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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1997

COMMISSION FILE NUMBER 0-28018

YAHOO! INC.

(Exact name of Registrant as specified in its charter)

CALIFORNIA	77-0398689
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3420 CENTRAL EXPRESSWAY
SANTA CLARA, CALIFORNIA 95051
(Address of principal executive offices)

Registrant's telephone number, including area code: (408) 731-3300

Securities registered pursuant to Section 12(b) of the Act:

NONE

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK, $.00067 PAR VALUE
(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / /

As of February 27, 1998, the aggregate market value of voting stock held by non-affiliates of the Registrant, based upon the closing sales price for the Registrant's Common Stock, as reported in the NASDAQ National Market System, was $1,419,023,000. Shares of Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for any other purpose.

The number of shares of the Registrant's Common Stock outstanding as of February 27, 1998 was 45,829,896.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents (or parts thereof) are incorporated by reference into the following parts of this Form 10-K:

(1) 1997 Annual Report to Shareholders -- Items 5, 6, 7, 8 and 14(a)(1).

(2) Proxy Statement for the 1998 Annual Meeting of Shareholders -- Items 10, 11, 12 and 13.

PART I

ITEM 1. BUSINESS

EXCEPT FOR HISTORICAL INFORMATION, THE FOLLOWING DESCRIPTION OF THE COMPANY'S BUSINESS CONTAINS FORWARD-LOOKING STATEMENTS WHICH INVOLVE RISKS AND UNCERTAINTIES. THE COMPANY'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF A NUMBER OF FACTORS, INCLUDING THOSE SET FORTH IN THIS ANNUAL REPORT UNDER THE HEADING, "RISK FACTORS."

OVERVIEW

Yahoo! Inc. (including its subsidiaries, "Yahoo!" or the "Company") is a global Internet media company that offers a network of branded World Wide Web (the "Web") programming that serves millions of users daily. As the first online navigational guide to the Web, WWW.YAHOO.COM is the single largest guide in terms of traffic, advertising, household and business user reach, and is one of the most recognized brands associated with the Internet. The Company provides targeted Internet resources and communications services for a broad range of audiences, based on demographic, key-subject and geographic interests. Yahoo! was developed and first made available in 1994 by the Company's founders, David Filo and Jerry Yang, while they were graduate students at Stanford University. The Company was incorporated in California on March 5, 1995 and commenced operations on that date. In August 1995, the Company commenced selling advertisements on its Web pages and recognized its initial revenues. In April 1996, the Company completed its initial public offering. During October 1997, the Company completed the acquisition of Four11 Corporation, a privately-held online communications and Internet directory company.

Under the Yahoo! brand, the Company provides intuitive, context-based guides to online content, Web search capabilities, aggregated third-party content, email, and community and personalization features. In December 1997, Internet users viewed an average of approximately 65 million Web pages per day on Yahoo! and other Yahoo!-branded online media properties.

The Company makes its properties available without charge to users, and generates revenue primarily through the sale of banner advertisements on short-term contracts. During 1997, the Company also began selling a combination of sponsorship and banner advertising contracts. Advertising on domestic Yahoo! properties is sold through the Company's internal advertising sales force and advertising on international Yahoo! properties is sold through a combination of the Company's internal advertising sales force and third party agents. During 1997, approximately 2,600 customers advertised on Yahoo! properties. Additionally during 1997, Yahoo! received revenues from electronic commerce transactions, although not significant in amount.

PRODUCTS AND MEDIA PROPERTIES

YAHOO! MAIN SITE

The Company's principal offering, Yahoo!, provides the flagship product for its global internet media network that offers branded programming and services used by millions of people each day. Yahoo! offers a comprehensive, intuitive and user-friendly online guide to Web navigation, aggregated information content, communication services, a strong user community, and commerce. Yahoo! includes a hierarchical, subject-based directory of Web sites, which enables Web users to locate and access desired information and services through hypertext links included in the directory. As of December 1997, Yahoo! organized over 750,000 Web site listings under the following 14 principal categories: Arts and Humanities, Business and Economy, Computers and Internet, Education, Entertainment, Government, Health, News and Media, Recreation and Sports, Reference, Regional, Science, Social Science, and Society and Culture. Web sites are further organized under these major headings by hierarchical subcategories. Users can browse the directory listings by subject matter through a rapid keyword search request that scans the contents of the entire directory or any subcategory within Yahoo!. The basic Web site listings are in many cases supplemented with brief descriptive commentary, and a special symbol is used to indicate listings that, in the view of the Company's editorial staff, provide unique presentation or content within their topic area. Yahoo! also provides Web-wide text search results from the AltaVista search engine. These results are integrated into the directory search function so that Web-wide search results are presented in the absence of relevant listings from the Yahoo! directory.

Yahoo! also incorporates a rich set of current and reference information from leading content providers, including real-time news (provided by Reuters New Media), stock quotes (Reuters), corporate earnings reports (Zacks), mutual fund holdings (CDA/Wiesenberger), stock investing commentary (Motley Fool), sports scores (ESPN SportsTicker), sports commentary (The Sporting News), weather information (Weathernews, Inc), and entertainment industry gossip (E! Online). Yahoo! also organizes hypertext links to Web sites featuring current events and issues of interest, such as elections, holidays, political issues and major weather conditions, organized in a topical format and updated regularly. Other content offered by Yahoo! includes Yellow Pages, maps, driving directions, and classifieds listings.

Yahoo! has also established itself as a leading communications hub on the Internet. Through its integrated chat service and message boards, Yahoo! members can contact each other as well as communicate with the Web community at large. Yahoo! has built a community of members who register with Yahoo!, establish a personalized version of Yahoo!, use Web-based Yahoo! Mail for email, and submit classifieds advertisements.

In addition, one of the Company's primary strategies is to provide a marketplace for commerce on the Web. Through sponsorship arrangements with premier merchants, Yahoo! offers its members the opportunity to purchase goods and services such as books (Amazon.com), music (CDNow), videos (Reel.com, Videoserve), automotive services (Autoweb, Microsoft Carpoint), mortgages (E-Loan), and brokerage services (DLJ direct, E*Trade, Ameritrade, Datek).

TARGETED ONLINE PROPERTIES

The comprehensive subject-based, demographic and geographic listings in Yahoo! have provided a platform for the Company to develop and offer independent navigational tools and information services that are targeted to particular interests and Web users and are presented within the familiar Yahoo! framework and style. The Company works with appropriate strategic partners who develop localized or targeted content and, in some cases, promote and sell advertising. The Company also has developed Web-based media properties that allow the user to personalize and tailor the presentation of information and navigational resources. The Company believes that, if implemented successfully, these services further strengthen customer loyalty to the Yahoo! brand and create additional revenue opportunities through a broader end user and advertiser base and increasingly targeted advertising opportunities.

GEOGRAPHIC PROPERTIES

The Company seeks to build upon its global user base by developing Internet properties focused on geographic regions, which include foreign countries as well as domestic major metropolitan areas. As of the date of this Report, the Company had launched twenty-three geographically targeted Web properties.

INTERNATIONAL ONLINE PROPERTIES. The Company has developed 11 international online properties including localized versions of Yahoo! in Australia/New Zealand, Canada, Denmark, France, Germany, Japan, Korea, Norway, Singapore (English language), Sweden, and the United Kingdom/Ireland. For international properties, the Company has relied primarily upon the editorial efforts of third parties in such geographical areas to localize Yahoo! for language, customs and cultural interests, language-specific search capabilities, and to maintain Web site listings that are relevant to the country or metropolitan areas.

YAHOO! JAPAN -- Yahoo!'s first geographic property was developed during 1996 through a joint venture with SOFTBANK, a holder of approximately 31% of the Company's Common Stock at December 31, 1997 and Japan's largest distributor of computer software, peripherals and systems, as well as one of Japan's largest publishers of computer-related magazines and books. Yahoo! Japan was formed to establish and manage in Japan a Japanese version of Yahoo!, develop related Japanese online navigational services, and conduct other related business. Yahoo! Japan completed its initial public offering on the Japanese over-the-counter market in November 1997. At December 31, 1997, the Company owned approximately 34% of Yahoo! Japan.

YAHOO! EUROPE -- During November 1996, the Company signed a joint venture agreement with a subsidiary of SOFTBANK whereby separate companies were formed in Germany, the United Kingdom, and France ("Yahoo! Europe") to establish and manage versions of Yahoo! for those countries, develop related online navigational services, and conduct other related business. The Company owns approximately 70% of each of the Yahoo! Europe entities.

YAHOO! KOREA -- During August 1997, the Company signed a joint venture agreement with SOFTBANK and other SOFTBANK affiliate companies to develop and operate Yahoo! Korea, a Korean version of Yahoo!, to develop related Korean online navigational services, and to conduct other related business. The Company owns approximately 60% of the joint venture.

REGIONAL ONLINE PROPERTIES. As of the date of this Report, the Company offered twelve regional Yahoo! properties for Atlanta, Austin, Boston, Chicago, Dallas/Ft. Worth, Los Angeles, Miami, Minneapolis, New York, the San Francisco Bay Area, Seattle, and Washington D.C. These offerings, which are developed and maintained by the Company, include listings from the main Yahoo! service selected and organized on the basis of regional focus, as well as aggregated local content, such as local news, weather, traffic and Yellow Pages listings licensed from third-party content providers, including local television and radio stations, newspapers and entertainment guides, and localized community features, such as bulletin boards, personals and classifieds listings.

LOCAL ONLINE PROPERTIES. As an extension of Yahoo!'s comprehensive regional programming, the Company offers Yahoo! Get Local, which provides users with local online resources for more than 30,000 U.S. cities which is organized and presented to users on the basis of the user's zip code. Get Local automatically creates a specialized page for the chosen locale with city and regional news, scores from local sports teams, weather reports, and zip code-specific links to a wide variety of resources for entertainment, businesses and activities that affect the local area. The Company believes that these local properties provide local advertisers a cost-effective means of targeting their online audience, as well as allowing national advertisers to target key geographic markets.

SUBJECT-BASED PROPERTIES

The Company has developed subject-based Internet properties, including Yahoo! Sports (sports scores and information), Yahoo! Autos (new and used car buying information), Yahoo! Travel (travel arrangement and booking information), Yahoo! Games (Java-based games), and Yahoo! Finance (stock quotes and company and industry information). The Company also developed the VISA Shopping Guide by Yahoo! focused on Internet resources for online shopping for goods and services and MTV/Yahoo! UnfURLed focused on music-related Web resources, produced in conjunction with MTV Networks. Yahoo! intends to continue to seek relationships with leading content providers to develop additional

Internet properties focused on interest areas that the Company believes to be desirable advertising vehicles.

DEMOGRAPHIC PROPERTIES

The Company also has developed and offers online properties focused on targeted demographic groups, initially children. In March 1996, the Company introduced Yahooligans!, a version of Yahoo! designed for children aged 7 to 12. The Web sites included in Yahooligans! are selected by professional educators as appropriate for children. In March 1998, the Company launched Yahoo! Seniors' Guide which is designed for the growing population of active, older adults. The Company seeks to develop additional Internet properties that are focused on specific demographic groups which provide attractive advertising opportunities.

PERSONALIZED INFORMATION SERVICES

In July 1996, the Company launched My Yahoo!, a personalized Web information service. My Yahoo! allows users to create a personal profile which directly organizes and delivers to the user information of personal interest such as selected stock quotes, stock portfolio management, local and national headlines, local and national weather and sports news, as well as the user's favorite Web searches and Yahoo! categories. The Company has developed a universal registration system that permits Yahoo! users to easily use several Yahoo! services under a single username, including My Yahoo!, Yahoo! Chat, Yahoo! Mail, Yahoo! Portfolios, Yahoo! Message Boards, and Yahoo! Classifieds. The Company has also developed and operates a property known as Netscape Guide By Yahoo! which is a personalized navigation and information service made available in connection with Netscape's Web site and browser. See "Strategic Alliances -- Distribution Alliances -- Leading Web Sites and Browsers."

PRINT AND OTHER OFFLINE PROPERTIES

The Company seeks to extend the Yahoo! brand into print and other offline media, primarily for the purpose of promoting the brand and creating greater demand for the Company's online properties. The Company continued its agreement with Ziff-Davis Publishing Company, a subsidiary of SOFTBANK, for the publication of Yahoo! Internet Life, a monthly print magazine companion to the online magazine. The Company also has entered into a multiple-book publishing arrangement with IDG Books Worldwide, Inc., a leading publisher of computer books and magazines. Under this agreement, several guides to the Internet have been published, including Yahoo! Unplugged, Yahoo! Wild Web Rides, and Yahooligans! Way Cool Web Sites. Royalty revenues under these arrangements have been and are expected to continue to be nominal.

ADVERTISING SALES AND ELECTRONIC COMMERCE

The Company has derived substantially all of its revenues to date from the sale of banner advertisements. Other revenue sources include placement fees, promotions, and transactions on Yahoo! properties. The Company's advertising products currently consist primarily of banner advertisements that appear on pages within Yahoo! properties, higher profile promotional sponsorships that are typically focused on a particular event, such as a sweepstakes, and merchant buttons on targeted advertising inventory encouraging users to complete a transaction. Hypertext links are embedded in each banner advertisement or button to provide the user with instant access to the advertiser's Web site, to obtain additional information, or to purchase products and services.

Although a substantial majority of advertising purchases on Yahoo! properties are for general rotation on pages within the services, the Company seeks to offer increasingly targeted properties that will deliver greater value to advertisers through more focused audiences. By developing an extended family of Yahoo!-branded properties, the Company seeks to offer advertisers a wide range of placement options.

ADVERTISING SALES ORGANIZATION

In late 1996, the Company established an internal sales force. As of February 28, 1998, advertising sales professionals were employed in eight locations across the U.S., including Atlanta, Boston, Chicago, Dallas, Detroit, Los Angeles, New York, and San Francisco. The Company's advertising sales organization consults regularly with agencies and customers on design and placement of Web-based advertising, and provides clients with measurement and analysis of advertising effectiveness.

In international markets, Yahoo!'s advertising sales are handled by a combination of the Company's internal sales representatives and, in some countries, the international affiliate responsible for localization and operation of the service within the territory.

ADVERTISING PRICING

The Company's contracts with advertisers typically guarantee the advertiser a minimum number of "impressions," or times that an advertisement appears in pages viewed by users of Yahoo! properties. Yahoo!'s standard rates for banner advertisements currently range from $0.02 to $0.07 per impression, depending upon location of the advertisement within Yahoo!'s properties and the extent to which it is targeted for a particular audience. Discounts may be provided from standard rates for high volume, longer-term contracts.

The Company also offers context-based keyword advertising, which permits advertisers to target users based upon specified keywords that a user enters when searching within Yahoo!. For example, if a user enters the term "automobile" or "car," an automobile manufacturer's advertisement could appear on pages displaying the results of such a search. The Company's standard rate for context-based keyword advertisements currently ranges from $0.03 to $0.08 per impression. Discounts may be provided from standard rates for high volume, longer-term contracts.

In addition to banner advertising, the Company offers premium positions on the top page of Yahoo! properties that typically are used in connection with promotions and special events. The Company's strategy is to use these sponsorship positions for high-profile promotions that can also result in additional visibility and awareness for Yahoo!. Yahoo! has also created special holiday- and event-oriented promotional spaces for holidays and events such as Back to School, Halloween, Mother's Day, Father's Day, Valentine's Day, Home Improvement, and Christmas.

STRATEGIC ALLIANCES

In order to serve users more effectively and to extend the Yahoo! brand to new media properties, the Company has entered into strategic relationships with business partners who offer content, technology, and distribution capabilities.

CONTENT AND COMMERCE ALLIANCES

Yahoo! has entered into strategic alliances with selected leading providers - - -- including Ziff-Davis, SOFTBANK, Rogers Communications, Reuters, Granite Broadcasting, Sporting News, ESPN SportsTicker, E! Online, MSNBC, MTV, and the Motley Fool -- which permit the Company to bring Yahoo!-branded, targeted media products to market more quickly, while avoiding the cost of producing original editorial content.

DISTRIBUTION ALLIANCES

In order to broaden Yahoo!'s user base, the Company has established co-promotional relationships with commercial online services, Internet access providers and operators of leading Web sites. The Company believes these arrangements are important to the promotion of Yahoo!, particularly among new

Web users who may first access the Web through these services or Web sites. These co-promotional arrangements typically are terminable upon short or no notice.

LEADING WEB SITES AND BROWSERS. The Company seeks to establish co-promotional relationships with the operators of leading Web sites in order to draw additional users to Yahoo!. During March 1997, the Company entered into an agreement with Netscape Communications Corporation ("Netscape") whereby it was designated as one of four "Premier Providers" of domestic navigational services within the Netscape Web site. Under the terms of the agreement, the Company is required to make minimum payments of $3,200,000 in cash and is obligated to provide $1,500,000 in the Company's advertising services in return for certain minimum guaranteed exposures over the course of the one-year term of the agreement, which commenced in May 1997. The minimum payments are amortized over the term of the agreement. To the extent that the minimum guaranteed exposures are exceeded, the Company is obligated to remit additional payments to Netscape.

During June 1997, the Company entered into certain agreements with Netscape whereby it was designated as a Premier Provider of international search and navigational guide services for the Netscape Net Search program. Under the terms of the agreements, the Company will provide services in 12 countries, including Australia, Denmark, France, Germany, Italy, Japan, Korea, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom. Under the terms of the agreements, the Company made a cash payment of $2,900,000 in July 1997 and is obligated to provide $100,000 in the Company's advertising services in return for certain minimum guaranteed exposures over the course of the one-year term of the agreements, which commenced in July 1997. The Company amortizes the total cost of these agreements over their one-year term.

During March 1997, the Company entered into certain agreements with Netscape under which the Company has developed and operates an Internet information navigation service called Netscape Guide by Yahoo! (the "Guide"). The personalized guide is designed to provide Internet users with a central comprehensive source of sites, news and other valuable services on the Web. Netscape Guide by Yahoo! is accessible through the Netscape Internet site and from the tool bar of Netscape Communicator by clicking on the "Guide" button or a comparably titled button. The navigational service provides users with central access to eight of the most popular information categories on the Web. The Co-Marketing agreement provides that revenue from advertising on the Guide, which is managed by the Company, is to be shared between the Company and Netscape. Under the terms of the Trademark License agreement, the Company made a one-time non-refundable trademark license fee payment of $5,000,000 in March 1997 which is being amortized over the initial two-year term, which commenced in May 1997. Under the terms of the Co-Marketing agreement as amended in June 1997, the Company also provided Netscape with a minimum of up to $4,660,000 in guarantees against shared advertising revenues in the first year of the agreement, subject in the first year to a minimum level of gross revenue being met, and up to $15,000,000 in the second year of the agreement, subject in the second year to certain minimum levels of impressions being reached on the Guide. Actual payments will relate directly to the overall revenue and impressions recognized from the Guide. See "Risk Factors -- Risks Associated With Netscape Guide By Yahoo!."

The Company also has short-term distribution relationships with Microsoft Corporation ("Microsoft"). The Company is one of the premier navigational guides distributed through Microsoft Internet Explorer, the Microsoft home page, and the Microsoft Network. In addition, Microsoft and the Company have entered into an agreement under which MSN, the Microsoft Network online service, has made Yahoo! the exclusive third-party consumer-branded provider of global directory services on the MSN Premier subscription service and on MSN.com, the online service's free Web site. Yahoo!'s directory will complement the current search and directory services on MSN.

INTERNET ACCESS PROVIDERS. The Company also has relationships with companies such as AT&T, MCI, @Home, MediaOne, Roadrunner, US West, and WebTV, and under which these Internet access providers feature Yahoo! as a key navigational tool and engage in certain promotional activities.

OEM'S. Yahoo! has established distribution agreements with Compaq and Gateway whereby links to Yahoo! services will be offered on the desktop of new computers. My Yahoo!, Yahoo! Search, Yahoo! Weather, and My Yahoo! NewsTicker are integrated into customized versions of Microsoft Internet Explorer.

YAHOO! ONLINE SERVICE. The Company and MCI entered into a co-marketing and distribution agreement to launch a new co-branded, co-marketed online service. The service, Yahoo! Online powered by MCI Internet which currently is expected to launch by the end of March 1998, is designed to provide consumers with an integrated and simple solution to easily explore the Internet with nationwide dial-up access coverage.

OPERATIONS AND TECHNOLOGY

The Company makes Yahoo! available to users through a set of network servers operating with public domain server software that has been optimized internally to provide an efficient and responsive user experience. The Company has developed a set of proprietary database tools that it uses to maintain and update directory listings on Yahoo! and other directory properties. Substantially all of the listings on Yahoo! are submitted by Web site developers. The Company's "surfers" review submissions and categorize them into appropriate category headings. The Company also uses automated systems to regularly check Web sites in the Yahoo! directory listings, and to remove sites that are no longer available.

