

Who: Julie Larson-Green, Executive Vice President, Devices and Studios

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BRENT THILL: Good morning. Welcome. My name is Brent Thill. I run our software research initiative at UBS. We've had a busy past couple of days. We've got another busy day today.

We're 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 hardware development, including the 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. She started her career as a developer and is now responsible, again, for leading all 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.

JULIE LARSON-GREEN: I'm glad you said that.

BRENT THILL: Thanks for coming, Julie.

JULIE LARSON-GREEN: Thanks for having me.

BRENT THILL: I guess maybe you can 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 of years.

JULIE LARSON-GREEN: Sure. As Steve Ballmer outlined in our July reorganization, we're coming together as a One Microsoft around devices and services as our strategy. And 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, they can get access to things they care about and the people they care about wherever they are.

BRENT THILL: You have a big role.

JULIE LARSON-GREEN: It's fun.

BRENT THILL: And reestablishing, I think Microsoft has been known for its enterprise side of the house, and the consumer side has been a work in progress, if you will. Where do you think you can have the biggest impact going forward in terms of picking a lane to go after?

JULIE LARSON-GREEN: When I started at Microsoft about 20 years ago, I started in developer tools. So it was basically the bottom layer of the stack with developers that create

applications for our platform. I moved into Internet Explorer. Then I helped created the SharePoint team. Then I went to Office and redefined productivity with the Office Ribbon. And I went to Windows and reinvented the platform. And so 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 the SoftCard. It brought BASIC programming to the Apple II, and so we've always been willing to do hardware when it furthered the state of the art in technology. And with the mouse in 1983, and now we're 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 I think it's really fun for me, because I'm focused on the design of the end product, which has always been kind of my thing. I like to think about the delivery of the device. What it looks like when you open it up. What it's like when you take it out of the box. What your first experience is, and what your experience is over time. I'm in the perfect role for that.

BRENT THILL: 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. 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: Definitely. I think mobility is going to continue to change. The mobility today, people think about a cell phone or a tablet. But there are 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. And so looking at the family of devices, mobility is a huge part of how people live and work and interact today. So we'll be there with those devices.

BRENT THILL: You're facing some formidable competitors in this 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 kind of catch up with some of the others that are out there and disrupt the multiple devices that are in my pocket, and Blackberry, iPhone, how do you get that experience into my family?

JULIE LARSON-GREEN: I think that was the genesis for the restructuring in the company, because we have all the elements. We have talented hardware engineers. We have a great platform for building applications on top of those devices, an application platform that scales from mobile devices to giant large screen devices to your living room. And we have the services that match those things up.

And we're uniquely positioned to bring all those thing together. So they're 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're able to focus the research as a 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: The other thing I think our clients have asked about is just the ecosystem that's working with you. And many of the software participants in the Valley have spoken about, we need Microsoft to get to a certain percent 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 percent share before we can take them very seriously.

From your perspective, how are you winning that ecosystem back to kind of help you in delivering this message?

JULIE LARSON-GREEN: Again, the restructuring helps. Now we have one operating system group. So you can target all of the devices, no matter if it's a phone, a tablet, or a PC, Xbox -- which launches today, by the way, tonight at midnight -- and you can target all those things as a developer. So it helps build the number of people that you can reach, and the number of customers that you can get access to. It also makes it easier for you to deploy across a set of platforms -- or a set of devices with one platform.

We are doing well in some markets. So it's kind of a chicken and an 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 who want to get the apps. And 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're on track. We just got Instagram on Windows Phone yesterday and so we're starting to see the players coming. We have YouTube on Xbox One. And so we're starting to see some momentum building.

BRENT THILL: You mentioned Xbox One. I'll be in line tomorrow at the local Windows Store.

JULIE LARSON-GREEN: Tonight at midnight?

BRENT THILL: 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: Sure there's a number of different -- I mean the world is a lot different than eight years ago and we're moving entertainment beyond just gaming into encompassing more of what you do in your home and so with Xbox One we started a new generation of entertainment consoles that's more than just hardcore gamers. So you'll be able to interact in a natural way with your voice, with gesture, you'll 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 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 on the other end. In a business you think of this as videoconferencing, and there are a lot of similarities to it. But, it brings it to the home. Of course, you can also videoconference with your Xbox. So maybe they'll be showing up in the boardroom, as well.

