale quickly.

Brent Thill {BIO 1556691 <GO>}

The other thing our clients have asked about is just the ecosystem that's working with you. Many of the software participants in the Valley have spoke about we need Microsoft to get to a certain % of market share before we can really start to commit dollars; one small business company that says we've got to see them over 10% share before we can take them very seriously. From your perspective, how are you planning that ecosystem back to kind of help you in delivering this message?

Julie Larson-Green {BIO 17409552 <GO>}

Sure. Again, that restructuring helps, because now we have one operating system group so you can target all of the devices in -- no matter if it's a phone, a tablet, PC, an Xbox -- which launches today, by the way, tonight at midnight. You can target all of those things as a developer. So it helps build the number of people that you can reach or the number of customers that you can get access to.

It also makes it easier for you to play across a set a platforms or set of devices with one platform. We are doing well in some markets. So it's kind of a chicken and egg thing.

You have to have the apps to get people to want to be on your platform. You have to have people on your platform to want to get -- people who want to get the apps. It can be a slow start.

Even Android wasn't fast. It took 18 months or so before they had critical mass. And so we feel like we are on track. We just got Instagram on Windows Phone yesterday. And so we are starting to see the players coming. We have YouTube on Xbox One. We are starting to see the momentum building.

Brent Thill {BIO 1556691 <GO>}

You mentioned Xbox One. I will be in line tomorrow at the local Windows store.

Julie Larson-Green {BIO 17409552 <GO>}

Tonight, at midnight?

Brent Thill {BIO 1556691 <GO>}

I won't be there at midnight tonight. But the last major console was eight years ago. How do you think about what's different with One?

Julie Larson-Green {BIO 17409552 <GO>}

Sure. There's a number of different -- I mean the world is a lot different than eight years ago. We are moving entertainment beyond just gaming into encompassing

more of what you do in your home.

And so with Xbox One we start a new generation of entertainment console that is more than just hard-core gamers. So you will be able to interact in a natural way with your voice, with gesture. You will be able to say Xbox on to turn your TV on and start watching TV. Say Xbox ESPN to take you to the channel immediately.

So it's really going to change the way you think about interacting with your TV. So you're not grabbing those remotes and trying to find what button to push. You can just speak naturally to the device. And it's also just a great showcase of what Microsoft has to offer.

It brings together Skype -- you can do Skype calls on your big screen. That really changes how interactive it is for your family. So you can call loved ones far away and have your whole family sitting around and see the person. It really brings -- when in a business you think of videoconferencing, because there's a lot of similarities to it. But it brings it to the home.

Of course, you can also videoconference with your Xbox. Maybe it will be showing up in the boardroom, as well. But there is SkyDrive integration. It's really the best of Microsoft, across all of our devices. You start to see the vision that we have for how these things connect together.

Brent Thill {BIO 1556691 <GO>}

A lot of questions as it relates to you're not going to be alone with a new box. You had Sony come a little earlier with a slightly lower price point. One of the questions we get is, when you look across the specs, they look fairly similar. So why am I going to pay hundred dollars more for One versus Sony? Maybe you can walk through why the delta in the price point.

Julie Larson-Green {BIO 17409552 <GO>}

Sure. You're going to pay a little more for the better experience. I mean, they have a great gaming platform and it's centered around gaming. So we are extending you into the living room with your TV and entertainment. We are extending you with very high quality voice and gesture recognition.

The Xbox -- some of our Xbox games, we have a fitness game that can tell your pulse when you are in front of the device working out. It will show you the muscles that are being used, tell you whether you are using your muscles efficiently or not. And tell you your pulse just from seeing your face.

So there's all kinds of very cool innovation in there that will really change the way you think about it. It's not just sitting on the couch with a controller and playing a game; it's so much more than that.

Brent Thill {BIO 1556691 <GO>}

When you think about --

Julie Larson-Green {BIO 17409552 <GO>}

Although my 13-year-old son sits on the couch with the controller all the time.

Brent Thill {BIO 1556691 <GO>}

When you think about the kids -- at least my three kids -- and the way that they are interacting now they are taking my wife's iPhone and my iPhone out of my pocket and they are downloading 15 apps in the next thing you know all these apps downloaded. So the way the younger generation is consuming entertainment has changed. How do you participate in that type of environment going forward?