Yahoo! includes an internally developed responsive keyword search function that is used to locate listings within the directory. This search function not only returns relevant Web site listings but also appropriate category headings, which link to further listings that may be relevant to the user's query. The Company has also internally developed an extensive classifieds system capable of listing and searching millions of items in multiple categories. Additionally, Yahoo! has internally developed a personalization system, My Yahoo!, to allow users to customize and localize the information they regularly view, such as stock quotes, news categories, sports scores, and weather. The Company utilizes the Web-wide searching technology and Web index from a third party.

COMPETITION

The market for Internet products and services is highly competitive and competition is expected to continue to increase significantly. There are no substantial barriers to entry in these markets, and the Company expects that competition will continue to intensify. Although the Company currently believes that the diverse segments of the Internet market will provide opportunities for more than one supplier of products and services similar to those of the Company, it is possible that a single supplier may dominate one or more market segments.

The Company competes with many other providers of online navigation, information and community services. Many companies offer competitive products or services addressing Web navigation services, including, among others, America Online Inc. (Netfind), Digital Equipment Corporation (AltaVista), Excite, Inc. (including WebCrawler), Infoseek Corporation, Inktomi Corporation, Lycos, Inc. (including Tripod), C--NET, Inc. (Snap! Online), and Wired Ventures, Inc. (hotbot). In addition, the Company competes with metasearch services and software applications, such as C--NET's search.com service, that allow a user to search the databases of several directories and catalogs simultaneously. The Company also competes indirectly with database vendors that offer information search and retrieval capabilities with their core database products. The Company also faces competition from providers of software and other Internet products and services that incorporate search and retrieval features into their offerings. For example, Web browsers offered by Netscape and Microsoft, which are the most widely used browsers, incorporate prominent search buttons and similar features, such as features based on "push" technologies, that direct search traffic to competing services, including those that may be developed or licensed by such parties. In the future, Netscape and Microsoft and other browser suppliers may more tightly integrate products and services similar to Yahoo!'s into their browsers or their browsers' pre-set home pages. In addition, entities that sponsor or maintain high-traffic Web sites or that provide an initial point of entry for Internet users, such as the Regional Bell Operating Companies or Internet Service Providers ("ISPs") such as Microsoft and America Online ("AOL"), currently offer and could further develop, acquire or license Internet search and navigation functions that compete with those offered by the Company and could take actions that make it more difficult for consumers to find and use Yahoo! services. For example, Microsoft recently announced that it will offer Internet search engine services provided by Inktomi in the Microsoft Network and other Microsoft online properties. The Company expects that such search services may be tightly integrated into the Microsoft operating system, the Internet Explorer browser and other software applications, and that Microsoft may promote such services within the Microsoft Network or through other end-user services such as WebTV. Insofar as Microsoft's Internet navigational offerings may be more conveniently accessed by users than those of the Company, this may provide Microsoft with significant competitive advantages that could have a material adverse effect on the Company's business. A large number of Web sites and online services (including, among others, the Microsoft Network, AOL, and other Web navigation companies such as Excite, Lycos, and Infoseek) offer informational and community features, such as news, stock quotes, sports coverage, Yellow Pages and email listings, weather news, chat services and bulletin board listings that are competitive with the services offered by the Company. A number of companies, including HotMail (which was recently acquired by Microsoft) and WhoWhere?, offer Web-based email service similar to those offered by the Company, and such companies have and are expected to continue to provide such services in tandem with larger navigational sites and online services. Several companies, including large companies such as Microsoft and AOL and their affiliates, also are developing or currently offer online information services for local markets, which compete with the Company's regional Yahoo! online properties. The Company also faces intense competition in international markets, including competition from U.S.-based competitors as well as media and online companies that are already well established in those foreign markets. Many of the Company's existing competitors, as well as a number of potential new competitors, have significantly greater financial, technical, marketing and distribution resources. In addition, providers of Internet tools and services may be acquired by, receive investments from, or enter into other commercial relationships with larger, well-established and well-financed companies, such as Microsoft or AOL. For example, AOL is a significant shareholder of Excite, and a version of the Excite service (AOL NetFind) has been designated as the exclusive Internet search service for use by AOL's subscribers. Greater competition resulting from such relationships could have a material adverse effect on the Company's business, operating results and financial condition.

The Company also competes with online services, other Web site operators and advertising networks, as well as traditional offline media such as television, radio and print for a share of advertisers' total advertising budgets. The Company believes that the number of companies selling Web-based advertising and the available inventory of advertising space have increased substantially during recent periods. Accordingly, the Company may face increased pricing pressure for the sale of advertisements and reductions in the Company's advertising revenues.

The Company believes that the principal competitive factors in its markets are brand recognition, ease of use, comprehensiveness, independence, quality and responsiveness of search results, the availability of high-quality, targeted content and focused value added products and services, quality and brand appeal, access to end users, and, with respect to advertisers and sponsors, the number of users, duration and frequency of visits and user demographics. Competition among current and future suppliers of Internet navigational and informational services, high-traffic Web sites and ISPs, as well as competition with other media for advertising placements, could result in significant price competition and reductions in advertising revenues. Additionally, the Company has faced and expects to continue to face competition with respect to the acquisition of strategic businesses and technologies. There can be no assurance that the Company will be able to compete successfully or that the competitive pressures faced by the Company will not have a material adverse effect on the Company's business, operating results, and financial condition.

PROPRIETARY RIGHTS

The Company regards its copyrights, trademarks, trade dress, trade secrets, and similar intellectual property as critical to its success, and the Company relies upon trademark and copyright law, trade secret protection and confidentiality and/or license agreements with its employees, customers, partners and others to protect its proprietary rights. The Company pursues the registration of its trademarks in the United States and internationally, and has applied for and obtained the registration for a number of its trademarks, including "Yahoo!" and "Yahooligans!." Effective trademark, copyright, and trade secret protection may not be available in every country in which the Company's products and media properties are distributed or made available through the Internet. The Company has licensed in the past, and it expects that it may license in the future, elements of its distinctive trademarks, trade dress, and similar proprietary rights to third parties, including in connection with branded mirror sites of Yahoo! and other media properties that may be controlled operationally by third parties. Substantially all content appearing in the Company's online properties, such as news, weather, sports scores and stock quotes, is licensed from third parties under short-term agreements.

EMPLOYEES

As of December 31, 1997, the Company had 386 full-time employees including 199 in sales and marketing, 80 "surfers" involved in the classification and organization of listings within Yahoo!, 75 in research and product development, and 32 in administration and finance. Yahoo!'s future success is substantially dependent on the performance of its senior management and key technical personnel, and its continuing ability to attract and retain highly qualified technical and managerial personnel.

RISK FACTORS

In addition to the other information in this Report (including under the captions "Competition" and "Proprietary Rights"), the following factors should be considered carefully in evaluating the Company's business and prospects:

EXTREMELY LIMITED OPERATING HISTORY

The Company was incorporated in March 1995 and did not commence generating advertising revenues until August 1995. Accordingly, the Company has a limited operating history upon which an evaluation of the Company can be based, and its prospects are subject to the risks, expenses and uncertainties frequently encountered by companies in the new and rapidly evolving markets for Internet products and services, including the Web-based advertising market. Specifically, such risks include, without limitation, the failure to continue to develop and extend the Yahoo! brand, the failure to develop new media properties, the inability of the Company to maintain and increase the levels of traffic on Yahoo! properties, the development or acquisition of equal or superior services or products by competitors, the failure of the market to adopt the Web as an advertising medium, the failure to successfully sell Web-based advertising through the Company's recently developed internal sales force, potential reductions in market prices for Web-based advertising as a result of competition or other factors, the failure of the Company to effectively generate commerce-related revenues through sponsored services and placements in Yahoo! properties, the inability of the Company to effectively integrate the technology and operations or any other acquired businesses or technologies with its operations such as the recent acquisition of Four11 Corporation, the failure of the Company to successfully develop and offer personalized Web-based services, such as email services, to consumers without errors or interruptions in service, and the inability to continue to identify, attract, retain and motivate qualified personnel. There can be no assurance that the Company will be successful in addressing such risks.

As of December 31, 1997, the Company had an accumulated deficit of $27,971,000. The limited operating history of the Company and the uncertain nature of the markets addressed by the Company make the prediction of future results of operations difficult or impossible and, therefore, the recent revenue growth experienced by the Company should not be taken as indicative of the rate of revenue growth, if any, that can be expected in the future. The Company believes that period-to-period comparisons of its operating results are not meaningful and that the results for any period should not be relied upon as an indication of future performance. The Company currently expects to continue to significantly increase its operating expenses related to expanding its sales and marketing operations, to continue to develop and extend the Yahoo! brand, to fund greater levels of product development, to develop and commercialize additional media properties, and to acquire complementary businesses and technologies. As a result of these factors, there is no assurance that the Company will not incur significant losses on a quarterly and annual basis in the future.

FLUCTUATIONS IN QUARTERLY OPERATING RESULTS

As a result of the Company's limited operating history, the Company does not have historical financial data for a significant number of periods on which to base planned operating expenses. The Company derives the majority of its revenues from the sale of advertisements under short-term contracts, which are difficult to forecast accurately. The Company's expense levels are based in part on its expectations concerning future revenue and, to a large extent, are fixed. The Company also has fixed expenses in the form of advertising revenue guarantees of up to $18,500,000 over the next 15 months ending March 31, 1999 relating to the Netscape Guide By Yahoo!, which subject the Company to additional risk in the event that advertising revenues from this property are not sufficient to offset guaranteed payments and related operating expenses. Quarterly revenues and operating results depend substantially upon the advertising revenues received within the quarter, which are difficult to forecast accurately. Accordingly, the cancellation or deferral of a small number of advertising or sponsorship contracts could have a material adverse effect on the Company's business, results of operations, and financial condition. The Company may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. In such a case, any significant revenue shortfall in relation to the Company's expectations would have an immediate adverse effect on the Company's business, operating results, and financial condition. In addition, the Company plans to continue to significantly increase its operating expenses related to expanding its sales and marketing operations, to continue to develop and extend the Yahoo! brand, to fund greater levels of product development, and to develop and commercialize additional media properties. To the extent such expenses precede or are not subsequently followed by increased revenues, the Company's business, operating results, and financial condition will be materially and adversely affected.

The Company's operating results may fluctuate significantly in the future as a result of a variety of factors, many of which are outside the Company's control. These factors include the level of usage of the Internet, demand for Internet advertising, the addition or loss of advertisers, the level of user traffic on Yahoo! and the Company's other online media properties, the advertising budgeting cycles of individual advertisers, the amount and timing of capital expenditures and other costs relating to the expansion of the Company's operations, the introduction of new products or services by the Company or its competitors, pricing changes for Web-based advertising, the timing of initial set-up, engineering or development fees that may be paid in connection with larger advertising and distribution arrangements, technical difficulties with respect to the use of Yahoo! or other media properties developed by the Company, incurrence of costs relating to future acquisitions, general economic conditions, and economic conditions specific to the Internet and online media. As a strategic response to changes in the competitive environment, the Company may from time to time make certain pricing, service or marketing decisions, or business combinations that could have a material adverse effect on the Company's business, results of operations, and financial condition. The Company has experienced, and expects to continue to experience, seasonality in its business, with user traffic on Yahoo! and the Company's other online media properties being lower during the summer and year-end vacation and holiday periods, when usage of the Web and the Company's services typically experience slower growth or decline. Additionally, seasonality may affect the amount of customer advertising dollars placed with the Company in the first and third calendar quarters as advertisers historically spend less during these quarters.

A key element of the Company's strategy is to generate advertising revenues through sponsored services and placements by third parties in Yahoo! online properties in addition to banner advertising. In connection with these arrangements, the Company may receive sponsorship fees as well as a portion of transaction revenues received by the third-party sponsor from users originated through the Yahoo! placement, in return for minimum levels of user impressions to be provided by the Company. To the extent implemented, these arrangements expose the Company to potentially significant financial risks, including the risk that the Company fails to deliver required minimum levels of user impressions and that third party sponsors do not renew the agreements at the end of their term. In addition, because the Company has limited experience with these arrangements, the Company is unable to determine what effect such arrangements will have on gross margins and results of operations. Although transaction-based fees have not to date represented a material portion of the Company's net revenues, if and to the extent such revenues become significant, the foregoing factors could result in greater variations in the Company's quarterly operating results and could have a material adverse effect on the Company's business, results of operations, and financial condition.

Due to all of the foregoing factors, in some future quarter the Company's operating results may fall below the expectations of securities analysts and investors. In such an event, the trading price of the Company's Common Stock would likely be materially and adversely affected.

RISKS ASSOCIATED WITH NETSCAPE GUIDE BY YAHOO!

During March 1997, the Company entered into certain agreements with Netscape under which the Company has developed and operates an Internet information navigation service called Netscape Guide by Yahoo! (the "Guide"). The Co-Marketing agreement provides that revenue from advertising on the Guide, which is managed by the Company, is to be shared between the Company and Netscape. Under the terms of the Trademark License agreement, the Company made a one-time non-refundable trademark license fee payment of $5,000,000 in March 1997 which is being amortized over the initial two-year term, which commenced in May 1997. Under the terms of the Co-Marketing agreement as amended in June 1997, the Company also provided Netscape with a minimum of up to $4,660,000 in guarantees against shared advertising revenues in the first year of the agreement, subject in the first year to a minimum level of gross revenue being met, and up to $15,000,000 in the second year of the agreement, subject in the second year to certain minimum levels of impressions being reached on the Guide. Actual payments will relate directly to the overall revenue and impressions recognized from the Guide.

The Guide agreements expose the Company to a number of significant risks and uncertainties, including, without limitation: the risk that the Company will fail to generate sufficient advertising revenue to offset the initial and future guaranteed payments to Netscape, including any failure that results from negative trends in the Web-based advertising business (such as price erosion); the risk that projected user traffic levels for the Guide will not be achieved, which may be affected by several factors, such as declines or slower growth in the number of users of Netscape's browser product, particularly as a result of continued increases in the market share of Microsoft's Internet Explorer browser product; the effect of competitive personalized information services from other parties; and the risk that Netscape does not elect to renew the agreement at the end of the two year term, after which the agreement permits Netscape to use certain elements of the user interface developed by the Company without payment of any consideration to the Company. As a result of the foregoing factors, there can be no assurance that the Guide activities will not have a material adverse effect on the Company's business, operating results, or financial condition.

DEPENDENCE ON CONTINUED GROWTH IN USE OF THE INTERNET; TECHNOLOGICAL CHANGE

The Company's future success is substantially dependent upon continued growth in the use of the Internet and the Web in order to support the sale of advertising on the Company's online media properties. There can be no assurance that communication or commerce over the Internet will become more widespread or that extensive content will continue to be provided over the Internet. The Internet may not prove to be a viable commercial marketplace for a number of reasons, including lack of acceptable security technologies, potentially inadequate development of the necessary infrastructure, such as a reliable network backbone, or timely development and commercialization of performance improvements, including high speed modems. In addition, to the extent that the Internet continues to experience significant growth in the number of users and level of use, there can be no assurance that the Internet infrastructure will continue to be able to support the demands placed upon it by such potential growth or that the performance or reliability of the Web will not be adversely affected by this continued growth. If use of the Internet does not continue to grow, or if the Internet infrastructure does not effectively support growth that may occur, the Company's business, operating results, and financial condition would be materially and adversely affected. The market for Internet products and services is characterized by rapid technological developments, evolving industry standards and customer demands, and frequent new product introductions and enhancements. These market characteristics are exacerbated by the emerging nature of this market and the fact that many companies are expected to introduce new Internet products and services in the near future. Failure of the Company to effectively adapt to technological developments could adversely affect the Company's business, operating results, and financial condition.

DEVELOPING MARKET; UNPROVEN ACCEPTANCE OF THE COMPANY'S PRODUCTS AND MEDIA PROPERTIES

The markets for the Company's products and media properties have only recently begun to develop, are rapidly evolving, and are characterized by an increasing number of market entrants who have introduced or developed information navigation products and services for use on the Internet and the Web. As is typical in the case of a new and rapidly evolving industry, demand and market acceptance for recently introduced products and services are subject to a high level of uncertainty and risk. Because the market for the Company's products and media properties is new and evolving, it is difficult to predict the future growth rate, if any, and size of this market. There can be no assurance either that the market for the Company's products and media properties will continue to develop or that demand for the Company's products or media properties will be sustainable. If the market develops more slowly than expected or becomes saturated with competitors, or if the Company's products and media properties do not sustain market acceptance, the Company's business, operating results, and financial condition will be materially and adversely affected.

RISKS ASSOCIATED WITH BRAND DEVELOPMENT

The Company believes that establishing and maintaining the Yahoo! brand is a critical aspect of its efforts to attract and expand its audience and that the importance of brand recognition will increase due to the growing number of Internet sites and the relatively low barriers to entry. Promotion and enhancement of the Yahoo! brand will depend largely on the Company's success in providing high-quality products and services, which success cannot be assured. In order to attract and retain Internet users and to promote and maintain the Yahoo! brand in response to competitive pressures, the Company may find it necessary to increase substantially its financial commitment to creating and maintaining a distinct brand loyalty among consumers. If the Company is unable to provide high-quality products and services or otherwise fails to promote and maintain its brand, or if the Company incurs excessive expenses in an attempt to improve its products and services or promote and maintain its brand, the Company's business, operating results, and financial condition will be materially and adversely affected.

RELIANCE ON ADVERTISING REVENUES AND UNCERTAIN ADOPTION OF THE WEB AS AN ADVERTISING MEDIUM

The Company derives substantially all of its revenues from the sale of advertisements on its Web pages under short-term contracts. Most of the Company's advertising customers have only limited experience with the Web as an advertising medium, have not devoted a significant portion of their advertising expenditures to Web-based advertising and may not find such advertising to be effective for promoting their products and services relative to traditional print and broadcast media. The Company's ability to generate significant advertising revenues will depend upon, among other things, advertisers' acceptance of the Web as an effective and sustainable advertising medium, the development of a large base of users of the Company's services possessing demographic characteristics attractive to advertisers, and the ability of the Company to continue to develop and update effective advertising delivery and measurement systems. No standards have yet been widely accepted for the measurement of the effectiveness of Web-based advertising, and there can be no assurance that such standards will develop sufficiently to support Web-based advertising as a significant advertising medium. In addition, there can be no assurance that the advertisers will determine that banner advertising, which comprises the majority of the Company's revenues, is an effective advertising medium, and there can be no assurance that the Company will effectively transition to any other forms of Web-based advertising, should they develop. Certain advertising filter software programs are available that limit or remove advertising from an Internet user's desktop. Such software, if generally adopted by users, may have a materially adverse effect upon the viability of advertising on the Internet. There also can be no assurance that the Company's advertising customers will accept the internal and third-party measurements of impressions received by advertisements on Yahoo! and the Company's online media properties, or that such measurements will not contain errors. The Company relies primarily on its internal advertising sales force for domestic advertising sales, which involves additional risks and uncertainties, including (among others) risks associated with the recruitment, retention, management, training, and motivation of sales personnel. As a result of these factors, there can be no assurance that the Company will sustain or increase current advertising sales levels. Failure to do so will have a material adverse effect on the Company's business, operating results, and financial position.

SUBSTANTIAL DEPENDENCE UPON THIRD PARTIES

The Company depends substantially upon third parties for several critical elements of its business including, among others, technology and infrastructure, content development, and distribution activities.

TECHNOLOGY AND INFRASTRUCTURE. The Company supplements its Internet directory listings with full-text Web search results provided by AltaVista, a division of Digital Equipment Corporation ("Digital"), under a non-exclusive agreement. The Company depends substantially upon ongoing maintenance and technical support from Digital to ensure accurate and rapid presentation of such search results to the Company's customers. In addition, any termination of the agreement with Digital or Digital's failure to renew such agreement upon expiration could result in substantial additional costs to the Company in developing or licensing replacement technology, and could result in a loss of levels of use of the Company's navigational services. The Company also relies principally on a private third-party provider, GlobalCenter, Inc. ("GlobalCenter"), for the Company's principal Internet connections. Additionally, email service Internet connections are provided by GTE. Any disruption in the Internet access provided by these third-party providers or any failure of these third-party providers to handle current or higher volumes of use could have a material adverse effect on the Company's business, operating results, and financial condition. The Company also licenses technology and related databases from third parties for certain elements of Yahoo! properties, including, among others, technology underlying news, stock quotes and current financial information, chat services, street mapping, telephone listings, and similar services. The Company has experienced and expects to continue to experience interruptions and delays in service and availability for such elements, such as recent interruptions in the Company's stock quote services. Any errors, failures, or delays experienced in connection with these third party technologies and information services could negatively impact the Company's relationship with users and adversely affect the Company's brand and its business, and could expose the Company to liabilities to third parties.

