# ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

## **INCOME STATEMENTS**

(In millions, except per share amounts)

Year Ended June 30,	2017	2016	2015
Revenue:			
Product	\$ 57,190	\$ 61,502	\$ 75,956
Service and other	32,760	23,818	17,624
Total revenue	89,950	85,320	93,580
Cost of revenue:			
Product	15,175	17,880	21,410
Service and other	19,086	14,900	11,628
Total cost of revenue	34,261	32,780	33,038
Gross margin	55,689	52,540	60,542
Research and development	13,037	11,988	12,046
Sales and marketing	15,539	14,697	15,713
General and administrative	4,481	4,563	4,611
Impairment, integration, and restructuring	306	1,110	10,011
Operating income	22,326	20,182	18,161
Other income (expense), net	823	(431)	346
Income before income taxes	23,149	19,751	18,507
Provision for income taxes	1,945	2,953	6,314
Net income	\$ 21,204	\$ 16,798	\$ 12,193
Earnings per share:			
Basic	\$ 2.74	\$ 2.12	\$ 1.49
Diluted	\$ 2.71	\$ 2.10	\$ 1.48
Weighted average shares outstanding:			
Basic	7,746	7,925	8,177
Diluted	7,832	8,013	8,254
Cash dividends declared per common share	\$ 1.56	\$ 1.44	\$ 1.24

See accompanying notes.