And there's also SkyDrive integration. There's really the best of Microsoft across all of our devices, and you start to see the vision that we have for how these things connect together.

BRENT THILL: 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 \$100 more for One versus Sony? Maybe you can walk through why the delta in the price point.

JULIE LARSON-GREEN: Sure, you pay a little more for the better experience. I mean they have a great gaming platform and it's centered around gaming. So we're extending you into the living room with your TV and entertainment. We're extending you with very high quality voice

and gesture recognition. The Xbox -- some of our Xbox games, we have a fitness game, it can tell your pulse when you're in front of the device working out. It will show you the muscles that are being used, tell you whether you're using your muscles efficiently or not, and tell you your pulse from just 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: When you think about --

JULIE LARSON-GREEN: Although, my 13-year-old son sits on the couch with the controller all the time.

BRENT THILL: When you think about the kids, at least my three kids, and the way that they're interacting now, they're taking my wife's iPhone, or my iPhone out of my pocket and then they're downloading 15 apps and the next thing you know these apps are 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: Sure, so I have a 13-year-old at home who loves gaming. I get texts from him, I know when he says "love you, mom," it's followed by "can I get for 99 cents". So it's a very big part of how kids are growing up today, is growing up with technology. And more than just gaming, they're 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. It feels more natural to them. I think with our Surface touch keyboard, the one that is not mechanical keys, that uses all touch, the touch cover, it'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.

And so 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 the entertainment and movie watching, and games, and things, and Smart Glass to connect to your Xbox, and ways to 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's 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 he's playing, but he sees a message come up that says, "Mom: Get off the Xbox. Do your homework."

BRENT THILL: Can you remotely shut it down?

JULIE LARSON-GREEN: I'm working on that one.

BRENT THILL: Okay. I'd like that feature for my kids.

JULIE LARSON-GREEN: You're done now, yes.

BRENT THILL: 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 and what currently right now are the titles that you're most excited about?

JULIE LARSON-GREEN: Sure, so we have several new titles. We have a redesigned Forza, Forza 5. It's beautiful. It's got some cars that you can drive that you would never probably ever

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 in graphics to a new level. It looks so realistic and the way the grass moves and the shadowing, and the wind blowing, and the water, it's just a super-realistic experience. So, there's lots of exciting games coming. Those are two of the big one that are out that I've been playing and learning and having fun with.

BRENT THILL: 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 over the next year?

JULIE LARSON-GREEN: 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 when you plug in the keyboard, but also the simplicity of a tablet when you don't and touch interaction as a first-class way of interacting with the device. We've learned a lot both in the operating system and changes we made in 8.1 to respond to customer feedback and make that experience smoother. And we've also learned on the hardware with, longer battery life and 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're 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 a Word document. So really working on scenarios and 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 the Microsoft does, powered by Bing, and Bing search. And so it brings the full value of Microsoft into on one device. There's different sizes, different price points, new hardware technologies and opportunities. There's all kinds of things that we're working on.

BRENT THILL: 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've had to make some moves that are --

JULIE LARSON-GREEN: Sure. We love what our OEMs are doing. I mean they're 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 and then making that available to OEMs to be able to go and do things with.

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

There wasn't -- 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 could swipe from the sides. But, there wasn't any device like that. So we prototyped and innovated in those areas and then brought that to the ecosystem. And so we think it helps to build more capability across the ecosystem to have us think about the whole stack.

BRENT THILL: And maybe how 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, so a lot of our clients have asked, you could have just continued down this partnership route, why?

JULIE LARSON-GREEN: 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 into in the experience the way you expect. You have multiple camera apps. You have multiple storage places. You have multiple ways to upload. And so being able to remove those seams and talk more freely about the future direction of what the operating system and what they're thinking to bring that into the experience.

They just announced today the Dragon Time app, which is a kid's game. It's designed to sit back with your phone or 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 there's a traffic jam and mom's driving through traffic, it will show you that in the game.

And so those are things that are above the operating system today, and thing that we can bring down into the operating system and make available to all apps, not just apps on top of Nokia. So there's that.