CONTENT DEVELOPMENT. A key element of the Company's strategy involves the implementation of Yahoo!-branded media properties targeted for interest areas, demographic groups, and geographic areas. In these efforts, the Company has relied and will continue to rely substantially on content development and localization efforts of third parties. For example, the Company has entered into an agreement with Ziff-Davis pursuant to which Ziff-Davis publishes an online publication and a print magazine under the Yahoo! brand. The Company also expects to rely substantially on third party affiliates, including SOFTBANK in Japan and Korea, and Rogers Communications ("Rogers") in Canada, to localize, maintain, and promote these services and to sell advertising in local markets. There can be no assurance that the Company's current or future third-party affiliates will effectively implement these properties, or that their efforts will result in significant revenue to the Company. Any failure of these parties to develop and maintain high-quality and successful media properties also could result in unfavorable dilution to the Yahoo! brand.

DISTRIBUTION RELATIONSHIPS. In order to create traffic for the Company's online properties and make them more attractive to advertisers and consumers, the Company has entered into certain distribution agreements and informal relationships with leading Web browser providers (Microsoft and Netscape), operators of online networks and leading Web sites, and computer manufacturers, such as Compaq Computer and Gateway 2000. The Company believes these arrangements are important to the promotion of the Company's online media properties, particularly among new Web users who may first access the Web through these browsers, services, Web sites, or computers. The Company's business relationships with these companies consist of arrangements for the positioning of access to Yahoo! properties on Web browsers and cooperative marketing programs and licenses to include Yahoo! in online networks or services offered by these parties, which are intended to increase the use and visibility of Yahoo!. These distribution arrangements typically are not exclusive, and may be terminated upon little or no notice. Third parties that provide distribution channels for the Company may also assess fees or otherwise impose additional conditions on the listing of Yahoo! or other online properties of the Company, such as Netscape's requirement of substantial payments for placement of Yahoo! on the "Net Search" Web page accessible from a button on the Netscape Web browser. In addition, these companies may terminate or reduce their joint marketing activities with the Company. Any such event could have a material adverse effect on the Company's business, results of operations, and financial condition.

The Company recently announced a co-branding and distribution arrangement with MCI under which the Company will provide a Web-based online service in conjunction with dial-up Internet access provided by MCI. In this arrangement, the Company will depend substantially upon MCI for, among other things, effective marketing and promotion efforts and the provision of competitive Internet access service to customers. Any failure by MCI in these respects could materially impair the benefits received by the Company from this arrangement, and could negatively affect the Yahoo! brand.

ENHANCEMENT OF YAHOO! PROPERTIES AND DEVELOPMENT OF NEW PROPERTIES

To remain competitive, the Company must continue to enhance and improve the functionality, features, and content of the Yahoo! main site, as well as the Company's other branded media properties. There can be no assurance that the Company will be able to successfully maintain competitive user response times or implement new features and functions, such as new search capabilities, greater levels of user personalization, localized content filter and information delivery through "push" or other methods, which will involve the development of increasingly complex technologies. The Company also expects that personalized information services, such as the Company's recently launched Web-based email service, will require significantly greater expenses associated with, among other things, increased server capacity and equipment and requirements for additional customer support personnel and systems. To the extent such additional expenses are not offset by additional revenues from such personalized services, the Company's financial results will be adversely affected.

The Company's future success also depends in part upon the timely processing of Web site listings submitted by users and Web content providers, which have increased substantially in recent periods. The Company has from time to time experienced significant delays in the processing of submissions, and further delays could have a material adverse effect on the Company's goodwill among Web users and content providers, and on the Company's business.

A key element of the Company's business strategy is the development and introduction of new Yahoo!-branded online properties targeted for specific interest areas, user groups with particular demographic characteristics, and geographic areas. There can be no assurance that the Company will be successful in developing, introducing, and marketing such products or media properties or that such products and media properties will achieve market acceptance, enhance the Company's brand name recognition, or increase traffic on Yahoo!'s online properties. Furthermore, enhancements of or improvements to Yahoo! or new media properties may contain undetected errors that require significant design modifications, resulting in a loss of customer confidence and user support and a decrease in the value of the Company's brand name recognition. The Company's ability to successfully develop additional targeted media properties depends substantially on use of Yahoo! to promote such properties. If use of Yahoo! fails to continue to grow, the Company's ability to establish other targeted properties would be adversely affected. Any failure of the Company to effectively develop and introduce these properties, or failure of such properties to achieve market acceptance, could adversely affect the Company's business, results of operations, and financial condition.

INVESTMENTS IN AFFILIATES

The Company has made equity investments in affiliated companies that are involved in the commercialization of Yahoo!-branded online properties, such as versions of Yahoo! localized for foreign markets. The Company currently intends to continue to make significant additional investments in such companies from time to time in the future, as well as other companies involved in the development of technologies or services that are complementary or related to the Company's business, such as the December 1997 investments in GeoCities and AudioNet. These affiliated companies typically are in an early stage of development and may be expected to incur substantial losses. As a result, the Company has recorded and expects to continue to record a share of the losses in such affiliates attributable to the Company's ownership, which losses have had and will continue to have an adverse effect on the Company's results of operations. Furthermore, there can be no assurance that any investments in such companies will result in any return, nor can there be any assurance as to the timing of any such return, or that the Company will not lose its entire investment.

MANAGEMENT OF POTENTIAL GROWTH

The Company's recent growth has placed, and is expected to continue to place, a significant strain on its managerial, operational, and financial resources. To manage its potential growth, the Company must continue to implement and improve its operational and financial systems and to expand, train, and manage its employee base. The Company also expects that its operational and management systems will face additional strain as a result of the Company's recent acquisition of Four11 Corporation. The process of managing advertising within large, high traffic Web sites such as those in the Yahoo! network is an increasingly important and complex task. The Company relies on both internal and licensed third party advertising inventory management and analysis systems. To the extent that any extended failure of the Company's advertising management system results in incorrect advertising insertions, the Company may be exposed to "make good" obligations with its advertising customers, which, by displacing advertising inventory, could defer advertising revenues and thereby have a material adverse effect on the Company's business, operating results, and financial condition. Failure of the Company's advertising management systems to effectively track and provide accurate and timely reports on advertising results also could negatively affect the Company's relationships with advertisers and thereby have an adverse effect on the Company's business. There can be no assurance that the Company's systems, procedures, or controls will be adequate to support the Company's operations or that Company management will be able to achieve the rapid execution necessary to fully exploit the Company's market opportunity. Any inability to effectively manage growth, if any, could have a material adverse effect on the Company's business, operating results, and financial condition.

RISK OF CAPACITY CONSTRAINTS AND SYSTEMS FAILURES

The Company is dependent on its ability to effectively serve a high volume of use of its online media properties. Accordingly, the performance of the Company's online media properties is critical to the Company's reputation, its ability to attract advertisers to the Company's Web sites, and to achieve market acceptance of these products and media properties. Any system failure that causes an interruption or an increase in response time of the Company's products and media properties could result in less traffic to the Company's Web sites and, if sustained or repeated, could reduce the attractiveness of the Company's products and media properties to advertisers and licensees. An increase in the volume of queries conducted through the Company's products and media properties could strain the capacity of the software or hardware deployed by the Company, which could lead to slower response time or system failures, and adversely affect the number of impressions received by advertisers and thus the Company's advertising revenues. In addition, as the number of Web pages and users increase, there can be no assurance that the Company's products and media properties and infrastructure will be able to scale accordingly. The Company also faces technical challenges associated with higher levels of personalization and localization of content delivered to users of its services, which adds strain to the Company's development and operational resources. For example, personalized information services, such as Web-based email services, involve increasingly complex technical and operational challenges, and there can be no assurance that the Company will successfully implement and scale such services to the extent required by any growth in the number of users of such services, or that the failure to do so will not materially and adversely affect the goodwill of users of these services, or negatively affect the Company's brand and reputation. The Company is also dependent upon Web browsers and Internet and online service providers for access to its products and media properties. In particular, a private third party provider, GlobalCenter, provides the Company's principal Internet connections. In the past, users have occasionally experienced difficulties due to system failures, including failures unrelated to the Company's systems. Additionally, Internet connections for the Company's Web-based email services are provided by GTE. Any disruption in the Internet access provided by these third-party providers or any failure of these third-party providers to handle higher volumes of user traffic could have a material adverse effect on the Company's business, operating results, and financial condition. Furthermore, the Company is dependent on hardware suppliers for prompt delivery, installation, and service of servers and other equipment used to deliver the Company's products and services.

The Company's operations are susceptible to outages due to fire, floods, power loss, telecommunications failures, break-ins, and similar events. In addition, substantially all of the Company's network infrastructure is located in Northern California, an area susceptible to earthquakes, which also could cause system outages or failures. The Company does not presently have multiple site capacity in the event of any such occurrence. Despite the implementation of network security measures by the Company, its servers are vulnerable to computer viruses, break-ins, and similar disruptions from unauthorized tampering with the Company's computer systems. The occurrence of any of these events could result in interruptions, delays, or cessations in service to Yahoo! users, which could have a material adverse effect on the Company's business, operating results, and financial condition.

INTEGRATION OF ACQUISITIONS

As part of its business strategy, the Company expects to enter into business combinations. For example, during October 1997, the Company acquired Four11 Corporation, a privately-held online communications and directory company. Acquisition transactions are accompanied by a number of risks, including, among other things, the difficulty of assimilating the operations and personnel of the acquired companies, the potential disruption of the Company's ongoing business, the inability of management to maximize the financial and strategic position of the Company through the successful incorporation of acquired technology or content and rights into the Company's products and media properties, expenses associated with the transactions (such as expenses of $3,850,000 that the Company incurred in the fourth quarter of 1997 in connection with the acquisition of Four11 Corporation), additional expenses associated with amortization of acquired intangible assets, the maintenance of uniform standards, controls, procedures and policies, the impairment of relationships with employees and customers as a result of any integration of new management personnel, and the potential unknown liabilities associated with acquired businesses. There can be no assurance that the Company would be successful in addressing these risks or any other problems encountered in connection with such acquisitions.

TRADEMARKS AND PROPRIETARY RIGHTS

The Company regards its copyrights, trademarks, trade dress, trade secrets, and similar intellectual property as critical to its success, and the Company relies upon trademark and copyright law, trade secret protection and confidentiality and/or license agreements with its employees, customers, partners and others to protect its proprietary rights. The Company pursues the registration of its trademarks in the United States and internationally, and has applied for and obtained the registration for certain of its trademarks, including "Yahoo!" and "Yahooligans!". Effective trademark, copyright, and trade secret protection may not be available in every country in which the Company's products and media properties are distributed or made available through the Internet. The Company has licensed in the past, and it expects that it may license in the future, elements of its distinctive trademarks, trade dress, and similar proprietary rights to third parties, including in connection with branded mirror sites of Yahoo!, and other media properties and merchandise that may be controlled operationally by third parties. While the Company attempts to ensure that the quality of its brand is maintained by such licensees, no assurances can be given that such licensees will not take actions that could materially and adversely affect the value of the Company's proprietary rights or the reputation of its products and media properties, either of which could have a material adverse effect on the Company's business. Also, the Company is aware that third parties have from time to time copied significant portions of Yahoo! directory listings for use in competitive Internet navigational tools and services, and there can be no assurance that the distinctive elements of Yahoo! will be protectible under copyright law. There can be no assurance that the steps taken by the Company to protect its proprietary rights will be adequate or that third parties will not infringe or misappropriate the Company's copyrights, trademarks, trade dress, and similar proprietary rights. In addition, there can be no assurance that other parties will not assert infringement claims against the Company.

Many parties are actively developing search, indexing, and related Web technologies at the present time. The Company believes that such parties have taken and will continue to take steps to protect these technologies, including seeking patent protection. As a result, the Company believes that disputes regarding the ownership of such technologies are likely to arise in the future.

DEPENDENCE ON KEY PERSONNEL

The Company's performance is substantially dependent on the performance of its senior management and key technical personnel. In particular, the Company's success depends substantially on the continued efforts of its senior management team. The Company does not carry key person life insurance on any of its senior management personnel. The loss of the services of any of its executive officers or other key employees could have a material adverse effect on the business, operating results, and financial condition of the Company.

The Company's future success also depends on its continuing ability to attract and retain highly qualified technical and managerial personnel. Competition for such personnel is intense and there can be no assurance that the Company will be able to retain its key managerial and technical employees or that it will be able to attract and retain additional highly qualified technical and managerial personnel in the future. The inability to attract and retain the necessary technical and managerial personnel could have a material and adverse effect upon the Company's business, operating results, and financial condition.

GOVERNMENT REGULATION AND LEGAL UNCERTAINTIES

There are currently few laws or regulations directly applicable to access to or commerce on the Internet. Due to the increasing popularity and use of the Internet, it is possible that a number of laws and regulations may be adopted with respect to the Internet, covering issues such as user privacy, defamation, pricing, taxation, quality of products and services, and intellectual property ownership. For example, although the Communications Decency Act was held to be unconstitutional, there can be no assurance that similar legislation will not be enacted in the future, and it is possible that such legislation could expose the Company to substantial liability. Such legislation could also dampen the growth in use of the Web generally, and decrease the acceptance of the Web as a communications and commercial medium, and could, thereby, have a material adverse effect on the Company's business, results of operations, and financial condition. Other nations, including Germany, have taken actions to restrict the free flow of material deemed to be objectionable on the Web. In addition, several telecommunications carriers are seeking to have telecommunications over the Web regulated by the Federal Communications Commission (the "FCC") in the same manner as other telecommunications services. For example, America's Carriers Telecommunications Association ("ACTA") has filed a petition with the FCC for this purpose. In addition, because the growing popularity and use of the Web has burdened the existing telecommunications infrastructure and many areas with high Web use have begun to experience interruptions in phone service, local telephone carriers, such as Pacific Bell, have petitioned the FCC to regulate ISPs and OSPs in a manner similar to long distance telephone carriers and to impose access fees on the ISPs and OSPs. If either of these petitions is granted, or the relief sought therein is otherwise granted, the costs of communicating on the Web could increase substantially, potentially slowing the growth in use of the Web, which could in turn decrease the demand for the Company's products and media properties. A number of proposals have been made at the federal, state and local level that would impose additional taxes on the sale of goods and services through the Internet. Such proposals, if adopted, could substantially impair the growth of electronic commerce, and could adversely affect the Company's opportunity to derive financial benefit from such activities. Also, legislation is pending in Congress that would impose liability on online service providers such as the Company for listing or linking to third-party Web sites that include materials that infringe copyrights or other rights of others. Such laws and regulations if enacted could fundamentally impair the Company's ability to provide Internet navigation services, or substantially increase the cost of doing so, which would have an adverse effect on the Company's business, operating results, and financial condition. Moreover, the applicability to the Internet of the existing laws governing issues such as property ownership, copyright, defamation, obscenity, and personal privacy is uncertain, and the Company may be subject to claims that its services violate such laws. Any such new legislation or regulation or the application of existing laws and regulations to the Internet could have a material adverse effect on the Company's business, operating results, and financial condition.

Due to the global nature of the Web, it is possible that, although transmissions by the Company over the Internet originate primarily in the State of California, the governments of other states and foreign countries might attempt to regulate the Company's transmissions or prosecute the Company for violations of their laws. There can be no assurance that violations of local laws will not be alleged or charged by state or foreign governments, that the Company might not unintentionally violate such law or that such laws will not be modified, or new laws enacted, in the future. Any of the foregoing developments could have a material adverse effect on the Company's business, results of operations, and financial condition.

LIABILITY FOR INFORMATION SERVICES AND COMMERCE-RELATED ACTIVITIES

Because materials may be downloaded by the online or Internet services operated or facilitated by the Company and may be subsequently distributed to others, there is a potential that claims will be made against the Company for defamation, negligence, copyright or trademark infringement, personal injury or other theories based on the nature and content of such materials. Such claims have been brought, and sometimes successfully pressed, against online service providers in the past. In addition, the Company could be exposed to liability with respect to the selection of listings that may be accessible through the Company's Yahoo!-branded products and media properties, or through content and materials that may be posted by users in classifieds, bulletin board and chat room services offered by the Company. Such claims might include, among others, that by providing hypertext links to Web sites operated by third parties, the Company is liable for copyright or trademark infringement or other wrongful actions by such third parties through such Web sites. It is also possible that if any information provided through the Company's services, such as stock quotes, analyst estimates or other trading information, contains errors, third parties could make claims against the Company for losses incurred in reliance on such information. In connection with the acquisition of Four11 Corporation, the Company recently began offering Web-based email services, which expose the Company to potential risks, such as liabilities or claims resulting from unsolicited email (spamming), lost or misdirected messages, illegal or fraudulent use of email or interruptions or delays in email service. Even to the extent such claims do not result in liability to the Company, the Company expects to incur significant costs in investigating and defending such claims.

The Company also from time to time enters into arrangements to offer third party products and services under the Yahoo! brand or via distribution on Yahoo! properties. For example, the Company recently announced an agreement with GeoCities under which GeoCities will offer free home page services and certain related products to Yahoo! users. The Company also recently announced an arrangement with AudioNet, an Internet-based broadcast network, whereby links to AudioNet's site and content will be distributed via Yahoo! properties. These business arrangements involve additional legal risks, such as potential liabilities for content posted by free home page users or made available by other third party providers. The Company may be subject to claims concerning such services or content by virtue of the Company's involvement in marketing, branding or providing access to such services, even if the Company does not itself host, operate, or provide such services. While the Company's agreements with these parties often provide that the Company will be indemnified against such liabilities, there can be no assurance that such indemnification, if available, will be adequate.

The Company recently began offering a Yahoo!-branded VISA credit card, which includes a "rewards" program entitling card users to receive points that may be redeemed for merchandise, such as books or music. This arrangement exposes the Company to certain additional risks and expenses, including, without limitation, those relating to compliance with consumer protection laws, loss of customer data, disputes over redemption procedures and rules, products liability, sales taxation and liabilities associated with any failure in performance by participating merchants.

From time to time, the Company enters into agreements with sponsors, content providers, service providers, and merchants under which the Company is entitled to receive a share of revenue from the purchase of goods and services by users of the Company's online properties. Such arrangements may expose the Company to additional legal risks and uncertainties, including (without limitation) potential liabilities to consumers of such products and services. Although the Company carries general liability insurance, the Company's insurance may not cover potential claims of this type or may not be adequate to indemnify the Company for all liability that may be imposed.

RISKS ASSOCIATED WITH INTERNATIONAL OPERATIONS AND EXPANSION

A key part of the Company's strategy is to develop Yahoo!-branded online properties in international markets. The Company has developed and operates, through joint ventures with SOFTBANK and related entities, versions of Yahoo! localized for Japan, Germany, France, the United Kingdom, and Korea. The Company offers a version of Yahoo! localized for Canada under an agreement with Rogers Communications, and the Company operates localized or mirror versions of Yahoo! through wholly-owned subsidiaries in Australia, Denmark, Norway, Sweden, and Singapore.

To date, the Company has only limited experience in developing localized versions of its products and marketing and operating its products and services internationally, and the Company relies substantially on the efforts and abilities of its foreign business partners in such activities. The Company has experienced and expects to continue to experience higher costs as a percentage of revenues in connection with international online properties than domestic online properties. If the international revenues are not adequate to offset investments in such activities, the Company's business, operating results, and financial condition could be materially adversely affected. The Company may experience difficulty in managing international operations as a result of distance as well as language and cultural differences, and there can be no assurance that the Company or its partners will be able to successfully market and operate its products and services in foreign markets. The Company also believes that in light of substantial anticipated competition, it will be necessary to move quickly into international markets in order to effectively obtain market share, and there can be no assurance that the Company will be able to do so. In addition to the uncertainty as to the Company's ability to continue to generate revenues from its foreign operations and expand its international presence, there are certain risks inherent in doing business on an international level, such as unexpected changes in regulatory requirements, trade barriers, difficulties in staffing and managing foreign operations, longer payment cycles, problems in collecting accounts receivable, political instability, fluctuations in currency exchange rates, seasonal reductions in business activity in certain other parts of the world, and potentially adverse tax consequences. There can be no assurance that one or more of such factors will not have a material adverse effect on the Company's future international operations and, consequently, on the Company's business, operating results, and financial condition.

CONCENTRATION OF STOCK OWNERSHIP

As of February 27, 1998, the present directors, executive officers, greater than 5% shareholders and their respective affiliates beneficially owned approximately 55% of the outstanding Common Stock of the Company. As of February 27, 1998, SOFTBANK beneficially owned approximately 29% of the outstanding Common Stock of the Company. As a result of their ownership, the directors, executive officers, greater than 5% shareholders (including SOFTBANK) and their respective affiliates collectively are able to control all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. Such concentration of ownership may also have the effect of delaying or preventing a change in control of the Company.