Julie Larson-Green {BIO 17409552 <GO>}

Sure. So -- well, I have a 13-year-old at home who loves gaming. I get texts from him. I know when he says, quotes love you, mom, it's followed by can I get for \$0.99. So it's a very big part of how kids are growing up today, is growing up with technology.

More than just gaming, they are also growing up with writing with a pen on glass, which is something that we didn't grow up with. So it feels different to us and it feels more natural to them. I think with Surface, our touch keyboards -- the one that is not mechanical keys. But uses all touch. So a touch cover, there's a different experience that they have because they don't have the preconception of what it was like to type on physical keys.

So seeing what kids do with the technology today without the past in their head has been really fascinating. Helping them with -- that's why Surface has been a great device, because it can help you get your homework done. It has office and all those things on it.

But it also has all the entertainment and movie watching and games and things. And Smart Glass to connect to your Xbox in ways that you can really get your whole life done, even if you're a child. It's been fun to watch how differently they grow up on what they're doing.

My favorite feature on Xbox is actually a very little known feature. On my Windows Phone I can see when my son is playing or not. And if he supposed to be doing homework, I can send him a message from my phone to the Xbox -- because he won't answer his phone when is playing -- but he sees a message come up. Mom: get off the Xbox. Do your homework.

Brent Thill {BIO 1556691 <GO>}

Can you remotely shut it down?

Julie Larson-Green {BIO 17409552 <GO>}

I'm working on that one.

Brent Thill {BIO 1556691 <GO>}

I'd like that feature for my kids.

Julie Larson-Green {BIO 17409552 <GO>}

That's a good feature to add. You're done now.

Brent Thill {BIO 1556691 <GO>}

Microsoft Game Studios has been a pretty important component in driving Xbox demand. There's no Halo or Gears of War, these big massive titles right at launch. Can you walk through how that plays out over time? What currently right now are the titles that you're most excited about?

Julie Larson-Green {BIO 17409552 <GO>}

Sure. So we have several new titles. We have a redesigned Forza -- Forza 5. It's beautiful; it's got cars that you can drive that you would probably never be able to see in person that are just spectacular, just gorgeous.

We have Ryse, which is a new game that takes what you can do with graphics to a really new level. It looks so realistic and the way the grass moves. And the shadowing. And the wind blowing and the water is just a super realistic experience.

But there's lots of exciting games coming. Those are two of the big ones that are out and I've been playing and learning and having fun with.

Brent Thill {BIO 1556691 <GO>}

Maybe turning to Surface now, you've learned a lot, I think, from your initial launch and you've gotten a lot of feedback from clients. From your perspective what are the next things you'd like to do with Surface? What are the most important milestones you hope to pass for the next year?

Julie Larson-Green {BIO 17409552 <GO>}

Sure. So Surface has been a fun project. Really, when we created it we created it to be a stage for Windows 8, to be the representation of the experience that we were trying to create. The combination of powerful productivity where you plug in the

keyboard. But also the simplicity of a tablet when you don't. And touch interactive interaction is a first-class way of interacting with the device.

We've learned a lot both in the operating system and the changes we made in 8.1 to respond to customer feedback to make that experience smoother. And we've also learned on the hardware -- longer battery life, lighter weight. But we also are continuing to innovate in thinking about the docking station or that touch first keyboard, or some of the things that we are doing that are unique.

So on the touch cover you can swipe -- on Windows 8 you can swipe from the sides. You can use the keyboard now to swipe as well, or run your finger along the top of the keys to erase words on the Word documents. So really, working on scenarios in efficiency.

But more so going forward Surface is a stage for all of Microsoft, not just for Windows 8. So it brings together the best that Microsoft has to offer with Skype, with SkyDrive, with all the things that Microsoft does -- powered by Bing and Bing search. So it brings a full value of Microsoft into one device.

I think there's different sizes, different price points, new hardware technologies and opportunities. There's all kinds of things that we are working on.

Brent Thill {BIO 1556691 <GO>}

As you've expanded the hardware product line, there's been the natural question of tension with your other partners that are providing a lot of the alternative interfaces that you can buy. Just maybe walk through why you chose to embark down that path. And how you're managing the tension of the channel obviously wanting to be part of your ecosystem. But you have had to make some moves that are --

Julie Larson-Green {BIO 17409552 <GO>}

Sure. We love what our OEMs are doing. I mean they are providing all kinds of different sizes and price points and colors and shapes. And all kinds of innovation into the market.