### **BALANCE SHEETS**

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Accounts receivable, net of allowance for doubtful accounts of \$405 and \$426   19,792   18,277   10 tentorities   2,181   2,257   10 tentorities   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   139,731   139,660   139,732   139,732   139,732   139,732   139,732   139,732   139,732   139,732   139,732   139,732   139,732   139,732   139,732   139,732   139,732   139,732   139,732   139,733	June 30,	2017	2016
Cash and cash equivalents         \$ ,663         6,510           Short-term investments (including securities loaned of \$3,694 and \$204)         125,318         106,730           Total cash, cash equivalents, and short-term investments         132,981         113,240           Accounts receivable, net of allowance for doubtful accounts of \$405 and \$426         19,792         18,277           Inventories         2,181         2,251           Other         4,897         5,892           Total current assets         159,851         139,861           Total current assets         6,023         10,431           Equity and equipment, net of accumulated depreciation of \$24,179 and \$19,800         23,734         18,356           Equity and other investments         6,023         10,431           Goodwill         35,122         17,872           Intangible assets, net         6,023         3,416           Total assets         \$ 241,086         \$193,468           Intangible assets, net         \$ 10,106         3,733           Total circent liabilities         \$ 241,086         \$193,468           Intangible assets, net         \$ 2,108         \$ 2,20           Current liabilities         \$ 2,20         \$ 2,20           Current liabilities         \$ 2,20	Assets		
Short-term investments (including securities loaned of \$3,694 and \$204)         125,318         106,730           Total cash, cash equivalents, and short-term investments         13,981         113,2981         113,240         125,218         12,251         12,721         11,972         18,277         11,972         18,277         18,277         1,987         5,822         1,985         1,985         1,985         1,986         1,985         1,986			
Total cash, cash equivalents, and short-term investments			
Accounts receivable, net of allowance for doubtful accounts of \$405 and \$426   19,792   18,277   10 tentorities   2,181   2,257   10 tentorities   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   159,851   139,660   139,731   139,660   139,732   139,732   139,732   139,732   139,732   139,732   139,732   139,732   139,732   139,732   139,732   139,732   139,732   139,732   139,732   139,732   139,732   139,733	Short-term investments (including securities loaned of \$3,694 and \$204)	125,318	106,730
Inventories	Total cash, cash equivalents, and short-term investments	132,981	113,240
Other         4,897         5,892           Total current assetts         139,861         139,685           Properly and equipment, net of accumulated depreciation of \$24,179 and \$19,800         23,734         18,356           Equity and other investments         6,023         10,431           Goodwill         35,122         17,872           Intangible assets, net         10,106         3,733           Other long-term assets         241,086         \$ 133,468           Liabilities and stockholders' equity           Current liabilities:           Accounts payable         \$ 7,390         \$ 6,898           Short-term debt         9,072         12,904           Accrued compensation         9,072         12,904           Accrued compensation         5,819         5,264           Income taxes         718         580           Short-term uneamed revenue         34,102         27,468           Securities lending payable         97         294           Other         6,280         5,949           Total current liabilities         64,527         59,357           Long-term debt         76,073         40,557           Long-term debt         76,073         40,557 <td>Accounts receivable, net of allowance for doubtful accounts of \$405 and \$426</td> <td>19,792</td> <td>18,277</td>	Accounts receivable, net of allowance for doubtful accounts of \$405 and \$426	19,792	18,277
Total current assets   199,851   199,660   23,734   18,356   24,179 and \$19,800   23,734   18,356   23,1734   18,356   23,1734   18,356   23,1734   18,356   23,1734   18,356   23,1734   18,356   23,1734   18,356   23,1734	Inventories	2,181	2,251
Property and equipment, net of accumulated depreciation of \$24,179 and \$19,800         23,734         18,356           Equity and other investments         6,023         10,431           Goodwill         35,122         17,872           Intangible assets, net         10,106         3,733           Other long-term assets         6,250         3,416           Liabilities and stockholders' equity           Current liabilities:           Accounts payable         \$7,390         \$6,898           Short-term debt         9,072         12,904           Current portion of long-term debt         9,072         12,904           Accrued compensation         5,819         5,264           Income taxes         718         580           Short-term unearmed revenue         34,102         27,468           Securities lending payable         97         294           Other         6,280         5,949           Total current liabilities         64,527         59,357           Long-term unearmed revenue         10,377         6,441           Deferred income taxes         531         1,476           Other long-term liabilities         16,869         121,471           Commitments and contingencies	Other	4,897	5,892
Property and equipment, net of accumulated depreciation of \$24,179 and \$19,800         23,734         18,356           Equity and other investments         6,023         10,431           Goodwill         35,122         17,872           Intangible assets, net         10,106         3,733           Other long-term assets         6,250         3,416           Liabilities and stockholders' equity           Current liabilities:           Accounts payable         \$ 7,390         \$ 6,898           Short-term debt         9,072         12,904           Current portion of long-term debt         9,072         12,904           Accoude compensation         5,819         5,264           Income taxes         718         580           Short-term unearmed revenue         34,102         27,468           Securities lending payable         97         294           Other         6,280         5,949           Total current liabilities         64,527         59,357           Long-term unearmed revenue         10,377         6,441           Deferred income taxes         531         1,476           Other long-term liabilities         16,8692         121,471           Commitments and contingencies	Total current assets	159,851	139,660