VOLATILITY OF STOCK PRICE

The trading price of the Company's Common Stock has been and may continue to be subject to wide fluctuations in response to a number of events and factors, such as quarterly variations in operating results, announcements of technological innovations or new products and media properties by the Company or its competitors, changes in financial estimates and recommendations by securities analysts, the operating and stock price performance of other companies that investors may deem comparable to the Company, and news reports relating to trends in the Company's markets. In addition, the stock market in general, and the market prices for Internet-related companies in particular, have experienced extreme volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the trading price of the Company's Common Stock, regardless of the Company's operating performance.

ANTITAKEOVER EFFECT OF CERTAIN CHARTER PROVISIONS

The Board of Directors has the authority to issue up to 10,000,000 shares of Preferred Stock and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by the shareholders. The rights of the holders of Common Stock may be subject to, and may be adversely affected by, the rights of the holders of any Preferred Stock that may be issued in the future. The issuance of Preferred Stock may have the effect of delaying, deferring or preventing a change of control of the Company without further action by the shareholders and may adversely affect the voting and other rights of the holders of Common Stock. The Company has no present plans to issue shares of Preferred Stock. Further, certain provisions of the Company's charter documents, including provisions eliminating the ability of shareholders to take action by written consent and limiting the ability of shareholders to raise matters at a meeting of shareholders without giving advance notice, may have the effect of delaying or preventing changes in control or management of the Company, which could have an adverse effect on the market price of the Company's Common Stock. In addition, effective with the Company's 1998 Annual Meeting of Shareholders, the Company's charter documents will not permit cumulative voting and will provide that, at such time as the Company has at least six directors, the Company's Board of Directors will be divided into two classes, each of which serves for a staggered two-year term, which may make it more difficult for a third party to gain control of the Company's Board of Directors.

ITEM 2. PROPERTIES

Yahoo!'s headquarters facility is located in two offices in Santa Clara, California. The Company occupies these leased facilities which aggregate approximately 88,000 square feet and has contracted for an additional 55,000 square feet beginning January 1, 1999. Office space for the Company's international subsidiaries is leased in London, Milan, Munich, Paris, Seoul, Stockholm, and Sydney. The Company also leases sales offices in Atlanta, Boston, Chicago, Dallas, Detroit, Los Angeles, New York, and San Francisco. The Company's principal Web server equipment and operations are maintained by GlobalCenter in Mountain View, California.

The Company believes that its existing facilities are adequate to meet current requirements, and that suitable additional or substitute space will be available as needed to accommodate any further physical expansion of corporate operations and for any additional sales offices.

ITEM 3. LEGAL PROCEEDINGS

In July 1997, GTE New Media Services Incorporated ("GTE New Media"), an affiliate of GTE, filed suit in Dallas, Texas against Netscape and the Company, in which GTE New Media made a number of claims relating to the inclusion of certain Yellow Pages hypertext links in the Netscape Guide by Yahoo!, an online navigational property operated by the Company under an agreement with Netscape. In this lawsuit, GTE New Media has alleged, among other things, that by including such links to the Yellow Pages service operated by several Regional Bell Operating Companies (the "RBOCs") within the Guide, the Company has tortiously interfered with an alleged contractual relationship between GTE New Media and Netscape relating to placement of links by Netscape for a Yellow Pages service operated by GTE New Media. GTE New Media seeks injunctive relief as well as actual and punitive damages. In October 1997, GTE New Media brought suit in the U.S. District Court for the District of Columbia, against the RBOCs, Netscape, and the Company, in which GTE New Media has alleged, among other things, that the alleged exclusion of the GTE New Media Yellow Pages from the Netscape Guide Yellow Pages service violates federal antitrust laws, and GTE New Media seeks injunctive relief and damages (trebled under federal antitrust laws) from such alleged actions. The Company believes that the claims against the Company in these lawsuits are without merit and intends to contest them vigorously. Although the Company cannot predict with certainty the outcome of these lawsuits or the expenses that may be incurred in defending the lawsuits, the Company does not believe that the result in the lawsuits will have a material adverse effect on the Company's financial position or results of operations. From time to time the Company is subject to other legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of trademarks and other intellectual property rights, and a variety of claims arising in connection with the Company's email, message boards, and other communications and community features, such as claims alleging defamation and invasion of privacy. The Company is not currently aware of any legal proceedings or claims that the Company believes will have, individually or in the aggregate, a material adverse effect on the Company's financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 1997.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Incorporated by reference from the information under the caption "Stock Information" on page 43 of the Registrant's 1997 Annual Report to Shareholders.

ITEM 6. SELECTED FINANCIAL DATA

Incorporated by reference from the information under the caption "Selected Financial Data" on page 12 of the Registrant's 1997 Annual Report to Shareholders.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Incorporated by reference from the information under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 13-22 of the Registrant's 1997 Annual Report to Shareholders.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Refer to Item 14.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated by reference from the information under the caption "Proposal No. 1 -- Election of Directors" in the Registrant's Proxy Statement for its 1998 Annual Meeting of Shareholders. The following sets forth certain information with respect to the other executive officers of Yahoo!:

David Filo (age 31), Chief Yahoo and a founder of the Company, has served as an officer of the Company since March 1995, and served as a director of the Company from its founding through February 1996. Mr. Filo co-developed Yahoo! in 1994 while working towards his Ph.D. in electrical engineering at Stanford University, and co-founded the Company in 1995. Mr. Filo holds a B.S. degree in computer engineering from Tulane University and a M.S. degree in electrical engineering from Stanford University.

Jeff Mallett (age 33) was promoted to Chief Operating Officer in January 1998. Prior to that, he served as the Company's Senior Vice President, Business Operations since October 1995. Prior to joining the Company, Mr. Mallett was Vice President and General Manager of the WordPerfect consumer division of Novell, Inc., a network operating system software company, from 1993 to 1995 and a member of Novell's Corporate Executive Marketing Group. Prior to that, Mr. Mallett was a member of the founding team of Reference Software International where he held various positions from 1988 to 1992, including Vice President, Sales and Marketing. From 1985 to 1987, Mr. Mallett held the position of Director, Sales and Marketing at IPT Corp., a privately held telecommunications company. Mr. Mallett holds a degree in Business Administration from Santa Rosa College.

Anil Singh (age 39) was promoted to Vice President, Advertising Sales in December 1996. Prior to that, Mr. Singh served as the Company's Director of Sales since November 1995. Prior to joining the Company, Mr. Singh was Vice President of Sales for Socket Communications from 1994 to 1995. From 1992 to 1994, Mr. Singh was Vice President of Sales for Mountain Inc. From 1991 to 1992, Mr. Singh was Director of Sales for Novell Inc. Mr. Singh holds a B.S. degree in computer science from Imperial College at the University of London, England.

Gary Valenzuela (age 41) has served as the Company's Senior Vice President, Finance and Administration, and Chief Financial Officer since February 1996. From 1994 to 1996, Mr. Valenzuela served as Senior Vice President, Finance and Administration, and Chief Financial Officer of TGV Software, Inc., a publicly held developer of TCP/IP software products. Prior to joining TGV, Mr. Valenzuela was employed by Pyramid Technology Corporation, a then-publicly held manufacturer of UNIX minicomputers, where he last served as Senior Vice President, Finance and Chief Financial Officer. Mr Valenzuela holds a B.S. degree in Business Administration from San Jose State University, and is a Certified Public Accountant in the State of California.

Farzad Nazem (age 36) was promoted to Chief Technology Officer in January 1998. Prior to that, he served as the Company's Senior Vice President, Product Development and Site Operations since March 1996. From 1985 to 1996, Mr. Nazem held a number of technical and executive management positions at Oracle Corporation, including, most recently, Vice President of Oracle's Media and Web Server Division and member of the Product Division Management Committee. Prior to that, Mr. Nazem was a member of the technical staff at SYDIS, Inc. and Rolm Corporation. Mr. Nazem holds a B.S. in Computer Science from California Polytechnic State University.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference from the information under the captions "Executive Officer Compensation and Other Matters," "Report of the Compensation Committee of the Board of Directors on Executive Compensation," "Compensation Committee Interlocks and Insider Participation," and "Performance Graph" in the Registrant's Proxy Statement for its 1998 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated by reference from the information under the captions "Record Date; Voting Securities" and "Information Regarding Beneficial Ownership of Principal Shareholders and Management" in the Registrant's Proxy Statement for its 1998 Annual Meeting of Shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated by reference from the information under the captions "Certain Transactions" and "Compensation Committee Interlocks and Insider Participation" in the Registrant's Proxy Statement for its 1998 Annual Meeting of Shareholders.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

(1) Consolidated Financial Statements:

The following consolidated financial statements of Yahoo! Inc. and the Report of Independent Accountants are incorporated herein by reference to the Registrant's 1997 Annual Report to Shareholders:

	PAGE IN ANNUAL REPORT
Consolidated Balance Sheets at December 31, 1997 and 1996	23
Consolidated Statements of Operations for the years ended December 31, 1997, 1996, and 1995	24
Consolidated Statements of Shareholders' Equity for the years ended December 31, 1997, 1996, and 1995	25
Consolidated Statements of Cash Flows for the years ended December 31, 1997, 1996, and 1995	26
Notes to Consolidated Financial Statements	27 - 39
Report of Independent Accountants	40

(2) Financial Statement Schedule:

The following financial statement schedule of Yahoo! Inc. is submitted herewith and should be read in conjunction with the consolidated financial statements:

	PAGE IN FORM 10-K
Report of Independent Accountants on Financial Statement Schedule	30
Schedule II -- Valuation and Qualifying Accounts for the years ended December 31, 1997, 1996, and 1995	31

All other financial statement schedules required by Item 14(a)(2) have been omitted because they are inapplicable or the required information has been included in the consolidated financial statements or notes thereto.

(3) Exhibits are incorporated herein by reference or are filed with this report as indicated below (numbered in accordance with Item 601 of Regulation S-K):

EXHIBIT NUMBER	DESCRIPTION
3.1	Amended and Restated Articles of Incorporation of Registrant (Filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, and incorporated herein by reference.)
3.2	Amended and Restated Bylaws of Registrant (Filed as Exhibit 3.3 to the Company's Registration Statement on the Form SB-2, Registration No. 333-2142-LA, declared effective on April 11, 1996 [the "SB-2 Registration Statement"], and incorporated herein by reference.)
10.1	Form of Indemnification Agreement with the Registrant's officers and directors (Filed as Exhibit 10.1 to the SB-2 Registration Statement and incorporated herein by reference.)
10.2	1995 Stock Plan, as amended, and form of stock option agreement (Filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 [the "December 31, 1996 10-K"] and incorporated herein by reference.)
10.3	Form of Management Continuity Agreement with the Registrant's Executive Officers (Filed as Exhibit 10.3 to the SB-2 Registration Statement and incorporated herein by reference.)
10.4	Stock Purchase Agreement dated March 3, 1995 with each of David Filo and Jerry Yang (Filed as Exhibit 10.4 to SB-2 Registration Statement and incorporated herein by reference.)
10.5	Series A Preferred Stock Agreement dated April 7, 1995 between the Registrant and Purchasers of Series A Preferred Stock (Filed as Exhibit 10.5 to the SB-2 Registration Statement and incorporated herein by reference.)
10.6	Form of Stock Restriction Agreements dated April 7, 1995 between the Registrant and Jerry Yang and David Filo (Filed as Exhibit 10.6 to the SB-2 Registration Statement and incorporated herein by reference.)
10.7	Series B Preferred Stock Agreement dated November 22, 1995 between the Registrant and Purchasers of Series B Preferred Stock (Filed as Exhibit 10.7 to the SB-2 Registration Statement and incorporated herein by reference.)
10.8	Series C Preferred Stock Agreement dated March 12, 1996 between the Registrant and SOFTBANK Holdings Inc. (Filed as Exhibit 10.8 to the SB-2 Registration Statement and incorporated herein by reference.)
10.9	Second Amended and Restated Investor Rights Agreement dated March 12, 1996 between the Registrant and certain shareholders (Filed as Exhibit 10.9 to the SB-2 Registration Statement and incorporated herein by reference.)
10.10	Second Amended and Restated Co-Sale Agreement dated March 12, 1996 between the Registrant and certain shareholders (Filed as Exhibit 10.10 to the SB-2 Registration Statement and incorporated herein by reference.)
10.11	Second Amended and Restated Voting Agreement dated March 12, 1996 between the Registrant and certain shareholders (Filed as Exhibit 10.11 to the SB-2 Registration Statement and incorporated herein by reference.)
10.12+	Publishing Agreement dated June 2, 1995 between the Registrant and IDG Books Worldwide, Inc. (Filed as Exhibit 10.12 to the SB-2 Registration Statement and incorporated herein by reference.)
10.13	Sublease Agreement dated June 6, 1996 relating to the Registrant's office at 3400 Central Expressway, Suite 201, Santa Clara, California (Filed as Exhibit 10.15 to the December 31, 1996 10-K and incorporated herein by reference.)
10.14+	Agreement dated January 15, 1996 between the Registrant and Ziff-Davis Publishing Company (Filed as Exhibit 10.19 to the SB-2 Registration Statement and incorporated herein by reference.)
10.15	1996 Employee Stock Purchase Plan and form of subscription agreement (Filed as Exhibit 10.20 to the SB-2 Registration Statement and incorporated herein by reference.)

EXHIBIT NUMBER	DESCRIPTION
10.16	1996 Directors' Stock Option Plan and form of option agreement (Filed as Exhibit 10.21 to the SB-2 Registration Statement and incorporated herein by reference.)
10.17+	Yahoo! Canada Affiliation Agreement dated February 29, 1996 between the Registrant and Rogers Multi-Media Inc. (Filed as Exhibit 10.23 to the SB-2 Registration Statement and incorporated herein by reference.)
10.18	Standstill and Voting Agreement dated March 12, 1996 between the Registrant and SOFTBANK Holdings Inc. (Filed as Exhibit 10.26 to the SB-2 Registration Statement and incorporated herein by reference.)
10.19+	Joint Venture Agreement dated April 1, 1996 by and between Yahoo! Inc. and SOFTBANK Corporation (Filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q/A for the quarter ended June 30, 1996 [the "June 30, 1996 10-Q"] and incorporated herein by reference.)
10.20+	Yahoo! Japan License Agreement dated April 1, 1996 by and between Yahoo! Inc. and Yahoo! Japan Corporation (Filed as Exhibit 10.3 to the June 30, 1996 10-Q and incorporated herein by reference.)
10.21+	SOFTBANK Letter Agreement dated April 1, 1996 by and between Yahoo! Inc. and SOFTBANK Group (Filed as Exhibit 10.4 to the June 30, 1996 10-Q and incorporated herein by reference.)
10.22+	Joint Venture Agreement dated November 1, 1996 by and between Yahoo! Inc. and SB Holdings (Europe) Ltd. (Filed as Exhibit 10.30 to the December 31, 1996 10-K and incorporated herein by reference.)
10.23+	Yahoo! UK License Agreement dated November 1, 1996 by and between Yahoo! Inc. and Yahoo! UK (Filed as Exhibit 10.31 to the December 31, 1996 10-K and incorporated herein by reference.)
10.24+	Yahoo! Deutschland License Agreement dated November 1, 1996 by and between Yahoo! Inc. and Yahoo! Deutschland (Filed as Exhibit 10.32 to the December 31, 1996 10-K and incorporated herein by reference.)
10.25+	Yahoo! France License Agreement dated November 1, 1996 by and between Yahoo! Inc. and Yahoo! France (Filed as Exhibit 10.33 to the December 31, 1996 10-K and incorporated herein by reference.)
10.26+	Services Agreement dated November 1, 1996 by and between Yahoo! UK Ltd. and Ziff-Davis UK, Ltd. (Filed as Exhibit 10.34 to the December 31, 1996 10-K and incorporated herein by reference.)
10.27+	Services Agreement dated November 1, 1996 by and between Yahoo! GmbH and Ziff-Davis Verlag, GmbH (Filed as Exhibit 10.35 to the December 31, 1996 10-K and incorporated herein by reference.)
10.28+	Services Agreement dated November 1, 1996 by and between Yahoo! France, SARL and Ziff-Davis France, S.A. (Filed as Exhibit 10.36 to the December 31, 1996 10-K and incorporated herein by reference.)
10.29+	Netscape Communications Corporation Co-Marketing Agreement dated March 17, 1997 by and between Netscape Communications Corporation and Yahoo! Inc. (Filed as Exhibit 10.37 to the December 31, 1996 10-K and incorporated herein by reference.)
10.30+	Trademark License Agreement dated March 17, 1997 by and between Netscape Communications Corporation and Yahoo! Inc. (Filed as Exhibit 10.38 to the December 31, 1996 10-K and incorporated herein by reference.)
10.31+	Netscape Communications Corporation U.S. English-Language Net Search Program Premier Provider Services Agreement dated March 17, 1997 by and between Netscape Communications Corporation and Yahoo! Inc. (Filed as Exhibit 10.39 to the December 31, 1996 10-K and incorporated herein by reference.)

EXHIBIT NUMBER	DESCRIPTION
10.32+	Amendment One to the Co-Marketing Agreement, dated June 30, 1997 between Yahoo! Inc. and Netscape Communications Corporation (Filed as Exhibit 10.1 to the June 30, 1997 10-Q and incorporated herein by reference.)
10.33+	International Net Search Program Services Agreement, dated June 30, 1997 between Yahoo! Inc. and Netscape Communications Corporation (Filed as Exhibit 10.2 to the June 30, 1997 10-Q and incorporated herein by reference.)
10.34	Trademark License Agreement, dated June 30, 1997 between Yahoo! Inc. and Netscape Communications Corporation (Filed as Exhibit 10.3 to the June 30, 1997 10-Q and incorporated herein by reference.)
10.35	Restructuring Agreement dated as of July 29, 1997 among the Registrant, Visa International Service Association, Visa Marketplace, Inc., Sterling Payot Company, and Sterling Payot Capital, L.P. (Filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, dated July 29, 1997 and incorporated herein by reference.)
10.36	Joint Venture Agreement, dated August 31, 1997 between Yahoo! Inc., SOFTBANK Korea Corporation, SOFTBANK Corporation, and Yahoo! Japan Corporation (Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997 [the "September 30, 1997 10-Q"] and incorporated herein by reference.)
10.37	Sublease Agreement, dated September 11, 1997 between Yahoo! Inc. and Amdahl Corporation (Filed as Exhibit 10.2 to the September 30, 1997 10-Q and incorporated herein by reference.)
10.38	Four11 Corporation 1995 Stock Option Plan Registrant (Filed as Exhibit 4.2 to the Company's Registration Statement on Form S-8, Registration No. 333-39105, dated October 30, 1997, and incorporated herein by reference.)
10.39*	Amendment Agreement dated September 17, 1997 by and between Yahoo! Inc. and SOFTBANK Corporation
10.40*	Amendment to Yahoo! Japan License Agreement dated September 17, 1997 by and between Yahoo! Inc. and Yahoo! Japan Corporation
10.41*	Services Agreement dated November 30, 1997 by and between Yahoo! Korea Corporation and SOFTBANK Korea Corporation
10.42*	Yahoo! Korea License Agreement dated November 30, 1997 by and between Yahoo! Inc., Yahoo! Korea Corporation, and Yahoo! Japan Corporation
13.1	Portions of the 1997 Annual Report to Shareholders
16.1	Letter dated March 6, 1996 from Coopers & Lybrand L.L.P., prior accountant of the Registrant (Filed as Exhibit 10.25 to the SB-2 Registration Statement and incorporated herein by reference.)
21.1	List of Subsidiaries
23.1	Consent of Independent Accountants
27.1	Financial Data Schedule

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+ Confidential treatment granted.

* Confidential treatment requested.

(b) Reports on Form 8-K

On October 14, 1997, the Company filed a report on Form 8-K in conjunction with the signing of an Agreement and Plan of Reorganization whereby the Company would acquire Four11 Corporation.

On October 30, 1997, the Company filed an amended report on Form 8-K which included certain financial statements of Four11 Corporation and the supplementary consolidated financial statements of Yahoo! Inc.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused the report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 12th day of March, 1998.

YAHOO! INC.

By: /s/ TIMOTHY KOOGLE

Timothy Koogle
PRESIDENT AND CHIEF EXECUTIVE OFFICER

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Timothy Koogle and Gary Valenzuela, his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Report on Form 10-K, and to file the same, with Exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

SIGNATURE	TITLE	DATE
/s/ TIMOTHY KOOGLE Timothy Koogle	President and Chief Executive Officer (Principal Executive Officer)	March 12, 1998
/s/ GARY VALENZUELA Gary Valenzuela	Senior Vice President, Finance and Administration, and Chief Financial Officer (Principal Financial Officer)	March 12, 1998
/s/ JAMES J. NELSON James J. Nelson	Vice President, Finance (Principal Accounting Officer)	March 12, 1998
/s/ ERIC HIPPEAU Eric Hippeau	Director	March 12, 1998
/s/ ARTHUR H. KERN Arthur H. Kern	Director	March 12, 1998
/s/ MICHAEL MORITZ Michael Moritz	Director	March 12, 1998
/s/ JERRY YANG Jerry Yang	Director	March 12, 1998

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of Yahoo! Inc.