What we learned was when you're developing an operating system, the end-to-end of the hardware to the software, we felt we could do a good job of spurring software innovation by innovating in the hardware. And spurring hardware innovation by innovating in the software and owning that end-to-end stack. Then making that available to OEMs to be able to go in and do things with.

We thought we would learn a lot about the challenges that they go through, the cost structure that they have to build into and deploy devices, that we could automate and do things in our system to make that easier for them going forward. And we also -- when you're developing operating systems like Windows 8, there was no hardware

out there that did the things that we wanted it to do. There was no -- actually, when we started planning, there wasn't even the iPad.

We had the idea of a tablet of a certain size and with edges -- 10-finger touch and edges that went all the way to the edge that you can swipe from the sides. But that wasn't any device like that. So we prototyped and innovated in those areas and then brought that to the ecosystem. So we think it helps to build more capability across the ecosystem to have us think about the whole stack.

Brent Thill {BIO 1556691 <GO>}

And maybe that plays into the Nokia question about what can you do with Nokia as part of your team. I mean, you had a close relationship already. A lot of our clients have asked, well, you could have just continued down this partnership route. Why --?

Julie Larson-Green {BIO 17409552 <GO>}

Right. It's actually about removing the seams in the experience. So the Nokia camera is amazing. But it sits on top of the operating system. So it doesn't integrate in, in the experience, the way you expect.

You have multiple camera apps, you have multiple storage places, you have multiple ways to upload. So being able to remove those seams and talk more freely about the future direction of what's the operating system and what they are thinking to bring that into the experience.

We just announced today the Dragon Time app, which takes their -- it's a kids game, it's designed to sit back with your phone or with your tablet and kids play a game. The game takes advantage of all the geospatial information that Nokia has and will give you, in the game, real-time weather, traffic routing and things like that to make the game more interesting.

So if it's raining outside it shows that it's raining in the game. If there's a traffic jam in trying to get to the capital because this traffic jam when mom is driving traffic, it will show you that in the game. So those are things that are above the operating system today and things that we can bring down into the operating system to make available to all apps, not just apps on top of Nokia. So there's that. But a big part of it as well is just amazing quality of the engineering team that they have there, the capabilities that they bring to bear the we can put across all of our devices: camera technology, audio technology, imaging technology -- just different things that they have, as well as supply chain, inventory management and all the parts that they do so well.

Even things like I've had questions about the music experience. So Nokia has a new music experience, we have a music experience. It turns out we are not in all the same countries. That really helps us bring a more worldwide focus to the things that we are doing with the distribution channels they have and just the way that they think about delivering their products.

Brent Thill {BIO 1556691 <GO>}

You have arguably one of the most important roles in Microsoft now. Given the transition with Steve's departure, there are a lot of questions about your autonomy and your ability to plan the roadmaps about having the CEO to sign off on it. Can you just help us understand -- maybe it's a misperception. But your ability to lead your team without --.

Julie Larson-Green {BIO 17409552 <GO>}

Sure. Having the strategy really helps as we work together as a management team. And so is not as dependent on one decider, I guess I would call it, as it is a group effort for us to work together and plan the roadmap and the direction. And the high-value activities that we want to deliver the customers on the devices that we think people need and want.

So that hasn't slowed us down at all. We are working hard on the future direction and roadmap in working across Chilu's organization, Satya's organization, talking about how to add more Enterprise capabilities to the device.

Is there hardware things we can do in our devices that would make it easier to Enterprise? How do we lower the barrier for BYOD devices in the Enterprise? Then, of course, working with Terry Meissen in the operating system team to provide the capabilities that we need to make those devices shine.

Brent Thill {BIO 1556691 <GO>}

You know Windows better than anyone. And so there's a lot of questions from our clients. You know, the grizzly bears say the Windows business is trending to zero. The bulls will say it's going to be an integral part of the system forever.