Goodwill         35,122         17,872           Intangible assets, net         10,106         3,733           Other long-term assets         6,250         3,416           Total assets         \$241,086         \$193,468           Liabilities and stockholders' equity           Current liabilities:           Accounts payable         \$7,390         6,898           Short-term debt         9,072         12,904           Curent portion of long-term debt         1,049         0           Accured compensation         5,819         5,264           Income taxes         718         580           Short-term uneamed revenue         34,102         27,468           Securities lending payable         97         294           Other         6,280         594           Total current liabilities         64,527         59,357           Long-term debt         76,073         40,557           Long-term debt         76,073         40,557           Long-term debt         76,073         40,557           Long-term liabilities         10,377         6,44           Total liabilities         168,692         121,471           Common stock and paid-in capital	Property and equipment, net of accumulated depreciation of \$24,179 and \$19,800		18,356
Intangible assets, net         10,106 6,250         3,733 (10 c)         3,733 (20 c)         3,733 (20 c)         3,736 (25 c)         3,416 (25 c)         4,416 (25 c)         3,416 (25 c)         3,4	Equity and other investments	6,023	10,431
Other long-term assets         6,250         3,416           Total assets         241,086         \$ 193,468           Liabilities and stockholders' equity         2         4           Current liabilities:         5,390         \$ 6,898           Accounts payable         \$ 7,390         \$ 6,898           Short-term debt         9,072         12,904           Current portion of long-term debt         1,049         0           Accrued compensation         5,819         5,264           Income taxes         718         580           Short-term uneamed revenue         34,102         27,488           Securities lending payable         97         294           Other         6,280         5,949           Total current liabilities         64,527         59,357           Long-term debt         6,280         5,949           Tong-term debt         76,073         40,557           Long-term liabilities         64,527         59,357           Long-term uneamed revenue         10,377         6,441           Deferred income taxes         531         1,476           Other long-term liabilities         168,692         121,471           Commitments and contingencies         31 <td>Goodwill</td> <td>35,122</td> <td>17,872</td>	Goodwill	35,122	17,872
Total assets         \$ 241,086         \$ 193,468           Liabilities and stockholders' equity           Current liabilities:           Accounts payable         \$ 7,390         \$ 6,898           Short-term debt         9,072         12,904           Current portion of long-term debt         1,049         0           Accrued compensation         5,819         5,264           Income taxes         718         580           Short-term unearmed revenue         34,102         27,468           Securities lending payable         97         294           Other         6,280         5,949           Total current liabilities         64,527         59,357           Long-term debt         76,073         40,557           Long-term unearmed revenue         10,377         6,441           Deferred income taxes         531         1,476           Other long-term liabilities         17,184         13,640           Total liabilities         168,692         121,471           Commitments and contingencies         5         531         1,476           Commitments and contingencies         5         68,178         8           Stockholders' equity:         2,648 <td>Intangible assets, net</td> <td></td> <td>3,733</td>	Intangible assets, net		3,733
Liabilities and stockholders' equity           Current liabilities:         7,390         6,898           Accounts payable         9,072         12,904           Short-term debt         9,072         12,904           Current portion of long-term debt         1,049         0           Accrued compensation         5,819         5,264           Income taxes         718         580           Short-term unearmed revenue         34,102         27,468           Securities lending payable         97         294           Other         6,280         5,949           Total current liabilities         64,527         59,357           Long-term unearmed revenue         10,377         6,441           Deferred income taxes         531         1,476           Other long-term liabilities         10,377         6,441           Total liabilities         13,476         13,460           Total liabilities         168,692         121,471           Commitments and contingencies         5         151,471           Stockholders' equity:         2         68,318         68,318           Retained earnings         2,648         2,282           Accumulated other comprehensive income	Other long-term assets	6,250	3,416
Current liabilities:         7,390         6,898           Accounts payable         7,390         6,898           Short-term debt         9,072         12,904           Current portion of long-term debt         1,049         0           Accrued compensation         5,819         5,264           Income taxes         718         580           Short-term unearned revenue         34,102         27,468           Securities lending payable         97         294           Other         6,280         5,949           Total current liabilities         64,527         59,357           Long-term debt         76,073         40,557           Long-term debt         76,073         40,557           Long-term unearned revenue         10,377         6,441           Deferred income taxes         531         1,476           Other long-term liabilities         17,184         13,640           Total liabilities         168,692         121,471           Commitments and contingencies         5         5           Stockholders' equity:	Total assets	\$ 241,086	\$ 193,468