Our audits of the consolidated financial statements referred to in our report dated January 9, 1998 which appears in the 1997 Annual Report to Shareholders of Yahoo! Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14(a) of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PRICE WATERHOUSE LLP
San Jose, California
January 9, 1998

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED DECEMBER 31, 1997, 1996, AND 1995
(IN THOUSANDS)

		ADDITIONS			
ALLOWANCE FOR DOUBTFUL ACCOUNTS	BALANCE AT BEGINNING OF YEAR	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS	WRITE-OFFS NET OF RECOVERIES	BALANCE AT END OF YEAR
1997	$ 665	$ 2,812	$ --	$ 879	$ 2,598
1996	$ 84	$ 611	$ --	$ 30	$ 665
1995	$ --	$ 84	$ --	$ --	$ 84

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
10.39*	Amendment Agreement dated September 17, 1997 by and between Yahoo! Inc. and SOFTBANK Corporation
10.40*	Amendment to Yahoo! Japan License Agreement dated September 17, 1997 by and between Yahoo! Inc. and Yahoo! Japan Corporation
10.41*	Services Agreement dated November 30, 1997 by and between Yahoo! Korea Corporation and SOFTBANK Korea Corporation
10.42*	Yahoo! Korea License Agreement dated November 30, 1997 by and between Yahoo! Inc., Yahoo! Korea Corporation, and Yahoo! Japan Corporation
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21.1	List of Subsidiaries
23.1	Consent of Independent Accountants
27.1	Financial Data Schedule

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* Confidential treatment requested

AMENDMENT AGREEMENT

This Agreement is made and entered into this 17th day of September, 1997, by and between Softbank Corporation, a Japanese corporation ("Softbank"), and Yahoo! Inc., a California corporation ("Yahoo!"), for the purpose of proposing the following amendments to the Joint Venture Agreement, dated April 1, 1996, and entered into between Softbank and Yahoo!.

The parties hereby agree as follows:

1. Amendment of Joint Venture Agreement

(a) Board of Directors and Statutory Auditors:
All of Section 6 of the Joint Venture Agreement shall be deleted and the parties shall agree that the Directors, Statutory Auditor, Representative Director and President of Yahoo! Japan Corporation, a Japanese corporation ("Yahoo! Japan"), shall be elected pursuant to the Articles of Incorporation of Yahoo! Japan and applicable laws of Japan. The parties shall agree to vote their shares so as to elect XX Softbank representative and XX Yahoo! representative to the Board, so long as the party so represented continues to hold at least X% of Yahoo! Japan's issued and outstanding shares. The parties shall further agree that the number of directors shall initially be set at 5, and that they will not vote to increase or decrease the authorized number of directors without each other's consent.

(b) Management of Yahoo! Japan:
All of Section 7 of the Joint Venture Agreement shall be deleted and the parties shall agree that Yahoo! Japan shall be managed pursuant to the Articles of Incorporation of Yahoo! Japan and applicable laws of Japan. The parties shall agree to only vote with Yahoo!'s consent with respect to a merger or consolidation of Yahoo! Japan in which its shareholders do not retain a majority of the voting power in the surviving corporation, or a sale of all or substantially all of Yahoo! Japan's assets. Each such event is referred to as an "Acquisition."

(c) Additional Capital:
All of Section 8 of the Joint Venture Agreement shall be deleted and the parties shall agree that the issuance of any additional shares of capital stock of Yahoo! Japan and loan guarantees and loans to Yahoo! Japan by any of its shareholders shall be made pursuant to the Articles of Incorporation of Yahoo! Japan and applicable laws of Japan. The parties shall agree to not vote in favor of any future issuances of Yahoo! Japan's stock without Yahoo!'s consent, excepting issuances to employees pursuant to an employee stock option plan and other similar issuances. Yahoo! and Softbank will agree on the size of the employee pool prior to the effectiveness of this Agreement pursuant to Section 3 below.

(d) Accounting and Access to Information:
All of Section 10 of the Joint Venture Agreement shall be deleted and the parties shall agree that the accounting of and the shareholders' access to information of Yahoo! Japan shall be made pursuant to the Articles of Incorporation of Yahoo! Japan and applicable laws of Japan.

(e) Provisions to be added:
The parties shall agree that the following provisions shall be added to the Joint Venture Agreement;

i) The parties shall agree to not vote on any amendments to the Articles of Incorporation of Yahoo! Japan that adversely affects either party without each other's consent,

ii) Each party shall give the other party a 20 day prior written notice of its intention to sell Yahoo! Japan's shares,

iii) Before either party can purchase additional shares of Yahoo! Japan's stock on the open market from any third party, such purchasing party must obtain prior written consent of the other party,

iv) Before either party can sell its shares to a third party (including open-market sales), it must provide the non-selling party with a right of first refusal to purchase such shares on the same terms and conditions being offered to the third party (including any underwritten or other offering into the public market), and

v) If the non-selling party declines to purchase the selling party's shares in Yahoo! Japan, the non-selling party shall have the right to participate in the sale of such shares by the selling party to the third party on a pro rata basis.

3. Effectiveness of Amendments

All of the amendments described herein shall become effective only upon and after the effectiveness of the firmly underwritten initial offering of Yahoo! Japan's Common Stock on a principal securities exchange in Japan (a "Qualified IPO") that results in Yahoo! owning no less than XX of the voting power of Yahoo! Japan (assuming issuances of all of the shares reserved for the employee pool).

4. Remains of the Joint Venture

Except as expressly amended hereunder, any and all terms of the Joint Venture Agreement shall remain in full force and effect.

5. Governing Law

This Agreement shall be governed and construed in accordance with the laws of Japan.

In witness whereof, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

YAHOO! INC.	SOFTBANK CORPORATION
By: /s/ JERRY CHIH-YUAN YANG	By: /s/ MASAYOSHI SON
Name: Jerry Chih-Yuan Yang	Name: Masayoshi Son
Title: Chief Yahoo	Title: President

[X] CONFIDENTIAL TREATMENT REQUESTED. OMITTED PORTIONS FILED SEPARATELY WITH THE COMMISSION.

AMENDMENT TO YAHOO! JAPAN LICENSE AGREEMENT

This AMENDMENT TO YAHOO! JAPAN LICENSE AGREEMENT (the "AMENDMENT AGREEMENT") is entered into as of this 17th day of September, 1997 by and between:

YAHOO! INC. ("YAHOO"), a California corporation with its principal offices at 625 Vaqueros Avenue, Sunnyvale, California 94086; and

YAHOO JAPAN CORPORATION, ("YJC"), a Japanese corporation with its principal offices at 3-42-3, Nihonbashi-Hamcho, Chuo-ku, Tokyo 103 Japan, with reference to the following:

RECITALS

The following provisions form the basis for, and are hereby made a part of, this Agreement:

A. Yahoo and YJC have entered into a License Agreement dated April 1, 1996 (the "AGREEMENT") pursuant to which terms Yahoo granted YJC licenses to certain Yahoo intellectual property rights.

B. Yahoo and YJC now wish to amend certain terms of the Agreement in connection with a proposed initial public offering of common stock of YJC as set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. For purposes of this Amendment Agreement, any capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

2. Section 2.1 of the Agreement is deleted and restated in its entirety as follows:

"2.1 LICENSE GRANT TO YJC. Subject to all of the terms and conditions of this Agreement, Yahoo hereby grants to YJC the following:

(i) an exclusive right and license to use, reproduce, display, perform, transmit, distribute, market, promote, and permit YJC Users to use, in on-line form and in the manner described in this Agreement, Yahoo Japan solely under a title that indicates the word "Yahoo!" (such as "Yahoo! Japan");

(ii) a non-exclusive (except as provided in Section 2.7) right to use, reproduce, display, perform, distribute and transmit the Yahoo Brand Features in Japan solely as a part of the mark "Yahoo! Japan" in full form and solely in connection with advertising, marketing, and promoting Yahoo Japan;

(iii) an exclusive right to use, reproduce, and display the Yahoo Brand Features in Japan solely in connection with Related Print Publications; PROVIDED, HOWEVER, that Yahoo obtains written consent from Ziff-Davis Publishing Company to grant such rights, which consent Yahoo shall use best efforts to obtain; and PROVIDED, FURTHER, that YJC shall obtain the prior written consent of Yahoo to use the Yahoo Brand Features on each such print material, which consent Yahoo shall not unreasonably withhold;

(iv) a non-exclusive (except as provided in Section 2.7) right and license to use and reproduce for internal purposes any and all Yahoo-owned software (in object code and source code forms) associated with the Yahoo Properties solely to facilitate the exploitation of the Yahoo Properties and YJC's internal use in furtherance of YJC's rights, as anticipated and described in this Agreement; and

(v) subject to the terms and limitations set forth in Section 2.3 of this Agreement, a non-exclusive right (except as provided in Section 2.7) to make Yahoo Japan Derivative Works, solely for use, incorporation, and integration in Yahoo Japan and solely as necessary for the Japanese consumer market in Japan;

(vi) the exclusive worldwide right to develop, create, maintain, operate, commercially exploit, market, promote and otherwise distribute Yahoo Japan through any electronic means, subject to the exceptions set forth in Section 2.7 hereto.

PROVIDED, HOWEVER, that YJC Users' right to access and use the Yahoo Properties shall be subject to such customary limitations and restrictions on use and reproduction as Yahoo may impose with respect to the Yahoo Properties. No rights or licenses are granted by Yahoo to YJC except for those expressly granted in this Section 2.1."

3.   Section 2.7 of the Agreement is deleted and restated in its entirety as follows:

"2.7 EXCLUSIVITY.   XXXXXXXXXXXXXXXXXXXX
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4.   Section 9.1 of the Agreement is deleted and restated in its entirety as follows:

"9.1 TERM. Unless earlier terminated as provided herein or unless otherwise provided in the Joint Venture Agreement, this Agreement shall be effective during the period

[X] CONFIDENTIAL TREATMENT REQUESTED. OMITTED PORTIONS FILED SEPARATELY WITH THE COMMISSION.

(the "TERM") from the date of this Agreement until the sooner of: (i) the date on which the parties hereto mutually agree to terminate this Agreement; (ii) the date on which this Agreement is terminated under Section 9.2; (iii) upon a sale or series of sales of YJC's stock to a competitor or a group of competitors of Yahoo as determined by Yahoo in its reasonable discretion, which results in such competitor or a group of competitors having beneficial ownership of at least XXXXXXXXXXXXXXXX of the total outstanding stock of YJC; (iv) upon a merger, consolidation or acquisition of YJC, in which transaction its shareholders do not retain a majority of the voting power in the surviving corporation, or a purchase of all or substantially all of YJC's assets (an "ACQUISITION"), provided, however, that any Acquisition which has occurred with Yahoo's consent shall not result in termination of this Agreement.

5. This Amendment Agreement shall become effective only upon and after the effectiveness of the Amendment Agreement to Joint Venture Agreement by and between Yahoo and SOFTBANK Corporation dated the even date hereof in accordance with the terms of Section 3 of such Amendment Agreement to Joint Venture Agreement.

6. Except as expressly provided herein, the Agreement shall remain in full force and effect.

7. This Amendment Agreement shall be interpreted and construed in accordance with the laws of the State of California, with the same force and effect as if fully executed and performed therein, and the laws of the United States of America. Each of YJC and Yahoo hereby consents and submits to the personal jurisdiction of the United States and state courts of the State of California, and expressly agrees that the venue for any action arising under this Amendment Agreement shall be the appropriate court sitting within the Northern District of California.

8. This Amendment Agreement may be executed with counterpart signatures, which may be effectively delivered by telecopy. The miscellaneous provisions of Article 10 of the Agreement shall apply to this Amendment Agreement.

[X] CONFIDENTIAL TREATMENT REQUESTED. OMITTED PORTIONS FILED SEPARATELY WITH THE COMMISSION.

IN WITNESS WHEREOF, the parties to this Amendment Agreement by their duly authorized representatives have executed this Amendment Agreement as of the date first above written.

YAHOO JAPAN CORPORATION	YAHOO! INC.
By: /s/ MASAYOSHI SON	By: /s/ TIMOTHY KOOGLE
Name: Masayoshi Son	Name: Timothy Koogle
Title: President & CEO	Title: President

[X] CONFIDENTIAL TREATMENT REQUESTED. OMITTED PORTIONS FILED SEPARATELY WITH THE COMMISSION.

SERVICES AGREEMENT

This Services Agreement (the "AGREEMENT") is made as of November 30, 1997 (the "EFFECTIVE DATE") by and between Yahoo! Korea Corporation, a corporation organized under the laws of the Republic of Korea (the "COMPANY") having its principal office at 502 Kyungki Bldg., 184-4, Chungjeong-Ro 2-Ka, Seodaemun-Ku, Seoul Korea 120-012, and SOFTBANK Korea Corporation, a corporation organized under the laws of the Republic of Korea ("SOFTBANK Korea") having its principal office at 2 Flr., 4 Naengchen-dong, Seodaemun-ku, Seoul, Korea.

RECITALS

A. The Company has been organized under the laws of the Republic of Korea ("KOREA"), and is XX% owned by Yahoo! Inc., a California corporation ("YAHOO"), XX% owned by SOFTBANK Korea, a Korean corporation, XX% owned by SOFTBANK Corporation, a Japanese corporation, and X% owned by Yahoo! Japan Corporation, a Japanese corporation, pursuant to a joint venture agreement dated as of the Effective Date (the "JOINT VENTURE AGREEMENT"), in order to operate in Korea (the "TERRITORY") a localized version of the Yahoo! Guide (such localized guide, products and services to be referred to herein as "YAHOO! KOREA"), to develop related products and online services in the Territory and to conduct certain other business related to such activities; and to conduct certain other business related to such activities.

B. The Company desires that SOFTBANK Korea provide certain services for the Company as set forth below (the "SERVICES") and SOFTBANK Korea desires to provide such Services for the Company.

AGREEMENT

The parties hereto agree as follows:

1. OFFICE, PERSONNEL, FINANCIAL AND ADMINISTRATIVE SERVICES.

1.1 SERVICES. SOFTBANK Korea shall provide the following office, personnel, financial and administrative Services (the "Office Services") to the Company:

(a) SOFTBANK Korea shall use its diligent efforts in procuring office space for employees of the Company, along with related office services such as utilities, telecommunications equipment, general office supplies, mailroom services, cleaning services (including the costs of installment and maintenance of lines, office units and the PBX switch as well as an estimated amount for actual calls), maintenance services and general office equipment (for example, photocopiers and telefax machines); PROVIDED, HOWEVER, that SOFTBANK Korea shall obtain the Company's approval prior to signing any documents or making any commitments to third parties with respect to such office space or related office services.

(b) SOFTBANK Korea shall provide the Company with such time of SOFTBANK Korea's technical support, sales, secretarial, administrative and management

[X] CONFIDENTIAL TREATMENT REQUESTED. OMITTED PORTIONS FILED SEPARATELY WITH THE COMMISSION.

personnel as is necessary to launch Yahoo! Korea on such date as the parties may mutually agree (the "LAUNCH DATE"), and thereafter until the completion of the hiring of the Company's initial technical support, sales, secretarial, administrative and management personnel. SOFTBANK Korea shall use all reasonable efforts to recruit and hire for the Company those personnel specified in the Company's Operating Plan. In addition, SOFTBANK Korea shall use all reasonable efforts to provide the Company with referrals for qualified candidates and to allow the Company access to SOFTBANK Korea's recruiting channels.

(c) SOFTBANK Korea shall provide the Company with financial management and other administrative support including payroll processing, accounting, purchasing, management information, recruiting, human resource and facility services. SOFTBANK Korea shall also provide to the Company all other similar administrative and operational services required to carry out the Company's Operating Plan. In addition, SOFTBANK Korea covenants that it will provide general management assistance to the Company, including the services of a general manager to manage the business of the Company, through September of 1998. Such general manager shall be subject to the Company's normal reporting and accounting policies and procedures.

1.2 REIMBURSEMENT. As consideration for SOFTBANK Korea's performance of the Office Services as set forth in Section 1.1 above, the Company shall reimburse SOFTBANK Korea for:

(a) SOFTBANK Korea's reasonable, documented, out-of-pocket expenses to third parties reasonably incurred in connection with the Office Services (including those incurred prior to the Effective Date on behalf of the Company), which shall include actual charges for telecommunications calls, special postage, courier service, and any other similar products or services provided by third parties that are individually billed to SOFTBANK Korea and that are not included in its general charges contemplated by Section 1.2(a) above; and

(b) any other reasonable, pre-approved, documented, out-of-pocket expenses incurred by SOFTBANK Korea or its personnel on behalf of the Company in the course of providing the Office Services hereunder including, without limitation, travel expenses and employee procurement fees and expenses.

1.3 INVOICES. SOFTBANK Korea shall send an itemized monthly invoice to the Company for the Office Services provided by SOFTBANK Korea during the previous month. The Company shall pay such amount within thirty (30) days following receipt of the invoice.

2. PROMOTIONAL SERVICES.

2.1 ADVERTISING SERVICES. SOFTBANK Korea shall provide the Company with the right to run advertisements and promotions in any and all publications and services owned, operated or otherwise under the direct or indirect control of SOFTBANK Korea at the most favorable rate offered by SOFTBANK Korea to any third party for similar advertisements and promotions. In addition, SOFTBANK Korea shall use its best efforts to secure for the Company the right to run advertisements and promotions in any and all publications, services, radio stations, television stations and billboards owned, operated or otherwise under the direct or indirect control of companies in which SOFTBANK Korea has, directly or indirectly, at least 50% equity ownership, which companies are listed on SCHEDULE A hereto (the "SOFTBANK KOREA SUBSIDIARIES") at the most favorable rate offered by such SOFTBANK Korea Subsidiaries to such companies' most favored licensee for similar advertisements and promotions. SOFTBANK Korea shall also use its commercially reasonable efforts to secure for the Company the right to run advertisements and promotions in any and all publications, services, radio stations, television stations and billboards owned, operated or otherwise under the direct or indirect control of companies in which SOFTBANK Korea has, directly or indirectly, at least 10% equity ownership or that control, or are under common control with, SOFTBANK Korea, which companies are listed on SCHEDULE B hereto (the "SOFTBANK KOREA AFFILIATES") at the most favorable rate offered by such SOFTBANK Korea Affiliates to such companies' most favored licensee for similar advertisements and promotions. All advertising services provided hereunder shall be subject to the applicable rate card or other applicable terms and conditions of the publication or service being used.

2.2 HYPERTEXT LINKS. Commencing on the Launch Date, SOFTBANK Korea shall (i) provide prominent placement of hypertext links to Yahoo! Korea on all online services owned, operated or otherwise under its control in a manner that is reasonably acceptable to the Company, (ii) use its best efforts to ensure prominent placement of hypertext links to Yahoo! Korea on all online services owned, operated or otherwise under the control of the SOFTBANK Korea Subsidiaries in a manner that is reasonably acceptable to the Company, and (iii) use its commercially reasonable efforts to ensure prominent placement of hypertext links to Yahoo! Korea on all online services owned, operated or otherwise under the control of the SOFTBANK Korea Affiliates in a manner that is reasonably acceptable to the Company. For the purposes of this Section 2, "ONLINE SERVICES" shall mean any service that provides text, graphics, sound and/or other media to subscribers electronically.

2.3 PARTICIPATION IN MARKETING AND PROMOTIONAL ACTIVITIES. SOFTBANK Korea shall, as soon as reasonably practicable, inform the Company of all upcoming advertising, marketing and promotional activities related to the online services owned, operate or otherwise under its direct or indirect control and allow the Company to participate in such activities, subject to the Company's agreement to pay such portion of the costs associated with such activities as fairly represents the Company's participation therein. In addition, SOFTBANK Korea shall, as soon as reasonably practicable, inform the Company of all upcoming advertising, marketing and promotional activities related to the online services owned, operated or otherwise under the direct or indirect control of the SOFTBANK Korea Subsidiaries and use its best efforts to have the SOFTBANK Korea Subsidiaries allow the Company to participate in such activities, subject to the Company's agreement to pay such portion of the costs associated with such activities as fairly represents the Company's participation therein. SOFTBANK Korea shall also, as soon as reasonably practicable, inform the Company of all upcoming advertising, marketing and promotional activities related to the online services owned, operate or otherwise under the direct or indirect control of the SOFTBANK Korea Affiliates and use its commercially reasonable efforts to have the SOFTBANK Korea Affiliates allow the Company to participate in such activities, subject to the Company's agreement to pay such portion of the costs associated with such activities as fairly represents the Company's participation therein. Further, SOFTBANK Korea shall (i) cooperate with the Company, (ii) use its best efforts to have the SOFTBANK Korea Subsidiaries cooperate with the Company and (iii) use its commercially reasonable efforts to have the SOFTBANK Korea Affiliates cooperate with the Company in connection with other promotional activities in the Territory as may be appropriate including, for example, joint participation in marketing and promotional events such as trade shows, seminars and roundtable discussions.