Can you just update us on your view on where Windows goes as the core, or less. And how to think of it? We had our IT panel before this and one of the statements that they had made was they felt you were due for a resurrection, that you had so many great assets that you could bring to bear that, with Azure, there's actually a lot of things that our firm is doing now that we couldn't potentially do before.

Julie Larson-Green {BIO 17409552 <GO>}

I like that analyst. Yes, I agree with that. I think we do have a lot of things to bring to bear.

I think we've been working on becoming more modern in our thinking, both in the cloud infrastructure and how you access that to build applications and run your business. And in the operating system itself in thinking about how Windows can scale from a small device to large device, up to a server. And the power that gives

developers and IT professionals to manage those devices and to give information out to people in their business no matter where they are.

So I think there will always be -- for a long time -- for my lifetime there will be a desktop computer where people are doing precision movements with a mouse, which are highly tuned towards productivity and typing, as well as maybe something on your wrist or something on your head or something in your pocket that you will want to interact and see your emails, your notifications. Get access to corporate data that you need to do your job, as well as interact with friends and family. So yes, I think we are very poised.

Brent Thill {BIO 1556691 <GO>}

One of the other big questions I get is just the traditional decline of the PC. But your role in the cloud, I think you're doing a lot more behind the scenes than maybe people understand.

You kind of mentioned this with all these different devices, I would assume there's got to be meaning in how they connect and there is a way that I think the cloud plays a role on that. So if maybe you could just put into context across what you're doing and what the Company's doing and how the cloud is bringing this to life?

Julie Larson-Green {BIO 17409552 <GO>}

Sure. I mean, definitely we believe in the power of the device and that there are things that the device can do. So thin client computing isn't going to be everything. This always thinks you want to do locally, or you can do better running locally.

But having your data and information stored remotely so you can access it from anywhere is definitely a big -- a trend industrywide. But definitely something that we've been working on for quite a long time. So I think tablets just opened up -- it does replace some PCs. But it also opens up an opportunity for people as an additional device for them to go in and use their phone as an additional device.

We are working on a world where we can make it easy for you to have many different devices in your life. So signing in with your Live ID on a new device gives you back everything that you had on your old device. So the cost of switching two devices is lower, adding additional ones doesn't take as much setup time. So we are really focused on making devices and services integrated in your life, in however you want them integrated in.

Brent Thill {BIO 1556691 <GO>}

The pressure that you kind of face in mobile, there's a lot of questions on can they ever get back in? You guys came into the entertainment market with basically nothing and got to number one. So you have passed milestones that you can point to where you really came around and did a great job.

I guess when you look at mobile and the experience that you can create there, what do you think is going to be really important to get you going again? A lot of the feedback we get is, does this just need a rebranding? Why do you -- if go to the x-phone or some type of rebranding versus away from the Windows Phone, you kick around a lot of different scenarios; I'm curious what you think is --

Julie Larson-Green {BIO 17409552 <GO>}

I think there's a number of different things. One of them is we are seeing momentum in mobile outside the United States, in places like Italy where Windows Phone is 20% market share.

So there's business model things as well, where unsubsidized markets we do better in than subsidized markets like the US. So there's that -- there's thinking about business models.

But there's also thinking around where -- what kinds of devices are about the future. So is not just about phones and PCs. You know, phones are being costed down and disposable. There is an inflection point coming that's something else beyond phones and tablets.

Of course, they're critically important for us to continue working on. And we believe we have plans -- part of the power is bringing those things together and being able to transition from one to the other, for having your phone know you when you walk up to your PC and having good things happen, or walking into your living room and having your calendar show up if you wanted to, on your Xbox. Just permeating technology through your life and making it available to you wherever you are.

Brent Thill {BIO 1556691 <GO>}

It sounds like you've got a library of really good ideas but we're going to have to wait and hear about more of these.

Julie Larson-Green {BIO 17409552 <GO>}

I'm just getting started. I mean, we have a lot of exciting things coming. Even next year you'll start to see some really exciting things.

Brent Thill {BIO 1556691 <GO>}

Maybe when you think about the power of kind of a one single sign on across all, in one common platform, it would seem to make it easier for everyone's consumer life. It would also make it easier for the developers to have one common platform. Is that the idea that we are going to see?

Julie Larson-Green {BIO 17409552 <GO>}

Yes. That's definitely the idea. Also you want to make it easy for the enterprise. Make sure that the enterprise has a way to sign on and an easy way for them to separate corporate data from personal data, as well.