Accounts payable         \$ 7,390         \$ 6,898           Short-term debt         9,072         12,904           Current portion of long-term debt         1,049         0           Accrued compensation         5,819         5,264           Income taxes         718         580           Short-term unearned revenue         34,102         27,468           Securities lending payable         97         294           Other         6,280         5,949           Total current liabilities         64,527         59,357           Long-term debt         76,073         40,557           Long-term unearned revenue         10,377         6,441           Deferred income taxes         531         1,476           Other long-term liabilities         17,184         13,640           Total liabilities         168,692         121,471           Commitments and contingencies         5tockholders' equity:         69,315         68,178           Retained earnings         2,648         2,282           Accumulated other comprehensive income         431         1,537           Total stockholders' equity         72,394         71,997	Liabilities and stockholders' equity		
Short-term debt         9,072         12,904           Current portion of long-term debt         1,049         0           Accrued compensation         5,819         5,264           Income taxes         718         580           Short-term unearned revenue         34,102         27,468           Securities lending payable         97         294           Other         6,280         5,949           Total current liabilities         64,527         59,357           Long-term debt         76,073         40,557           Long-term unearned revenue         10,377         6,441           Deferred income taxes         531         1,476           Other long-term liabilities         17,184         13,640           Total liabilities         168,692         121,471           Commitments and contingencies         5         121,471           Commitments and contingencies         5         69,315         68,178           Retained earnings         2,648         2,282           Accumulated other comprehensive income         431         1,537           Total stockholders' equity         71,997	Current liabilities:		
Current portion of long-term debt         1,049         0           Accrued compensation         5,819         5,264           Income taxes         718         580           Short-term unearned revenue         34,102         27,468           Securities lending payable         97         294           Other         6,280         5,949           Total current liabilities         64,527         59,357           Long-term debt         76,073         40,557           Long-term unearned revenue         10,377         6,441           Deferred income taxes         531         1,476           Other long-term liabilities         17,184         13,640           Total liabilities         168,692         121,471           Commitments and contingencies         Stockholders' equity:         69,315         68,178           Common stock and paid-in capital – shares authorized 24,000; outstanding 7,708 and 7,808         69,315         68,178           Retained earnings         2,648         2,282           Accumulated other comprehensive income         431         1,537           Total stockholders' equity         71,997	Accounts payable	\$ 7,390	\$ 6,898
Current portion of long-term debt         1,049         0           Accrued compensation         5,819         5,264           Income taxes         718         580           Short-term unearned revenue         34,102         27,468           Securities lending payable         97         294           Other         6,280         5,949           Total current liabilities         64,527         59,357           Long-term debt         76,073         40,557           Long-term unearned revenue         10,377         6,441           Deferred income taxes         531         1,476           Other long-term liabilities         17,184         13,640           Total liabilities         168,692         121,471           Commitments and contingencies         5tockholders' equity:         69,315         68,178           Retained earnings         2,648         2,282           Accumulated other comprehensive income         431         1,537           Total stockholders' equity         72,394         71,997	Short-term debt	9,072	12,904
Accrued compensation         5,819         5,264           Income taxes         718         580           Short-term unearned revenue         34,102         27,468           Securities lending payable         97         294           Other         6,280         5,949           Total current liabilities         64,527         59,357           Long-term debt         76,073         40,557           Long-term unearned revenue         10,377         6,441           Deferred income taxes         531         1,476           Other long-term liabilities         17,184         13,640           Total liabilities         168,692         121,471           Commitments and contingencies         Stockholders' equity:         69,315         68,178           Common stock and paid-in capital – shares authorized 24,000; outstanding 7,708 and 7,808         69,315         68,178           Retained earnings         2,648         2,282           Accumulated other comprehensive income         431         1,537           Total stockholders' equity         72,394         71,997	Current portion of long-term debt		0
Short-term unearned revenue       34,102       27,468         Securities lending payable       97       294         Other       6,280       5,949         Total current liabilities       64,527       59,357         Long-term debt       76,073       40,557         Long-term unearned revenue       10,377       6,441         Deferred income taxes       531       1,476         Other long-term liabilities       17,184       13,640         Total liabilities       168,692       121,471         Commitments and contingencies       Stockholders' equity:       Common stock and paid-in capital – shares authorized 24,000; outstanding 7,708 and 7,808       69,315       68,178         Retained earnings       2,648       2,282         Accumulated other comprehensive income       431       1,537         Total stockholders' equity       72,394       71,997		5,819	5,264