3. ADVERTISING SALES SERVICES.

3.1 ADVERTISING SALES SERVICES. During the term of this Agreement, SOFTBANK Korea shall use its best efforts to assist the Company in establishing channels for selling advertising sponsorship, linking and similar promotional rights (collectively, "ADVERTISING RIGHTS") on Yahoo! Korea to advertisers targeting the Territory (the "ADVERTISERS"). Notwithstanding the foregoing, the Company shall have the right to sell or otherwise provide, on its own behalf, Advertising Rights on Yahoo! Korea. In addition, the Board of Directors of the Company may, in its sole discretion, permit Yahoo and SOFTBANK Korea to sell advertising space on Yahoo! Korea, subject to appropriate restrictions and limitations to be mutually agreed to by the parties. The Board of Directors of the Company shall have the right to engage third party sales representatives to sell Advertising Rights on Yahoo! Korea.

3.2 ADVERTISING SALES GUIDELINES. The parties hereby acknowledge that the Company may, from time to time and in its sole discretion, (a) set such standards and adopt such policies and guidelines with regard to the acceptance of advertisements and advertising clients on Yahoo! Korea and (b) determine the pricing applicable to the sale of Advertising Rights on Yahoo! Korea. Any sale of Advertising Rights shall be subject to such Company standards, policies, guidelines, price rates and procedures for advertisements and Advertising Rights as shall be in effect at the time of the proposed sale and the Company may reject any proposed advertisement or advertising client that the Company, in its sole discretion, determines does not meet the Company's standards, policies and/or guidelines. Further, any sale of Advertising Rights shall be subject to the proposed advertising client's agreement to be bound by the Company's standard advertising sales agreement as is then in effect.

3.3 COVENANT OF SOFTBANK KOREA. SOFTBANK Korea shall not quote prices or make any other representations regarding Advertising Rights on Yahoo! Korea or www.yahoo.com other than as expressly authorized by the Company.

4. MANAGEMENT SUPPORT

SOFTBANK Korea covenants to ensure that its officers and directors will, as requested by the Company's Board, provide reasonable support and assistance to the Company in facilitating discussions between the Company and third party strategic partners and other service providers located in Korea.

5. CONTENT LICENSES

Upon the Company's request, SOFTBANK Korea will use its best efforts to facilitate, with respect to the SOFTBANK Korea Subsidiaries, and use its commercially reasonable efforts to facilitate, with respect to the SOFTBANK Korea Affiliates, providing license to the Company of any content owned by (or licensed, with the right to sublicense, to) the SOFTBANK Korea Subsidiaries or the SOFTBANK Korea Affiliates pursuant to an agreement that provides that (a) the Company will have the right to use, modify, reproduce, publicly display, publicly perform, distribute and transmit such content on terms no less favorable than those offered to its most favored licensees and (b) the license(s) granted thereunder will survive any termination of this Agreement. The parties further agree to ensure that any such third party content licensed to the Company may be complemented by content created by the Company (the "COMPLEMENTARY CONTENT"). The Company shall maintain ownership and all intellectual property rights to the Complementary Content.

6. TERM AND TERMINATION.

6.1 TERM. Unless earlier terminated as provided herein, this Agreement shall be effective during the period (the "TERM") from the Effective Date of this Agreement until the sooner of: (a) the date on which this Agreement is terminated under Sections 6.2, 6.3 or 6.4 hereto; or (c) the date of termination of the Joint Venture Agreement. Upon termination, all rights and obligations of each party hereto shall cease as of the date of termination and any amounts owed hereunder shall be paid in full; PROVIDED, HOWEVER, that rights and obligations set forth in Sections 7, 8, 9, 10 and 11 shall survive the termination of this Agreement. Notwithstanding the foregoing, the rights and obligations set forth in Section 1 shall expire on the first anniversary of the Effective Date, subject to earlier termination pursuant to this Section 6, provided that, no later than ten (10) months following the Effective Date, the parties will enter into good faith negotiations to renew the rights and obligations set forth in Section 1 and subsequently, but not later than the first anniversary of the Effective Date, execute a written addendum to this Agreement specifying the new expiration date for Section 1 and such other terms and conditions as the parties may agree and, provided further that, the parties shall remain liable for any liabilities arising from any breach of the Agreement prior to any such termination.

6.2 SOFTBANK KOREA'S RIGHT TO TERMINATE FOR BREACH. In the event that the Company shall commit any material breach under this Agreement and such breach is not cured within thirty (30) days following receipt of written notice thereof from SOFTBANK Korea, SOFTBANK Korea shall have the right (but not the obligation), in addition to all other legal and equitable remedies that may be available to it, to terminate this Agreement.

6.3 COMPANY'S RIGHT TO TERMINATE FOR BREACH. In the event that SOFTBANK Korea or an SOFTBANK Korea Affiliate shall commit any material breach under this Agreement and such breach is not cured within thirty (30) days following receipt of written notice thereof from the Company, the Company shall have the right (but not the obligation), in addition to all other legal and equitable remedies that may be available to it, to terminate this Agreement.

7. DIRECTION AND CONTROL OF SOFTBANK KOREA'S PERSONNEL; INDEMNIFICATION.

SOFTBANK Korea shall have the right to direct and control its personnel and/or any third parties providing the Services hereunder and to determine the conditions of employment for all such personnel providing the Services, including without limitation, their working hours, employment and vacation policies, benefits, seniority, promotions and assignments. SOFTBANK Korea shall also have the exclusive right to hire and fire its personnel. Notwithstanding the foregoing, SOFTBANK Korea shall (a) consider, in good faith, the Company's suggestions with regard to SOFTBANK Korea's staffing as it relates to the provision of the Services and (b) upon the Company's reasonable request, prohibit an employee from performing Services if the Company has received one or more complaints from a third party regarding such employee's provision of Services. SOFTBANK Korea will be solely responsible for compensation of its personnel and for all withholding taxes, unemployment insurance, workmen's compensation, and any other insurance and fringe benefits with respect to such personnel. SOFTBANK Korea shall be solely responsible for severance or amounts payable upon the termination of employment of such personnel or any dispute or claim concerning that termination, and SOFTBANK Korea shall indemnify, defend and hold the Company and its officers, directors, agents and securityholders harmless from and against any and all losses, expenses, damages, or claims incurred by or brought against them by SOFTBANK Korea personnel relating to such termination, dispute or claims. In addition, SOFTBANK Korea nor any of their employees, directors or officers shall make any representations regarding the Company, Yahoo! Korea or Yahoo to Advertisers or other individuals except as expressly set forth in this Agreement or as approved in writing by the Company and SOFTBANK Korea shall indemnify, defend and hold the Company and its officers, directors, agents and securityholders harmless from and against any and all losses, expenses, damages, or claims incurred by or brought against them as a result of such unauthorized representations.

8. CONFIDENTIALITY.

8.1 The parties recognize that, in connection with the performance of this Agreement, each of them may disclose to the others its Confidential Information (as defined below). The party receiving any Confidential Information agrees to maintain the confidential status of such Confidential Information and not to use any such Confidential Information for any purpose other than the purpose for which it was originally disclosed to the receiving party, and not to disclose any of such Confidential Information to any third party. No party shall disclose the others' Confidential Information to its employees and agents except on a "need-to-know" basis.

8.2 The parties acknowledge and agree that each may disclose Confidential Information: (a) as required by law or the rules of the National Association of Securities Dealers, Inc. or any applicable securities exchange; (b) to their respective directors, officers, employees, attorneys, accountants and other advisors, who are under an obligation of confidentiality, on a "need-to-know" basis; (c) to investors or joint venture partners, who are under an obligation of confidentiality, on a "need-to-know" basis; or (d) in connection with disputes or litigation between the parties involving such Confidential Information and each party shall endeavor to limit disclosure to that purpose and to ensure maximum application of all appropriate judicial safeguards (such as placing documents under seal). In the event a party is required to disclose Confidential Information as required by law, such party will, to the extent practicable, in advance of such disclosure, provide the disclosing party with prompt notice of such requirement. Such party also agrees, to the extent legally permissible, to provide the disclosing party, in advance of any such disclosure, with copies of any information or documents such party intends to disclose (and, if applicable, the text of the disclosure language itself) and to cooperate with the disclosing party to the extent the disclosing party may seek to limit such disclosure.

8.3 "CONFIDENTIAL INFORMATION" shall mean any information disclosed in the course of this Agreement, which is identified as or should be reasonably understood to be confidential or proprietary to the disclosing party, including, but not limited to, know-how, trade secrets, log data, technical processes and formulas, source codes, product designs, sales, cost and other unpublished financial information, product and business plans, projections, pricing, advertising and marketing data. "Confidential Information" shall not include information which: (a) is known by the recipient on, or becomes known to the recipient following, the Effective Date directly or indirectly from a third party source other than one having an obligation of confidentiality to the disclosing party; (b) hereafter becomes known (independently of disclosure by the disclosing party) to the recipient directly or indirectly from a source other than one having an obligation of confidentiality to the disclosing party; (c) becomes publicly known or available or otherwise ceases to be secret or confidential, except through a breach of this Agreement by the recipient; or (d) is or was independently developed by the recipient without use of or reference to the disclosing party's Confidential Information, as shown by evidence in the recipient's possession.

9. NOTICES.

Except as otherwise provided herein, any notice or other communication to be given hereunder shall be in writing and shall be (as elected by the party giving such notice): (a) personally delivered; (b) transmitted by postage prepaid registered or certified airmail, return receipt requested; (c) transmitted by electronic mail via the Internet with receipt being acknowledged by the recipient by return electronic mail (with a copy of such transmission concurrently transmitted by postage prepaid registered or certified airmail, return receipt requested); (d) transmitted by facsimile (with a copy of such transmission by postage prepaid registered or certified airmail, return receipt requested); or (e) deposited prepaid with a nationally recognized overnight courier service. Unless otherwise provided herein, all notices shall be deemed to have been duly given on: (x) the date of receipt (or if delivery is refused, the date of such refusal) if delivered personally, by electronic mail, facsimile or by courier; or (y) three (3) days after the date of posting if transmitted by mail. Notice hereunder shall be directed to a party at the address for such party as set forth on Schedule A or in the first paragraph of this Agreement. Any party may change its address for notice purposes hereof on not less than three (3) days prior notice to the other party pursuant to this Section 9

10. NON-COMPETITION.

During the term of the Joint Venture Agreement and for a period of XXXXXXXXXXXX thereafter, neither SOFTBANK Korea nor any subsidiaries of SOFTBANK Korea that may come into existence after the date of this Agreement shall engage or otherwise participate, directly, indirectly, by license, joint venture, security ownership or otherwise, in a business or service that offers, in the Territory, any significant portion of the content or services offered, or proposed to be offered, by the Company during the term of the Joint Venture Agreement (a "COMPETITIVE SERVICE"). Competitive Services shall include, without limitation, the services owned, operated, or offered by the companies listed in SCHEDULE C attached hereto, and any other third party online navigational service or information aggregator that provides a comprehensive hierarchical directory or text-based index of worldwide web sites. SCHEDULE C may be updated on a quarterly basis by Yahoo, subject to SOFTBANK Korea's approval which may not be unreasonably withheld.

11. MISCELLANEOUS.

11.1 COUNTERPARTS. This Agreement may be executed in any number of counterparts with the same effect as if all parties hereto had all signed the same document. All counterparts shall be construed together and shall constitute one agreement.

11.2 NO ASSIGNMENT. Neither party shall transfer or assign any rights or delegate any obligations hereunder, in whole or in part, whether voluntarily or by operation of law, without the prior written consent of the other party. Any purported transfer, assignment or delegation by either party without the appropriate prior written approval shall be null and void and of no force or effect. Notwithstanding the foregoing, each party shall have the right to assign this Agreement to any successor of such party by way of merger or consolidation or the acquisition of all or substantially all of the business and assets of the assigning party relating to the Agreement.

11.3 HEADINGS. Sections, titles or captions in no way define, limit, extend or describe the scope of this Agreement nor the intent of any of its provisions.

11.4 SEVERABILITY. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

11.5 ENTIRE AGREEMENT. This Agreement contains the entire agreement of the parties with respect to the subject matter hereof, and supersedes all prior and/or contemporaneous agreements or understandings, written or oral, between the parties with respect to the subject matter hereof.

11.6 GOVERNING LAW. This Agreement shall be governed by and interpreted under the laws of Korea, and not under the Convention for the International Sale of Goods.

11.7 AMENDMENT. This Agreement may not be amended or modified by the parties in any manner, except by an instrument in writing signed on behalf of each of the parties to which such amendment or modification applies by a duly authorized officer or representative.

11.8 WAIVER. Any of the provisions of this Agreement may be waived by the party entitled to the benefit thereof. Neither party shall be deemed, by any act or omission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by the waiving party, and then only to the extent specifically set forth in such writing. A waiver with reference to one event shall not be construed as continuing or as a bar to or waiver of any right or remedy as to a subsequent event.

11.9 RECOVERY OF COSTS AND EXPENSES. If either party to this Agreement brings an action against the other party to enforce its rights under this Agreement, the prevailing party shall be entitled to recover its costs and expenses, including, without limitation, attorneys' fees and costs incurred in connection with such action, including any appeal of such action.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers or representatives as of the Effective Date.

YAHOO! KOREA CORPORATION	YAHOO! INC.
By: /s/ JIN YOUM	By: /s/ HEATHER KILLEN
Name: Jin Youm	Name: Heather Killen
Title: President	Title: Vice President

SOFTBANK KOREA CORPORATION

By: /s/ HONG SUNG LEE

Name: Hong-Sun Lee
Title: President and
Chief Executive Officer

SCHEDULE A

List of Softbank Korea Subsidiaries

NONE

[X] CONFIDENTIAL TREATMENT REQUESTED. OMITTED PORTIONS
FILED SEPARATELY WITH THE COMMISSION.

SCHEDULE B

List of Softbank Korea Affiliate

[X] CONFIDENTIAL TREATMENT REQUESTED. OMITTED PORTIONS FILED SEPARATELY WITH THE COMMISSION.

SCHEDULE C

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[X] CONFIDENTIAL TREATMENT REQUESTED. OMITTED PORTIONS FILED SEPARATELY WITH THE COMMISSION.

YAHOO! KOREA LICENSE AGREEMENT

by and among

YAHOO! INC.,

YAHOO! KOREA CORPORATION

AND

YAHOO! JAPAN CORPORATION

NOVEMBER 30, 1997

YAHOO! KOREA LICENSE AGREEMENT

This YAHOO! KOREA LICENSE AGREEMENT (the "AGREEMENT") is entered into as of November 30, 1997 (the "EFFECTIVE DATE") by and among:

YAHOO! INC., a California corporation ("YAHOO") with its principal offices at 3400 Central Expressway, Santa Clara, California 95051;

YAHOO! KOREA CORPORATION, a corporation organized under the laws of the Republic of Korea (the "COMPANY"), with its principal offices at 502 Kyungki Bldg., 184-4, Chungjeong-Ro 2-Ka, Seodaemun-Ku, Seoul Korea 120-012; and

YAHOO! JAPAN CORPORATION, a Japanese corporation ("YAHOO JAPAN"), with its principal offices at 24-1, Nihonbashi-Hakozakicho, Chuo-ku, Tokyo 103 Japan, solely in connection with the rights and obligations set forth in Article IV of this Agreement.

RECITALS

The following provisions form the basis for, and are hereby made a part of, this Agreement:

A. Yahoo owns, operates and distributes a leading index and directory of Internet resources, including a hierarchical index, information indexing and retrieval software and certain other elements of content and software (www.yahoo.com);

B. The Company has been organized under the laws of the Republic of Korea, and is XX% owned by Yahoo, XX% owned by SOFTBANK Korea Corporation, a corporation organized under the laws of the Republic of Korea, XX% owned by SOFTBANK Corporation, a Japanese corporation, and X% owned by Yahoo Japan pursuant to a joint venture agreement dated as of the Effective Date (the "JOINT VENTURE AGREEMENT"), in order to operate in the Republic of Korea (the "Korea") (the "TERRITORY"), a localized version of the Yahoo! Guide, to develop related products and on-line services in the Territory and to conduct certain other business related to such activities; and

C. Upon the terms and conditions set forth below, the Company and Yahoo will offer a version of certain Yahoo software and services through the Company in the Territory.

AGREEMENT

The parties hereto agree as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

1.1 DEFINITIONS. For purposes of this Agreement, in addition to the capitalized terms defined elsewhere in this Agreement, the following terms shall have the meanings ascribed to them below:

(a) "AFFILIATE" shall mean a company in which, directly or indirectly, more than fifty percent (50%) of the stock entitled to vote for the election of directors is owned or controlled by a party, but only so long as such ownership or control exists.

(b) "ANCILLARY PROPERTIES" shall mean any future or present products and/or services of Yahoo that are not included in the Yahoo Service as of the Effective Date.

(c) "COMPANY USERS" shall mean Internet-users to whom the Company provides access to Yahoo! Korea.

(d) "COMPONENTS" shall mean information, materials, products, features, services, content, computer software, designs, artistic renderings, drawings, sketches, characters, layouts, and the digital implementations thereof; PROVIDED, HOWEVER, that "Components" shall not include Local Content.

(e) "CONFIDENTIAL INFORMATION" shall mean any information disclosed in the course of this Agreement, which is identified as or should be reasonably understood to be confidential or proprietary to the disclosing party, including, but not limited to know-how, trade secrets, log data, technical processes and formulas, source codes, product designs, sales, cost and other unpublished financial information, product and business plans, projections, and marketing data. "Confidential Information" shall not include information which: (i) is known or becomes known to the recipient on the Effective Date directly or indirectly from a third party source other than one having an obligation of confidentiality to the providing party; (ii) hereafter becomes known (independently of disclosure by the providing party) to the recipient directly or indirectly from a source other than one having an obligation of confidentiality to the providing party; (iii) becomes publicly known or available or otherwise ceases to be secret or confidential, except through a breach of this Agreement by the recipient; or (iv) is or was independently developed by the recipient without use of or reference to the providing party's Confidential Information, as shown by evidence in the recipient's possession.

(f) "DERIVATIVE WORK" shall mean all "derivative works" and "compilations" within the meaning of such terms as defined in the U.S. Copyright Act (17 U.S.C. Section 101 et seq.).

(g) "ENHANCEMENTS" shall mean any enhancements, added functionalities, additions, extensions or improvements to Yahoo! Korea that are created or developed by the Company, its Affiliates or its agents.

(h) "ERROR(S)" shall mean any verifiable and reproducible failure of the Yahoo! Korea Site to materially conform to the level of operation of Yahoo Service. Notwithstanding anything contained herein to the contrary, the term "Error" shall not include any failure of the Yahoo! Korea Site to materially conform to level of operation of the Yahoo Service that: (i) results from the Company's misuse or improper use of the Yahoo! Korea Site, Yahoo! Korea, or any Yahoo Properties; (ii) results from the Company's combination, incorporation, or merger of the Yahoo! Korea Site with any software, or content not supplied by Yahoo or not authorized by Yahoo to be combined, incorporated, or merged with the Yahoo Client Software; (iii) does not materially affect the operation and use of the Yahoo! Korea Site; or (iv) results from the modification by the Company of the Yahoo! Korea Site, or any Yahoo Properties therein.

(i) "ERROR CORRECTION(S)" shall mean either a modification or addition to or deletion from the Yahoo! Korea Site that, when made to such site shall materially conform such site to the then-current functionality of the Yahoo Service, or a procedure or routine that, when observed in the regular operation of the Yahoo! Korea Site, eliminates the material adverse effect on the Company of such Error.

(j) "GROSS REVENUES" shall mean the total amount of revenues recognized by the Company (as reflected in the Company's financial statements prepared in accordance with generally accepted accounting principles in Korea) without any reductions, including, but not limited to, commissions, discounts, billing adjustments and allowance and fees and expenses.

(k) "INTELLECTUAL PROPERTY RIGHTS" shall mean trade secrets, patents, patent rights, copyrights, trademarks, know-how, moral rights and similar rights of any type under the laws of any governmental authority, domestic or foreign including all applications and registrations relating to any of the foregoing.

(l) "LAUNCH DATE" shall mean the first date on which Yahoo! Korea is made generally available to the public in the Territory.