So there's definitely a lot of thinking about -- I usually tell my team, people that have devices in order to buy them, they probably have a job. So we need to think about the full breadth of their workday, because their workday doesn't stop when they go home. And their home life doesn't stop when they go to work.

So how can we bridge those things. And also respect the needs of the Corporation to keep tabs on the data and the information that they are letting their employees walk out the door with?

Brent Thill {BIO 1556691 <GO>}

So the vision of having one phone in your pocket is alive?

Julie Larson-Green {BIO 17409552 <GO>}

It is definitely alive. Yes. Although we don't mind if you have three or four. Have a 6-inch one when you are traveling on the train and you are using public transit so you can see more and do more. Then when you are out in the evening and you only have your suit or your evening dress, you have a small one that slips in your pocket. You can buy more than one.

Brent Thill {BIO 1556691 <GO>}

Great. We will go to questions.

Julie Larson-Green {BIO 17409552 <GO>}

I just got back from a trip from Finland and now I have a 1520, 1820, a 925. It's fun.

Questions And Answers

Q - Unidentified Participant

There was a time long ago when some of us used Lotus 1-2-3 and WordPerfect. And you know, for some reason, probably DOS, the water hit the rock and it went left. And that was the way the world went. It went to Office, basically.

Now, in device, the world -- fast-forward and Apple has this huge, entrenched ecosystem. When you are competing, particularly in device, how are you going to change the culture from -- you were the beneficiary and you were the river that was going. And you had the cash flow and everything like that, to being the outsider looking in? How are you going to overcome that difficulty?

A - Julie Larson-Green {BIO 17409552 <GO>}

I would say through hardware innovation. My first job was writing an import filter for WordPerfect. Actually, my very first job was doing support at the University on WordPerfect and Lotus Symphony, in the lab. Then, my first real paid job import filters for WordPerfect to Page Maker. So I know that world pretty well.

What happened was there was an inflection -- a user interface inflection with the mouse -- and WordPerfect didn't keep up with that. They didn't go and embrace the mouse. So again, with Apple there was an inflection point with tablets, or with phones with touch.

So we had mobile phones -- smart phones before that. But they were based in the key -- like BlackBerry as well. There was a keypad and it was trying to -- and a stylus. It was trying to use concepts of Windows on a smaller device.

So they came in with a bunch of technology to come together in size, weight, power. But the real invention was touch. And that changed and created the new revolution, which is just why in Windows 8 we became touch first in our thinking, to try to -- we knew touch would be a big deal. We added it in Windows 7 but we really exploited it in Windows 8 to rethink that experience.

There will be another inflection point and it's going to come from the hardware input model. So that's why you've seen us doing things with connect, with gesture. You have seen us doing things with voice, because there is one coming. All of the things have to come together.

We were first with tablets, you could say. But the technology wasn't actually there to make it a mobile thing that you would carry around. The idea of a tablet, being able to take notes, take it with you, was stuck on a 5-pound luggable. And now it's in a sleek, thin little piece.

So all those elements have to come together. And we believe it comes from an input model or user experience inflection point with the hardware, which is why we are in devices and why I'm really excited about my job.

Q - Unidentified Participant

What about all the apps and the iOS ecosystem? How do you overcome that?

A - Julie Larson-Green {BIO 17409552 <GO>}

You enable a new kind of app. They were very successful in creating a curated set of applications that took what most people were trying to do on the web and made it valuable to do it on the device. And created a model for them to get paid and get all those things.

There will be another one of those coming, is my belief. You already start to see some of it. I think connecting apps to each other, because so many things are special-purpose, you will start to see new ways for apps to integrate across.

I think there is a lot that's going to come from the web and smart information about you and where -- your location. So sensors are going to become a big part of how you think about things. Some of the things we have been talking about is, you see all these fitness devices that people wear on their wrists and they do some interesting things.

What's the extension of that? What are the sensors and things we can build that help you in your daily life? From telling you that you didn't quite do your push-up as far down as you really thought you could go; to letting you know that it's time to take -- your heart rate is too high and you must be stressed out. Take a big, deep breath -- to letting you know when your bus is running late at the bus stop and -- your bus is running late.