Securities lending payable Other         97 (294 (6,280))         294 (6,280)         5,949           Total current liabilities         64,527 (59,357)         59,357           Long-term debt         76,073 (40,557)         40,557           Long-term unearned revenue         10,377 (6,441)         6,441           Deferred income taxes         531 (1,476)         1,476           Other long-term liabilities         17,184 (13,640)         13,640           Total liabilities         168,692 (121,471)         121,471           Commitments and contingencies         Stockholders' equity:         Common stock and paid-in capital – shares authorized 24,000; outstanding 7,708 and 7,808 (69,315) (68,178)         68,178           Retained earnings         2,648 (2,282)         2,282           Accumulated other comprehensive income         431 (1,537)           Total stockholders' equity         72,394 (71,997)	Income taxes	718	580
Other         6,280         5,949           Total current liabilities         64,527         59,357           Long-term debt         76,073         40,557           Long-term unearned revenue         10,377         6,441           Deferred income taxes         531         1,476           Other long-term liabilities         17,184         13,640           Total liabilities         168,692         121,471           Commitments and contingencies         Stockholders' equity:         Common stock and paid-in capital – shares authorized 24,000; outstanding 7,708 and 7,808         69,315         68,178           Retained earnings         2,648         2,282           Accumulated other comprehensive income         431         1,537           Total stockholders' equity         72,394         71,997	Short-term unearned revenue	34,102	27,468
Total current liabilities       64,527       59,357         Long-term debt       76,073       40,557         Long-term unearned revenue       10,377       6,441         Deferred income taxes       531       1,476         Other long-term liabilities       17,184       13,640         Total liabilities       168,692       121,471         Commitments and contingencies         Stockholders' equity:         Common stock and paid-in capital – shares authorized 24,000; outstanding 7,708 and 7,808       69,315       68,178         Retained earnings       2,648       2,282         Accumulated other comprehensive income       431       1,537         Total stockholders' equity       72,394       71,997	Securities lending payable	97	294
Long-term debt       76,073       40,557         Long-term unearned revenue       10,377       6,441         Deferred income taxes       531       1,476         Other long-term liabilities       17,184       13,640         Total liabilities       168,692       121,471         Commitments and contingencies         Stockholders' equity:         Common stock and paid-in capital – shares authorized 24,000; outstanding 7,708 and 7,808       69,315       68,178         Retained earnings       2,648       2,282         Accumulated other comprehensive income       431       1,537         Total stockholders' equity       72,394       71,997	Other	6,280	5,949
Long-term unearned revenue         10,377         6,441           Deferred income taxes         531         1,476           Other long-term liabilities         17,184         13,640           Total liabilities         168,692         121,471           Commitments and contingencies           Stockholders' equity:           Common stock and paid-in capital – shares authorized 24,000; outstanding 7,708 and 7,808         69,315         68,178           Retained earnings         2,648         2,282           Accumulated other comprehensive income         431         1,537           Total stockholders' equity         72,394         71,997	Total current liabilities	64,527	59,357
Deferred income taxes         531 1,476           Other long-term liabilities         17,184 13,640           Total liabilities         168,692 121,471           Commitments and contingencies           Stockholders' equity:           Common stock and paid-in capital – shares authorized 24,000; outstanding 7,708 and 7,808         69,315 68,178           Retained earnings         2,648 2,282           Accumulated other comprehensive income         431 1,537           Total stockholders' equity         72,394 71,997		76,073	40,557
Other long-term liabilities17,18413,640Total liabilities168,692121,471Commitments and contingenciesStockholders' equity:Stockholders' equity:Common stock and paid-in capital – shares authorized 24,000; outstanding 7,708 and 7,80869,31568,178Retained earnings2,6482,282Accumulated other comprehensive income4311,537Total stockholders' equity72,39471,997	Long-term unearned revenue		6,441
Total liabilities 168,692 121,471  Commitments and contingencies  Stockholders' equity:  Common stock and paid-in capital – shares authorized 24,000; outstanding 7,708 and 7,808 69,315 68,178  Retained earnings 2,648 2,282  Accumulated other comprehensive income 431 1,537  Total stockholders' equity 72,394 71,997			
Commitments and contingencies Stockholders' equity: Common stock and paid-in capital – shares authorized 24,000; outstanding <b>7,708</b> and 7,808 69,315 68,178 Retained earnings 2,648 2,282 Accumulated other comprehensive income 431 1,537 Total stockholders' equity 72,394 71,997	Other long-term liabilities	17,184	13,640
Stockholders' equity: Common stock and paid-in capital – shares authorized 24,000; outstanding <b>7,708</b> and 7,808  Retained earnings Accumulated other comprehensive income  Total stockholders' equity  69,315 68,178 2,648 2,282 431 1,537 71,997	Total liabilities	168,692	121,471
Common stock and paid-in capital – shares authorized 24,000; outstanding 7,708 and 7,80869,31568,178Retained earnings2,6482,282Accumulated other comprehensive income4311,537Total stockholders' equity72,39471,997	•		
Retained earnings         2,648         2,282           Accumulated other comprehensive income         431         1,537           Total stockholders' equity         72,394         71,997			
Accumulated other comprehensive income 431 1,537  Total stockholders' equity 71,997			
Total stockholders' equity 71,997		•	
	Accumulated other comprehensive income	431	1,537
Total liabilities and stockholders' equity \$ 241,086 \$ 193,468	Total stockholders' equity	72,394	71,997
	Total liabilities and stockholders' equity	\$ 241,086	\$ 193,468