(m) "LOCAL CONTENT" shall mean content, including URL listings, added to Yahoo! Korea by the Company and that is: (i) specific to the market of the Territory; and (ii) originates in or arises from activities in the Territory.

(n) "LOG DATA" shall mean all data generated by an Internet server that relates to file requests, user identification, session times and similar available information.

(o) "TERRITORY" shall mean the geographic territories of the Republic of Korea, excluding any protectorates and territories thereof.

(p) "THIRD PARTY" shall mean a party other than Yahoo or the Company.

(q) "UPGRADES" shall mean all error corrections, upgrades, enhancements, new releases, and new versions of Yahoo! Korea.

(r) "YAHOO BRAND FEATURES" shall mean Yahoo trademarks, trade names, service marks, service names, distinct elements of the Yahoo Service Look and Feel and all other Components specifically associated with the "Yahoo!" brand or as to which Yahoo has established trademark or trade dress rights, and any modifications to the foregoing that may be created during the Term (as defined in Section 10.1 hereof).

(s) "YAHOO BRAND GUIDELINES" shall mean the guidelines for use of the Yahoo Brand Features in Yahoo! Korea, as specifically set forth in EXHIBIT B attached hereto.

(t) "YAHOO DIRECTORY" shall mean the collection of HTML files and certain related scripts and rules comprising of URL listings and related descriptions and the related organizational hierarchy.

(u) "YAHOO DIRECTORY SEARCH ENGINE" shall mean the search tools currently available for end users of the Yahoo Service to perform searches within the Yahoo Directory.

(v) "YAHOO! KOREA" shall mean the version of the Yahoo Service that is customized and localized specifically for all or any portion of Territory in any and all languages specifically relevant to the Territory, in accordance with this Agreement.

(w) "YAHOO PROPERTIES" shall mean collectively: (i) the Yahoo Service and (ii) the Yahoo Tools.

(x) "YAHOO SERVICE" shall mean, collectively, the following (in each case as the same may be modified, upgraded, updated or enhanced during the term of this Agreement):

(i) (A) the Yahoo Brand Features, (B) the Yahoo Service Look and Feel, and (C) the Yahoo Directory; and

(ii) any enhancements, upgrades, improvements or modifications of the Yahoo Directory Search Engine, and all written materials, documents and manuals used in the operation of the foregoing as the same may be modified from time to time;

PROVIDED, HOWEVER, that the Yahoo Service shall not include any content or technology licensed to Yahoo from a third party.

(aa) "YAHOO SERVICE LOOK AND FEEL" shall mean the artistic renderings, drawings, animations, sketches, characters, layouts and designs, and digital implementations thereof which are embodied within the Yahoo Directory.

(bb) "YAHOO TOOLS" shall mean Yahoo's internal hierarchical index, information indexing and retrieval software, tools, and search engine, not including the Yahoo Directory Search Engine, as set forth in EXHIBIT A.

1.2 RULES OF CONSTRUCTION. As used in this Agreement, all terms used in the singular shall be deemed to include the plural, and vice versa, as the context may require. The words "hereof," "herein" and "hereunder" and other words of similar import refer to this Agreement as a whole, including any exhibits hereto, as the same may from time to time be amended or supplemented. The word "including" when used herein is not intended to be exclusive and means "including, without limitation." The descriptive headings of this Agreement are inserted for convenience of reference only and do not constitute a part of and shall not be utilized in interpreting this Agreement. The terms "party" and "parties" shall refer to Yahoo and the Company, individually or collectively, and shall not refer to Yahoo Japan except as used in Article IV below. This Agreement has been negotiated by the parties hereto and their respective counsel and shall be fairly interpreted in accordance with its terms and without any rules of construction relating to which party drafted the Agreement being applied in favor of or against either party.

ARTICLE II

GRANT OF RIGHTS

2.1 LICENSE GRANT TO COMPANY. Subject to all of the terms and conditions of this Agreement, Yahoo hereby grants to the Company during the Term:

(a) a non-exclusive (except as provided in Section 2.7) right and license to use, reproduce, display, perform, and transmit, the Yahoo Service Look and Feel, Yahoo Directory and Yahoo Directory Search Engine solely in on-line form solely in connection with Yahoo! Korea, and in the manner described in this Agreement;

(b) a non-exclusive right and license to use and reproduce, and to display, perform, and transmit on-line the Yahoo Brand Features in the Territory, in tangible and on-line form, solely in connection with Yahoo Korea and the advertising, marketing and promotion of Yahoo! Korea in the Territory, provided, however, that the license granted under this subsection 2.1(b) shall not include any right or license with respect to or relating to the sale of any product or service other than Yahoo! Korea without Yahoo's consent;

(c) a non-exclusive right and license to use and reproduce the Yahoo Tools, solely for the Company's internal purposes, as necessary to establish and operate Yahoo! Korea; and

(d) subject to the terms and limitations set forth in Section 2.2 of this Agreement, a non-exclusive right to make, reproduce, and use the Enhancements, solely for use, incorporation, or integration with or into Yahoo! Korea, and solely as necessary for the advertising, marketing and promotion of Yahoo! Korea;

PROVIDED, HOWEVER, that (i) the license granted to the Company under this Section 2.1 shall not include any content or technology, except as determined by Yahoo in its sole discretion, without any obligation to do so, and (ii) the Company Users' right to access and use the Yahoo

Properties shall be subject to such customary limitations and restrictions on use and reproduction as Yahoo may impose with respect to the Yahoo Properties. If Yahoo, in its sole discretion, decided to sublicense any Third Party content or technology to the Company (and the Company accepts such sublicense) and such sublicense requires the payment of royalties or other fees to a Third Party, the Company agrees to pay all such necessary royalties and/or fees payable to such Third Party in connection with such sublicense. No rights or licenses are granted by Yahoo to the Company except for those expressly granted in this Section 2.1.

2.2 ANCILLARY PROPERTIES. To the extent that Yahoo possesses or develops in the future Ancillary Properties, Yahoo agrees that it will in good faith consider making such Ancillary Properties available for localization in the Korean market through the Company for additional fees to be mutually agreed upon by Yahoo and the Company; provided that Yahoo shall not be obligated to do so.

2.3 NO OTHER RIGHTS. Except as expressly provided in this Agreement, the Company shall neither: (a) distribute or make available the Yahoo Service or Yahoo! Korea except in its entirety as a complete work; (b) distribute or make available the Yahoo Service or Yahoo! Korea other than in on-line electric form; (c) sublicense any rights granted hereunder; (d) modify, adapt, translate, or create Derivative Works or Enhancements of the Yahoo Service or Yahoo! Korea; nor (e) remove any copyright or other proprietary rights notices from the Yahoo Properties.

2.4 YAHOO! KOREA CONTENT. Prior to the Launch Date, Yahoo shall provide to the Company Yahoo Properties to the extent necessary to launch the Yahoo! Korea Site and for the Company to create Enhancements for incorporation into Yahoo! Korea.

2.5 LOCAL CONTENT. The Company shall solely be responsible for collecting and classifying Local Content. Subject to all of the terms and conditions of this Agreement and subject to a license fee to be mutually agreed upon by Yahoo and the Company from time to time, the Company hereby grants Yahoo an exclusive, perpetual, irrevocable, license to use Local Content and Enhancements for the purpose of incorporating such Local Content and Enhancements into Yahoo! Korea and into the Yahoo Service and any other Yahoo properties. Subject to the foregoing license grant, the Company retains all right, title to and interest in the Local Content and Enhancements.

2.6 OWNERSHIP. Yahoo shall retain all ownership rights in and to the Yahoo Properties. The Company assigns any interest it may be deemed to possess in such Yahoo Properties to Yahoo and will assist Yahoo in every reasonable way, at Yahoo's expense, to obtain, secure, perfect, maintain, defend and enforce for Yahoo's benefit all Intellectual Property Rights with respect to the Yahoo Properties and any enhancements thereto, including, without limitation, the procurement of binding and enforceable assignments from all Company employees and contractors who assisted in the development and creation of any enhancements to the Yahoo Properties.

2.7 EXCLUSIVITY. XXXXXXXXXXXXXXXXXXXXXX
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ARTICLE III

YAHOO! KOREA SITE DEVELOPMENT AND OPERATIONS

3.1 DEVELOPMENT OF YAHOO! KOREA SITE. Yahoo shall provide a reasonable level of technical and operational assistance in developing Yahoo! Korea.

3.2 UPGRADES. If Yahoo creates any Upgrades of Yahoo! Korea which materially modify the format or functionality of Yahoo! Korea, Yahoo shall provide the Company with the opportunity to review and test each such Upgrade prior to its public release.

ARTICLE IV

YAHOO! KOREA SUPPORT

4.1 SUPPORT SERVICES. Yahoo Japan agrees to: (a) provide to the Company telephone or confirmed facsimile or telecopy and electronic mail consultation during Yahoo Japan's regular business hours (9:00 a.m. to 5:00 p.m., Korea Time, Monday through Friday, excluding holidays scheduled by Yahoo Japan) to allow the Company to report Errors in the Yahoo! Korea Site or to allow the Company to inquire on the use or operation of the Yahoo! Korea Site and (b) use commercially reasonable efforts to provide Error Corrections for Errors in the Yahoo! Korea Site reported to Yahoo Japan by the Company. Yahoo agrees to provide back-up support for the Yahoo! Korea Site as Yahoo Japan or the Company reasonably requests in connection with Yahoo Japan's obligations set forth in this Section 4.1 to the extent Yahoo Japan cannot adequately fulfill such obligations without assistance from Yahoo.

ARTICLE V

PROMOTIONAL MATERIALS, ADVERTISING, AND TRADEMARKS

5.1 COMPANY'S EFFORTS. As a material condition to this Agreement, the Company shall use all commercially reasonable efforts during the Term to offer Yahoo! Korea to the general public via the Internet, in accordance with user performance (as measured by factors such as latency of user response) at least equivalent to, on average, that of the main U.S.

www.yahoo.com website, to market and promote the commercial exploitation of Yahoo! Korea in the Territory, and to sell advertising and promotional services in Yahoo! Korea.

5.2 TRADEMARKS.

5.2.1 ACKNOWLEDGMENT OF OWNERSHIP. The Company acknowledges that: (a) as between the Company and Yahoo, Yahoo owns all right, title and interest in the Yahoo Brand Features; and (b) neither the Company nor any other persons will acquire any ownership interest in the Yahoo Brand Features or associated goodwill by virtue of this Agreement or the use of the Yahoo Service pursuant to this Agreement.

5.2.2 USAGE GUIDELINES. The Company's use of the Yahoo Brand Features shall be subject to Yahoo's prior written approval and consent and shall adhere to the Yahoo Brand Guidelines set forth in EXHIBIT B attached hereto; PROVIDED, HOWEVER, the Company may use the mark "YAHOO! KOREA" and the associated logo without any such consent so long as the Company uses such Yahoo! Korea marks: (a) in a manner and form consistent with Yahoo's use of its Yahoo Brand Features; (b) without making any modifications or changes thereto; (c) in an advertising campaign, promotional or other event that has high consumer visibility; (d) without co-branding or other similar collaboration with any third party brand features; and (e) in conformance with the Yahoo Brand Guidelines. In any event, the Company's use of the Yahoo Brand Features shall be at least of a quality and standard reasonably commensurate with the Company's use of its own trademarks. Throughout the Term, Yahoo shall promptly provide the Company with all written details of, specifications for and artwork for all Yahoo Brand Features as required by the Company for performing its rights and obligations under this Agreement. If any use of the Yahoo Brand Features by the Company fails to satisfy such quality standards, Yahoo may terminate the Company's right to use such Yahoo Brand Features; PROVIDED, HOWEVER, that the Company has failed to cure such failure to satisfy within thirty (30) business days from receipt by the Company of a notice of such failure to satisfy quality standards sent by Yahoo.

5.2.3 PROMOTIONAL MATERIALS. The Company shall supply Yahoo with specimens of each type of promotional materials using the Yahoo Brand Features, all of which shall comply with the Yahoo Brand Guidelines and other provisions of this Agreement. The Company shall remedy any violation of the Yahoo Brand Guidelines or of this Agreement as soon as practicable following receipt of notice from Yahoo of such violation. The Company shall consider in good faith any suggestions or comments of Yahoo in the content and design of any and all promotional materials.

5.2.4 NO ADVERSE CLAIM. The Company agrees that it will not at any time during or after this Agreement assert any claim or interest in or do anything which may adversely affect the validity or enforceability of Yahoo's right in the Yahoo Brand Features. Unless otherwise agreed to between the parties, the Company will not register, seek to register, or cause to be registered any of the Yahoo Brand Features without Yahoo's prior written consent, and the Company shall not adopt or use Yahoo Brand Features or any confusingly similar word or symbol as part of the Company's company name, nor allow Yahoo Brand Features to be used by others, without Yahoo's prior written consent. With respect to any trademark registrations and pending trademark applications for any Yahoo Brand Features in the Territory owned or filed by the Company without Yahoo's prior written consent ("YAHOO! KOREA MARKS"), the Company shall promptly transfer ownership in such Yahoo! Korea Marks to Yahoo, and Yahoo shall promptly reimburse the Company its reasonable costs incurred in obtaining such registration and in filing such applications. Failure of the Company to transfer ownership in such Yahoo! Korea Marks within one hundred twenty (120) days of the Effective Date of this Agreement shall be considered a material breach of this Agreement. Such Yahoo! Korea Marks shall be considered part of and included in the Yahoo Brand Features for purposes of this Agreement.

5.2.5 NO ADDITIONAL RIGHTS IN TRADEMARKS. Except for the rights expressly granted to Company under this Agreement to use the Yahoo Brand Features, Yahoo grants no rights in or to any Yahoo trademarks, service marks or trade names. All powers that would otherwise be granted to the Company under Section 26 of the Korean Trade Mark Act are hereby excluded.

5.3 YAHOO! KOREA ADVERTISING. The Company shall have the exclusive right to include third party advertising, marketing and promotional information in Yahoo! Korea, provided, however, that Yahoo shall have the right to conduct worldwide promotions for certain advertisers of Yahoo, including inclusion of advertising, marketing and promotional information in Yahoo! Korea. The parties hereto agree that all revenues and income derived by the Company in connection with advertising, marketing and promotional information in Yahoo! Korea shall accrue solely to the Company. The Company shall be solely and exclusively responsible for ensuring that all advertising, marketing and promotional information conducted and provided by the Company complies with all local, federal, and other governmental laws and regulations of the Territory that may be applicable thereto. In connection with any worldwide promotion conducted by Yahoo for an advertiser, the Company will receive a portion of the aggregate revenue from the sale of such worldwide promotion in accordance with the Yahoo International Pricing Policy attached hereto as EXHIBIT D. If the inventory positions for the worldwide promotion are not available for the time and period requested by Yahoo, the Company will promptly notify Yahoo of the next time and period when the inventory becomes first available and provide Yahoo with the opportunity to utilize such inventory.

5.4 LOG DATA. The Company will provide Yahoo with access to all Log Data generated from use of Yahoo! Korea. All Log Data shall be maintained as Confidential Information by the Company and Yahoo.

5.4.1 LIMITED DISCLOSURE TO THIRD PARTIES. Notwithstanding the foregoing, no party shall be prohibited by the terms if this Agreement from providing Log Data to any third party (on a confidential basis) for aggregation or analysis, or otherwise on an aggregated basis to advertisers, potential advertisers and other third parties in connection with the sale of advertising, or to third parties in connection with market research and similar publishing; provided that no party will use such information in a misleading fashion so as to understate or overstate to any third party the magnitude of usage of Yahoo! Korea.

5.4.2 OWNERSHIP OF LOG DATA. Yahoo shall own all rights, title, and interest in and to any and all Log Data generated on Yahoo! Korea; PROVIDED, HOWEVER, Yahoo shall grant to the Company a non-exclusive, royalty-free license to use and reproduce such Log Data for internal, non-commercial purposes. Yahoo shall own all rights, title, and interest in and to any and all Log Data generated on any Yahoo Service mirror site.

ARTICLE VI

CONFIDENTIAL INFORMATION

6.1 PROTECTION OF CONFIDENTIAL INFORMATION. The parties recognize that, in connection with the performance of this Agreement, each of them may disclose to the other its Confidential Information. The party receiving any Confidential Information agrees to maintain the confidential status of such Confidential Information and not to use any such Confidential Information for any purpose other than the purpose for which it was originally disclosed to the receiving party, and not to disclose any of such Confidential Information to any third party. No party shall disclose the other's Confidential Information to its employees and agents except on a need-to-know basis.

6.2 PERMITTED DISCLOSURE. The parties acknowledge and agree that each may disclose Confidential Information: (a) as required by law or the rules of the National Association of Securities Dealers, Inc. or any applicable securities exchange; (b) to their respective directors, officers, employees, attorneys, accountants and other advisors, who are under an obligation of confidentiality, on a "need-to-know" basis; (c) to investors or joint venture partners, who are under an obligation of confidentiality, on a "need-to-know" basis; or (d) in connection with disputes or litigation between the parties involving such Confidential Information and each party shall endeavor to limit disclosure to that purpose and to ensure maximum application of all appropriate judicial safeguards (such as placing documents under seal). In the event a party is required to disclose Confidential Information as required by law, such party will, to the extent practicable, in advance of such disclosure, provide the other party with prompt notice of such requirement. Such party also agrees, to the extent legally permissible, to provide the other party, in advance of any such disclosure, with copies of any information or documents such party intends to disclose (and, if applicable, the text of the disclosure language itself) and to cooperate with the other party to the extent the other party may seek to limit such disclosure.

6.3 APPLICABILITY. The foregoing obligations of confidentiality shall apply to directors, officers, employees and representatives of the parties and any other person to whom the parties have delivered copies of, or permitted access to, such Confidential Information in connection with the performance of this Agreement, and each party shall advise each of the above of the obligations set forth in this Article VI.

6.4 THIRD PARTY CONFIDENTIAL INFORMATION. Any Confidential Information of a third party disclosed to any party shall be treated by such party in accordance with the terms under which such third party Confidential Information was disclosed; PROVIDED, HOWEVER, that the party disclosing such third party Confidential Information shall first notify the other party that such information constitutes third party Confidential Information and the terms applicable to such third party Confidential Information and provided further that any party may decline, in its sole discretion, to accept all or any portion of such third party Confidential Information.

6.5 CONFIDENTIALITY OF AGREEMENT. Except as required by law or generally accepted accounting principles, and except to assert its rights hereunder or for disclosures to its own officers, directors, employees and professional advisers on a need-to-know basis or in confidence to investors, investment bankers, financial institutions or other lenders or acquirers, each party hereto agrees that neither it nor its directors, officers, employees, consultants or agents shall disclose the terms of this Agreement or specific matters relating hereto without the prior consent of the other party, which consent shall not be unreasonably withheld or delayed.

6.6 FUTURE BUSINESS ACTIVITIES. This Agreement shall not limit any party's present and future business activities of any nature, including business activities which could be competitive with the other party, except: (a) to the extent such activities would involve a breach of the confidentiality restrictions contained in this Article VI; (b) to the extent provided in Section 5.3, or (c) as otherwise expressly provided herein. Nothing in this Agreement will be construed as a representation or agreement that the recipient of Confidential Information will not develop or have developed for it products, concepts, systems or techniques contemplated by or embodied in such Confidential Information, provided that such recipient does not violate any of its obligations under this Article VI in connection with such development.

ARTICLE VII

FEES AND PAYMENT

7.1 FEES. The Company shall pay to Yahoo, as full and complete remuneration for the performance of all of Yahoo's obligations hereunder, the fees and amounts that are set forth in EXHIBIT E attached hereto (the "FEES"). All payments under this Agreement shall be made quarterly by wire transfer to an account designated by Yahoo on or prior to the due date.

7.2 CURRENCY. In this Agreement, all references to currency shall be references to the lawful currency of the United States of America.

7.3 TAXES. All Fees paid by the Company to Yahoo hereunder shall be made without deducting any sales, goods and services, use and other similar taxes imposed by any governmental authority concerning the use of the Yahoo Properties in accordance with this Agreement (collectively, the "Taxes"), all of which Taxes shall be paid by the Company. Further, all Fees paid by the Company to Yahoo hereunder shall be made after deducting any excise and customs duties and other similar taxes imposed by any governmental authority relating to the export of the Yahoo Properties, and all withholding taxes that may be required by either the Korean or the United States governments under the relevant tax laws and treaties (collectively, the "Other Taxes"), all of which Other Taxes shall be paid by Yahoo.

7.4 WITHHOLDING. If any Korean withholding taxes are imposed on payments to Yahoo by the Company under this Article VII, the Company shall withhold such amounts, pay the same to the Korean tax authority, and promptly furnish Yahoo with appropriate documentation of the amounts so withheld as soon as practicable. The parties shall cooperate to make any necessary filings to utilize the lowest withholding rate available under any treaty between Korea and the United States.