And a big part of it also as well is just an amazing quality of the engineering team that they have there, the capabilities that they bring to bear that we can put across all of our devices, things like 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. Nokia has a music experience, and we have a music experience. It turns out we're not in all the same countries. It really helps us bring a more worldwide focus to the things that we're doing with the distribution channels they have, and just the way that they think about delivering their products.

BRENT THILL: You have arguably one of the most important roles at 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 without having the CEO to sign off on it. So can you just help us understand, maybe it's a misperception, but your ability to lead your team without --

JULIE LARSON-GREEN: Sure. Having the strategy really helps because we work together as a management team, and so it's 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 for the high value activities that we want to deliver to customers on the devices that we think people need and want. So that hasn't slowed us down at all.

We're working hard on the future direction and the roadmap, and working across Qi Lu's organization, Satya's organization, talking about how to add more enterprise capabilities to the devices, the hardware thing we can do in our devices that would make it easier in enterprise. How do we lower the barrier for BYOD devices in the enterprise? And then, of course, working with Terry Myerson and the operating system team to provide the capabilities that we need to make those devices shine.

BRENT THILL: You know Windows better than anyone. And so there are a lot of questions from our clients, the grizzly bears will say the Windows business is trending to zero, and the bulls will say it's going to be an integral part of the system forever. Can you just update us on your view of where Windows goes, the core OS and how to think of it? We had our IT panel before this, and one of the statements that they had made is they felt you were due for a resurrection. You had so many great assets that you can bring to bear that with Azure there's actually a lot of things our firm is doing now that we couldn't potentially do before.

JULIE LARSON-GREEN: I like that analyst. Yes, I agree with that. I think we do have a lot of things to bring to bear. 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. And thinking about how Windows can scale from a small device to a 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 desktop computers 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 e-mails, hear notifications, get access to corporate data that you need to do your job, as well as interact with friends and family. I think we are very poised.

BRENT THILL: 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 are 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 going to be a meaning in how they connect, and there's a way that I think the cloud plays a role in that.

So maybe if you could just put it into context across what you're doing and what the company is doing, and how the cloud is bringing this to life?

JULIE LARSON-GREEN: Sure. 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, there's always things that you want to run 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 trend industry-wide, but it's something that we've been working on for quite a long time.

I think tablets just open it up. It does replace some PCs, but it also opens up an opportunity for people as an additional device for them to go and use. Our phone is an additional device. And we're working on a world where we 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 to devices is lower, adding additional ones is lower. It doesn't take as much setup time.

And so we're really focused on making devices and services integrated in your life in however you want them integrated in.

BRENT THILL: The pressure that you face in mobile, there's a lot of questions about can they ever get back in. You guys came into the entertainment market with basically nothing and got to number one. So you have past 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 kind of get you going again? A lot of the feedback we get is, does this just need a rebranding, 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: Sure. I think there's a number of different things. One of it is we're seeing momentum in mobile outside the United States in places like Italy where Windows Phone is approaching 20 percent market share. And so there are business model things as well such as in unsubsidized markets, where we do better than in subsidized markets like the U.S. So there's that. There's thinking around business models. And there's also thinking around what kinds of devices are the future? So it's not just about phones and PCs. Phones are being costed down and disposable. There is an inflection point coming, that is something else beyond phones and tablets.

Of course, it's critically important for us to continue working on mobile, and we have plans to. Part of the power is bringing those things together, and being able to transition from one to the other. So 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 want it to on your Xbox. So just permeating technology through your life and making it available to you wherever you are.

BRENT THILL: 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: We're just getting started. So it's going to be lots of fun. I think we have a lot of exciting things coming. Next year you'll start to see some really exciting things.

BRENT THILL: When you think about the power of kind of the one single sign on across all in one common platform it would seem it would make it easier for one's consumer life, but it would also make it easier for the developers to have one common platform. Is that the idea that we're going to see?

JULIE LARSON-GREEN: Right. That's definitely the idea. And then you also 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 people. 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're letting their employees walk out the door with.

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

JULIE LARSON-GREEN: It is definitely alive, yes, although we might have three or four. I have that six-inch one, and when you're traveling on the train and you're using public transit so you can see more and do more, and then when you're 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: Great. We'll go to questions.