See accompanying notes.

#### **CASH FLOWS STATEMENTS**

#### (In millions)

Year Ended June 30,	2017	2016	 2015
Operations			
Net income \$	21,204	\$ 16,798	\$ 12,193
Adjustments to reconcile net income to net cash from operations:			
Goodwill and asset impairments	0	630	7,498
Depreciation, amortization, and other	8,778	6,622	5,957
Stock-based compensation expense	3,266	2,668	2,574
Net recognized gains on investments and derivatives	(2,073)	(223)	(443)
Deferred income taxes	(3,296)	332	224
Deferral of unearned revenue	67,711	57,072	45,072
Recognition of unearned revenue	(57,735)	(48,498)	(44,920)
Changes in operating assets and liabilities:			
Accounts receivable	(925)	(530)	1,456
Inventories	50	600	(272)
Other current assets	1,066	(1,167)	62
Other long-term assets	(539)	(41)	346
Accounts payable	81	88	(1,054)
Other current liabilities	386	(260)	(624)
Other long-term liabilities	1,533	(766)	1,599
Net cash from operations	39,507	33,325	29,668
Financing			
Proceeds from issuance (repayments) of short-term debt, maturities of 90 days or less, net	(4,963)	7,195	4,481
Proceeds from issuance of debt	44,344	13,884	10.680
Repayments of debt	(7,922)	(2,796)	(1,500)
Common stock issued	772	668	634
Common stock repurchased	(11,788)	(15,969)	(14,443)
Common stock cash dividends paid	(11,845)	(11,006)	(9,882)
Other, net	(190)	(369)	362
Net cash from (used in) financing	8,408	 (8,393)	(9,668)
Investing			
Additions to property and equipment	(8,129)	(8,343)	(5,944)
Acquisition of companies, net of cash acquired, and purchases of intangible and other assets	(25,944)	(1,393)	(3,723)
Purchases of investments	(176,905)	(129,758)	(98,729)
Maturities of investments	28,044	22,054	15,013
Sales of investments	136,350	93,287	70,848
Securities lending payable	(197)	203	(466)
Net cash used in investing	(46,781)	(23,950)	(23,001)
Effect of foreign exchange rates on cash and cash equivalents	19	(67)	(73)
Net change in cash and cash equivalents	1,153	915	(3,074)
Cash and cash equivalents, beginning of period	6,510	5,595	8,669
Cash and cash equivalents, end of period \$	7,663	\$ 6,510	\$ 5,595

See accompanying notes.