So there's lots of things we can do by bringing those things together in a new way of thinking about how people interact with technology. I don't think -- just as the mouse was an invention, touch was an invention, there will be the next new way to interact. And that's why we have been focusing on natural user interface for a while -- working on that.

Q - Unidentified Participant

Could we come a bit back to the Surface? It could be said that the launch of a dual track last year, RT and Windows 8, was somewhat confusing for the supply chain and the consumer.

Do you think it's still a viable route here for that dual track to continue as you've done a refresh this year? Or do you actually think we need a proper reboot of RT, from the start? I guess the answering question to that is, exactly what has RT achieved, from your standpoint?

A - Julie Larson-Green {BIO 17409552 <GO>}

Sure. Windows RT -- I think there are clearly -- when you look out in the industry, there is clearly a need for a simplified consumer electronics experience on devices. So you look at iPad in particular and it's a turnkey, closed system. It doesn't degrade over time, it doesn't get viruses.

It's not as flexible. You can't do as much with it. But it's just more seamless experience, even though more simplified.

Windows can do anything you want it to do. You can write all the way to the metal. You can add things into your startup group that will affect your battery life long-term.

There are cool powerful scenarios. But they come with a cost in mobility. So Windows on ARM, or Windows RT, was our first go at creating that more closed turnkey experience. So where it doesn't have all the flexibility of Windows. But it has the power of Office and then all of the new style applications.

So you could give it to your kid and he's not going to load it up with a bunch of toolbars accidentally, out of Internet Explorer. And then come to you later, saying why am I getting all these pop-ups? It just isn't capable of doing that, by design.

So the goal was to deliver two kinds of experiences into the market: the full power of your Windows PC and the simplicity of a tablet experience that can also be productive. That was the goal.

There may be not enough -- I think we didn't explain that super well. I think we didn't differentiate the devices super well. They looked similar, using them is similar. It just didn't do everything you expected Windows to do.

So there's been a lot of talk about, should it have been a rebranding? Should we not have called it Windows? How should we have made it more differentiated?

I think over time you will see us continue to differentiate it more. We have the Windows Phone OS, we have Windows RT. And we have full Windows. We are not going to have three.

We do think there is a world where there is a more mobile operating system that doesn't have the risk the battery life or the risk to security. But it also comes with a cost of flexibility. So we believe in that vision and that direction and we are continuing down that path.

Q - Unidentified Participant

When you started your presentation you used quote, unquote One Microsoft. That's a new concept, right?

And I know every division had their own P&L. It's very difficult. It seems like they all had their ego. To work together as One Microsoft, quote, unquote, I believe you guys have the capability to all these things you want to do.

But I'm not sure how long it would take you to get to break down these walls to collaborate to One Microsoft. Can you tell me how your thoughts on that would be?

A - Julie Larson-Green {BIO 17409552 <GO>}

Sure. So we were all part of coming up with the strategy. We've been talking for a long time -- when I ran the Windows organization, my job was to really get other groups inside of Microsoft to bet on the platform.

We had Bing build apps for us. We had Xbox team build music and video. That became the default music and video experience for Windows. We had Office building One Note on our new experience.

So it's not completely foreign to us, to kind of work cross-group. But the incentives in how you worked -- we had different ship cycles, we had different P&L goals. There was no mal-intent, it was just we were busy with our own things.

Now we are busy with one thing. We are busy with bringing together the experience for customers at a Microsoft level. So we have operationalized it in a completely different way.

We are working together on plans. Each team is going off and working on -- we have a shared vision, shared roadmap. We have individual teams going off and working on cross-team scenarios. We meet weekly, as a SLT leadership team to checkpoint where we are at and where we want to go. And what challenges we have.

We have product leadership offsite where we are working cross-company scenarios. That's all new for us. So really it can't be just in a -- say we are going to be One Microsoft and then divide into these different functional teams.

You have to actually put in the ecosystem, or the things in place that will make it real; the new lines of communication, new lines of accountability, new lines of -- new ways of decision-making. And we are doing all of that.

Q - Brent Thill {BIO 1556691 <GO>}

Julie, thank you so much for joining us. We are out of time.

A - Julie Larson-Green {BIO 17409552 <GO>}

Thank you for having me. Thank you.

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