JULIE LARSON-GREEN: I just got back from a trip to Finland and now I have a 1520, a 1020, a 925. It's fun.

QUESTION: There was a time long ago when some of us used Lotus 123, and Word Perfect and 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, right. And now in device the world -- fast forward, and Apple has this huge, entrenched ecosystem. So when you're 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?

JULIE LARSON-GREEN: I would say through hardware innovation. So my first job was writing an import filter for Word Perfect. Actually, my very first job was doing support at the university on Word Perfect and Lotus Symphony in the lab. And then my first real paying job was import filters from Word Perfect 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 Word Perfect didn't keep up with that. They didn't go and embrace the mouse.

And 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 a stylus. And it was trying to use concepts of Windows on a smaller device. And so they came in with a bunch of technology that came together in size, weight, power, but the real invention was touch and that changed and created a new revolution, which is why in Windows 8 we became touch-first in our thinking to try to -- we knew touch was going to 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 Kinect, with gesture. You see us doing things with voice. There's one coming. And all the things have to come together. I mean 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 five-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're in devices and why I'm really excited about my job.

QUESTION: What about all the apps and the iOS ecosystem?

JULIE LARSON-GREEN: So you enable a new kind of app. So 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 all those things. There will be another one of those coming is my belief. I think you already start to see some of it. I think connecting apps to each other, because so many things are special purpose, you'll start to see new ways for apps to integrate across. I think there's a lot that's going to come from the web in smart information about you and your location.

So sensors are going to become a big part of how you think about things. So some of the things we've been talking about -- 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 that we could build that would help you in your daily life, from telling you that you didn't quite do your pushups as far down as you really thought you could go, to letting you know that your heart

rate is too high and you must be stressed out, take a deep breath, to letting you know when your bus is running late at your bus stop and -- your bus stop 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. 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've been focusing on natural user interface for a while, working on that.

QUESTION: Could we come back a bit 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 there is still a viable route here for that dual track to continue, as you've done with the refresh this year, or do you actually think we need a proper reboot of RT from the start? And I guess the question, as well, is exactly what has RT achieved from your standpoint?

JULIE LARSON-GREEN: Sure. So Windows RT, I think there's clearly, when you look out in the industry, there's 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 a 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 groups that would affect your battery life long-term. There are cool, powerful scenarios, but they come at a cost in mobility. And so Windows on ARM, or Windows RT, was our first go at creating that more closed, turnkey experience, where it doesn't have all the flexibility of Windows, but it has the power of Office and then all 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 and say, 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. Maybe not enough -- I think we didn't explain that super-well. I think we didn't differentiate the devices well enough. They looked similar. Using them is similar. It just didn't do everything that you expected Windows to do. So there's been a lot of talk about it should have been a rebranding. We should not have called it Windows. How should we have made it more differentiated? I think over time you'll see us continue to differentiate it more.

We have the Windows Phone OS. We have Windows RT and we have full Windows. We're not going to have three. We do think there's a world where there is a more mobile operating system that doesn't have the risks to battery life, or the risks to security. But, it also comes at the cost of flexibility. So we believe in that vision and that direction and we're continuing down that path.

QUESTION: When you started your presentation you used "One Microsoft" as a new concept, right. And I know every division had their own P&L. It's very difficult inside, they all have their ego, to work together as "One Microsoft." I believe you have the capability to do all these things you want to do, but I'm not sure how long it would take you to break down these walls, to collaborate to One Microsoft. Can you tell me your thoughts on that?

JULIE LARSON-GREEN: 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 and 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 OneNote on our new experience. And so it's not completely

foreign to us to 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're busy with one thing. We're busy with bringing together the experience for our customers at a Microsoft level.

And so we've operationalized it in a completely different way. We are working together on plans. We have a shared vision, shared roadmap. We have individual teams going off and working on cross team scenarios. We meet weekly as an SLT leadership team to checkpoint where we're at and where we want to go and what challenges we have. We have product leadership off-sites, where we're working on cross company scenarios. It's all new for us. So really it can't be just be us saying we're 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 ways of decision making. And we're doing all of that.

BRENT THILL: Julie, thank you so much for joining us. We're out of time.

JULIE LARSON-GREEN: Thanks for having me. Thank you. (Applause.)

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