7.5 ARMS LENGTH DEALINGS. The parties acknowledge and agree that, although the amount of the Fees is intended to be an arms length consideration for the performance of Yahoo's obligations under the Agreement, and that the Fees have been agreed in the course of real bargaining between the parties, the parties shall review the services actually performed by Yahoo under this Agreement at the time of Yahoo's performance thereof and, if mutually agreed, will negotiate for the payment to Yahoo of additional fees in excess of the Fees set forth in the attached EXHIBIT D.

ARTICLE VIII

REPRESENTATIONS AND WARRANTIES

Each party represents and warrants to the other parties that: (a) such party has been duly incorporated and is validly existing under the laws such party is incorporated; (b) such party has the full corporate right, power and authority to enter into this Agreement and to perform the acts required of it hereunder; (c) the execution of this Agreement by such party, and the performance by such party of its obligations and duties hereunder, do not and will not violate any agreement to which such party is a party or by which it is otherwise bound; (d) when executed and delivered by such party, this Agreement will constitute the legal, valid and binding obligation of such party, enforceable against such party in accordance with its terms; and (e) such party acknowledges that the other party makes no representations, warranties or agreements related to the subject matter hereof that are not expressly provided for in this Agreement.

ARTICLE IX

LIMITATION OF LIABILITY; DISCLAIMER; INDEMNIFICATION

9.1 LIABILITY. EXCEPT AS PROVIDED IN SECTIONS 9.3 AND 9.4 AND TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, UNDER NO CIRCUMSTANCES SHALL ANY PARTY BE LIABLE TO THE OTHER PARTIES FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL OR EXEMPLARY DAMAGES (EVEN IF THAT PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES),

ARISING FROM ANY PROVISION OF THIS AGREEMENT, SUCH AS, BUT NOT LIMITED TO, LOSS OF REVENUE OR ANTICIPATED PROFITS OR LOST BUSINESS.

9.2 NO ADDITIONAL WARRANTIES. EXCEPT AS SET FORTH IN THIS AGREEMENT AND TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, NO PARTY MAKES ANY, AND EACH PARTY HEREBY SPECIFICALLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, REGARDING THE PRODUCTS AND SERVICES CONTEMPLATED BY THIS AGREEMENT, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE AND IMPLIED WARRANTIES ARISING FROM COURSE OF DEALING OR COURSE OF PERFORMANCE.

9.3 YAHOO INDEMNITY AND LIABILITY.

9.3.1 YAHOO INDEMNITY. Subject to the limitations set forth below, Yahoo, at its own expense, shall indemnify, defend (or at Yahoo's option and expense, settle,) and hold the Company and any Company Affiliates and their officers, directors, employees, agents, distributors and licensees (the "COMPANY INDEMNIFIED PARTY(IES)") harmless from and against any damages and costs (including, without limitation, reasonable attorneys' fees and expenses) awarded in a final adjudication or settlement, whether required to be paid to a third party or otherwise incurred in connection with or arising from any claim, suit, action or proceeding (collectively, a "CLAIM"), against a Company Indemnified Party to the extent the basis of such Claim is that: (a) the Yahoo Properties infringe any Intellectual Property Rights of a third party; or (b) Yahoo does not have the right to license the Yahoo Properties as set forth herein.

9.3.2 NO YAHOO LIABILITY. Notwithstanding the foregoing, Yahoo assumes no liability for infringement claims arising from: (a) a combination of the Yahoo Properties or any part thereof with other Components not provided by Yahoo where such infringement would not have arisen from the use of the Yahoo Properties or portion thereof absent such combination; (b) modification of the Yahoo Properties or portion thereof by anyone other than Yahoo or on its behalf where such infringement would not have occurred but for such modifications; (c) continued infringing activity after the Company has been notified of the infringement or informed of modifications that would have avoided the infringement; (d) circumstances where the infringement is incidental to an infringement arising primarily from the exercise of rights other than those granted under this Agreement.

9.3.3 YAHOO INFRINGEMENT LIABILITY. If Yahoo receives notice of an alleged infringement of a third party's intellectual property rights relating to the Yahoo Properties, Yahoo at its option and expense, shall use all reasonable efforts to: (a) obtain a license at no cost to the Company permitting continued use of the Yahoo Properties on terms and conditions consistent with the rights granted to the Company hereunder; (b) modify the infringing portion of the Yahoo Properties to perform its intended function without infringing third party rights; or (c) provide a substitute for such infringing portion of the Yahoo Properties. If none of the foregoing options are reasonably available to Yahoo, then upon written notice by Yahoo to the Company, the Company shall thereupon take the necessary action to discontinue further distribution of the infringing material to the extent that and only for so long as such use would be infringing. TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, THIS SECTION SETS FORTH THE ENTIRE LIABILITY OF YAHOO WITH RESPECT TO ANY CLAIM OF INTELLECTUAL PROPERTY INFRINGEMENT ARISING OUT OF THIS AGREEMENT.

9.4 COMPANY INDEMNITY AND LIABILITY. Subject to the limitations set forth below, the Company, at its own expense, shall indemnify, defend (or at the Company's option and expense, settle, provided that the Company provides Yahoo with prior notice of any settlement that will significantly affect Yahoo's rights hereunder) and hold Yahoo and any Yahoo Affiliates and their officers, directors, employees, agents, distributors and licensees (the "YAHOO INDEMNIFIED PARTY(IES)") harmless from and against any damages and costs (including, without limitation, reasonable attorneys' fees and expenses) awarded in a final adjudication or settlement, whether required to be paid to a third party or otherwise incurred in connection with or arising from any liabilities related to the operation of Yahoo! Korea (other than those liabilities for which Yahoo is responsible pursuant to the terms of Section 9.3.1), including, without limitation, any Claim against a Yahoo Indemnified Party to the extent the basis of such Claim is that: (a) Yahoo! Korea, any Enhancements, or any Local Content infringes any Intellectual Property Rights of a third party or contain any material or information that is erroneous, obscene, defamatory, libelous, slanderous, violates any law or regulation, is negligently performed, or that violates or breaches any duty toward, or rights of any person or entity, including, without limitation, rights of publicity, privacy or personality; (b) the Company does not have the right to license the Local Content as set forth herein (other than as a result of infringement by a Yahoo Property licensed to the Company by Yahoo hereunder); (c) the Company has materially breached any of its duties, representations or warranties under this Agreement; or (d) any products, promotions or services of the Company or its Affiliates have resulted in any consumer fraud, product liability, tort, breach of contract, injury, damage or harm of any kind to any person or entity (other than as a result of Content licensed to the Company by Yahoo hereunder). TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, THIS SECTION SETS FORTH THE ENTIRE LIABILITY OF THE COMPANY WITH RESPECT TO ANY CLAIM OF INTELLECTUAL PROPERTY INFRINGEMENT ARISING OUT OF THIS AGREEMENT.

9.5 PROCEDURE. All indemnification obligations under this Section 9 shall be subject to the following requirements: (a) the indemnified party shall provide the indemnifying party with prompt written notice of any claim; (b) the indemnified party shall permit the indemnifying party to assume and control the defense of any action upon the indemnifying party's written acknowledgment of the obligation to indemnify (unless, in the opinion of counsel of the indemnified party, such assumption would result in a material conflict of interest); and (c) the indemnifying party shall not enter into any settlement or compromise of any claim without the indemnified party's prior written consent, which shall not be unreasonably withheld. In addition, the indemnified party may, at its own expense, participate in its defense of any claim. In the event that the indemnifying party assumes the defense of any such claim, the indemnifying party shall have no liability for attorney's fees and costs incurred by the indemnified party.

ARTICLE X

TERM

10.1 TERM. Unless earlier terminated as provided herein, this Agreement shall be effective during the period (the "TERM") from the Effective Date of this Agreement until the sooner of: (a) the date on which Yahoo and the Company mutually agree to terminate this Agreement; (b) the date on which this Agreement is terminated under Section 10.2 hereto; or (c) the date of termination of the Joint Venture Agreement.

10.2 EARLY TERMINATION. Either Yahoo or the Company may terminate this Agreement immediately upon written notice in the event of: (a) any material breach of any warranty, representation or covenant of this Agreement by the other party which remains uncured thirty (30) days after notice of such breach; or (b) in the event of any bankruptcy, insolvency, receivership or similar proceeding of the other party which continues for twenty (20) days from filing.

10.3 RETURN OF INFORMATION. No party shall incur any liability resulting from the termination of this Agreement, provided, however, that no party shall be relieved of any liabilities arising from any obligation incurred or any breach by such party prior to the termination of the Agreement.

10.4 RETURN OF INFORMATION. Within thirty (30) calendar days after the termination or expiration of this Agreement, each party hereto shall either deliver to the others, or destroy, all copies of any tangible Confidential Information of the other parties provided hereunder in its possession or under its control, and shall furnish to the other parties an affidavit signed by an officer of its company certifying that to the best of its knowledge, such delivery or destruction has been fully effected.

10.5 REMAINING PAYMENT. Within forty-five (45) calendar days of the expiration or termination of this Agreement, each party shall pay to the other party all sums, if any, due and owing as of the date of expiration or termination.

10.6 SURVIVAL. The respective rights and obligations of the parties under Sections 2.6, 2.7, 5.2.1, 5.2.4, 10.3, 10.4, 10.5, 10.6 and Articles I, VI, VIII, IX, and XI shall survive expiration or termination of this Agreement. No termination or expiration of this Agreement shall relieve any party for any liability for any breach of or liability accruing under this Agreement prior to termination.

ARTICLE XI

MISCELLANEOUS

11.1 GOVERNING LAW. This Agreement shall be governed by and interpreted under the laws of the State of California, without regard to its conflicts of law provisions, and not under the Convention for the International Sale of Goods. Each of the Company and Yahoo hereby consents and submits to the personal jurisdiction of the United States and the state courts of the State of California, and expressly agrees that the venue for any action arising under this Agreement shall be the appropriate court sitting within the Northern District of California.

11.2 AMENDMENT OR MODIFICATION. This Agreement may not be amended, modified or supplemented by the parties in any manner, except by an instrument in writing signed on behalf of each of the parties by a duly authorized officer or representative.

11.3 NO ASSIGNMENT. No party shall transfer or assign any rights or delegate any obligations hereunder, in whole or in part, whether voluntarily or by operation of law, without the prior written consent of the other parties. Any purported transfer, assignment or delegation by any party without the appropriate prior written approval shall be null and void and of no force or effect. Notwithstanding the foregoing, each party shall have the right to assign this Agreement to any successor of such party by way of merger or consolidation or the acquisition of all or substantially all of the business and assets of the assigning party relating to the Agreement.

11.4 NOTICES. Except as otherwise provided herein, any notice or other communication to be given hereunder shall be in writing and shall be (as elected by the party giving such notice): (a) personally delivered; (b) transmitted by postage prepaid registered or certified airmail, return receipt requested; (c) transmitted by electronic mail via the Internet with receipt being acknowledged by the recipient by return electronic mail (with a copy of such transmission concurrently transmitted by postage prepaid registered or certified airmail, return receipt requested); (d) transmitted by facsimile (with a copy of such transmission by postage prepaid registered or certified airmail, return receipt requested); or (e) deposited prepaid with a nationally recognized overnight courier service.. Unless otherwise provided herein, all notices shall be deemed to have been duly given on: (x) the date of receipt (or if delivery is refused, the date of such refusal) if delivered personally, by electronic mail, facsimile or by courier; or (y) three (3) days after the date of posting if transmitted by mail or by electronic mail. Either party may change its address for notice purposes hereof on not less than three (3) days prior notice to the other party pursuant to this Section 11.4. Notice hereunder shall be directed to a party at the address for such party which is set forth below:

To Yahoo:	Yahoo! Inc. 3400 Central Expressway Santa Clara, California 95051 Attention: Tim Koogle, President Fax: (408) 731-3301
Copy to:	John Place, General Counsel
To the Company:	Yahoo! Korea Corporation 502 Kyungki Bldg., 184-4 Chungjeong-Ro 2-Ka, Seodaemun-Ku, Seoul Korea 120-012

Seoul, Korea
Attn: Jin Youm
Fax: 82-2-365-7911

To Yahoo Japan: 24-1 Nihonbashi-Hakozakicho
Chuo-ku
Tokyo 103 Japan
Attn: Masahiro Inoue
Fax:

11.5 ENTIRE AGREEMENT. This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior and/or contemporaneous agreements and understandings, written or oral between the parties with respect to the subject matter hereof.

11.6 WAIVER. Any of the provisions of this Agreement may be waived by the party entitled to the benefit thereof. No party shall be deemed, by any act or omission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by the waiving party, and then only to the extent specifically set forth in such writing. A waiver with reference to one event shall not be construed as continuing or as a bar to or waiver of any right or remedy as to a subsequent event.

11.7 RECOVERY OF COSTS AND EXPENSES. If any party to this Agreement brings an action against the other parties to enforce its rights under this Agreement, the prevailing party shall be entitled to recover its costs and expenses, including, without limitation, attorneys' fees and costs incurred in connection with such action, including any appeal of such action.

11.8 SEVERABILITY. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

11.9 OTHER AGREEMENTS. No party shall agree to any contractual provision or term in any agreement with any third party which contains a provision or term which cause such party to be in breach of or violates this Agreement.

11.10 NO THIRD PARTY BENEFICIARIES. Nothing express or implied in this Agreement is intended to confer, nor shall anything herein confer, upon any person other than the parties and the respective successors or assigns of the parties, any rights, remedies, obligations or liabilities whatsoever.

11.11 WAIVER OF JURY TRIAL. EACH OF YAHOO, YAHOO JAPAN AND THE COMPANY DO HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY AND

IRREVOCABLY WAIVE SUCH RIGHT ANY PARTY MAY HAVE TO A JURY TRIAL IN EVERY JURISDICTION IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST ANY OTHER PARTY HERETO OR THEIR RESPECTIVE AFFILIATES, SUCCESSORS OR ASSIGNS IN RESPECT OF ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER DOCUMENT EXECUTED AND DELIVERED BY ANY PARTY IN CONNECTION THEREWITH (INCLUDING, WITHOUT LIMITATION, ANY ACTION TO RESCIND OR CANCEL THIS AGREEMENT, AND ANY CLAIMS OR DEFENSES ASSERTING THAT THIS AGREEMENT WAS FRAUDULENTLY INDUCED OR OTHERWISE VOID OR VOIDABLE).

11.12 EXECUTION IN COUNTERPARTS. This Agreement may be executed in any number of counterparts with the same effect as if all parties hereto had all signed the same document. All counterparts shall be construed together and shall constitute one agreement.

IN WITNESS WHEREOF, the parties to this Agreement by their duly authorized representatives have executed this Agreement as of the date first above written.

YAHOO! KOREA CORPORATION	YAHOO! INC.
By: /s/ JIN YOUM	By: /s/ HEATHER KILLEN
Name: Jin Youm	Name: Heather Killen
Title: President and Chief Executive Officer	Title: Vice President

YAHOO! JAPAN CORPORATION

By: /s/ MASAHIRO INOUE

Name: Masahiro Inoue
Title: President and
Chief Executive Officer

EXHIBIT A

YAHOO! KOREA TECHNICAL SPECIFICATIONS

Yahoo will provide to the Company the following tools for use in connection with Yahoo! Korea. Subject to the terms and conditions of this Agreement, Yahoo reserves the right to add, delete and modify from this list so long as the service is not degraded or interrupted significantly, and Yahoo notifies the Company in advance and works with the Company in good faith before making any such changes.

A. HTTP SERVER: A C program compiled on the hardware platform provided. The initial version of HTTP software will be proprietary to Yahoo. Subject to the terms and conditions of this Agreement, this software may be replaced by third party software in the future.

B. SEARCH SERVER: A C program compiled on the hardware provided. This software is proprietary to Yahoo. Subject to the terms and conditions of this Agreement, Yahoo reserves the right to change the search engine to a third party software at Yahoo's discretion without notice.

C. CGI SCRIPTS: These scripts are either written in C or in Perl. The platforms must have Perl installed.

D. UTILITY SCRIPTS: These scripts are written in Perl or similar shell languages. The platform must support cron jobs and have Perl, and other required shell environments, installed.

E. LOG DATA TOOL: This software tool, which is proprietary to Yahoo, is a set of CGI scripts written in Perl that summarize, analyze, and display summary information regarding Log Data. Yahoo will use this tool to remotely access Log Data collected by the Company pursuant to this Agreement.

F. AD SCHEDULING TOOLS (AKA "JFK"): These proprietary scripts, written in C or Perl, are used to schedule and place advertisements throughout the Yahoo Guide.

G. SURFING TOOLS: These proprietary scripts, written in C, Perl and tcl/tk, are used to add/change/delete categories and URL listings into the database.

[X] CONFIDENTIAL TREATMENT REQUESTED. OMITTED PORTIONS FILED SEPARATELY WITH THE COMMISSION.

EXHIBIT B

GUIDELINES FOR USE OF YAHOO TRADEMARKS

1. GENERAL. The Yahoo Brand Features will be used by the Company only in connection with the exercise of the Company's rights pursuant to this Agreement, and only with the promotion of the use of Yahoo Properties pursuant to the terms of this Agreement and only in a manner consistent with proper usage of the trademarks, trade names, service marks, service names and other elements that are contained in the Yahoo Brand Features.

2. APPEARANCE OF LOGOS. Yahoo and the Company will use their best efforts to ensure that the presentation of the Yahoo Brand Features shall be consistent with Yahoo's use of the Yahoo Brand Features on Yahoo's URL listings. The Company shall use the Yahoo Brand Features in a manner reasonably consistent with other key third party content used by the Company in connection with Yahoo! Korea.

3. NOTICES. All trademarks and service marks included in the Yahoo Brand Features shall be designated with "SM", "TM", or "REGISTERED TRADEMARK", in the manner directed by Yahoo.

4. APPEARANCE. Promptly following the Effective Date, and from time to time during the Term, Yahoo shall provide the Company with written guidelines for the size, typeface, colors and other graphic characteristics of the Yahoo Brand Features, which upon delivery to the Company shall be deemed to be incorporated into the "Yahoo Brand Guidelines" under this Agreement.

5. RESTRICTIONS UPON USE. Unless otherwise mutually agreed, the Yahoo Brand Features shall not be presented or used by the Company:

A. in a manner that could be reasonably interpreted to suggest that any editorial content other than the Yahoo Service has been authored by, or represents the views or opinions of, Yahoo or any Yahoo personnel;

B. in a manner that is misleading, defamatory, libelous, obscene or otherwise objectionable, in Yahoo's reasonable opinion;

C. in a way that infringes, derogates, dilutes or impairs the rights of Yahoo in the Yahoo Brand Features;

D. for the purposes of promoting the sale, license or other transfer for value of property or services, other than in connection with the promotion of the sale and use of Yahoo! Korea; or

E. as part of a name of a product or service of a company other than Yahoo, except as expressly provided in this Agreement.

6. REMEDY. The Company will make any changes to its use of the Yahoo Brand Features as are requested by Yahoo.

7. REVISIONS. These Guidelines may be modified at any time by Yahoo upon written notice to the Company.

EXHIBIT D

YAHOO! INC. INTERNATIONAL PRICING POLICY

PURPOSE

The purpose of this policy is to set forth guidelines for insertion orders which are placed with Yahoo! or its subsidiaries whereby the contracted impressions are to be provided in more than one country. This policy is effective July 1, 1997.

SCOPE

This policy applies to Yahoo! Inc. and its subsidiaries.

OBJECTIVES

The Company's primary objective is to properly account for customer orders which are taken in one country to run in another country or countries. The accounting must be acceptable for local tax requirements, convenient for customer billing and receipt of payments, provide equitable compensation to sales representatives and sales management, and be mutually beneficial and acceptable for Yahoo! and its jointly owned subsidiaries.

POLICY

REVENUE ALLOCATION
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ORDER ADMINISTRATION, INVOICING, AND COLLECTION
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COMMISSIONS
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BAD DEBT
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PROCEDURES

Due to the nature of these transactions and the constant evolution of Yahoo!'s sales administration system and accounting system, procedures may change frequently. The most current set of procedures will be provided by Yahoo! upon request.

[X] CONFIDENTIAL TREATMENT REQUESTED. OMITTED PORTIONS FILED SEPARATELY WITH THE COMMISSION.

EXHIBIT E

FEES AND PAYMENTS

I. LICENSE FEE PER QUARTER

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II. ANCILLARY PROPERTIES

Additional license fees to be mutually agreed upon by Yahoo and the Company in the event that Yahoo provides any Ancillary Properties to the Company pursuant to the terms of Section 2.2.

III. PAYMENT TERMS

Payable in full to Yahoo on the Effective Date of the agreement, and on the final business day of each three month period thereafter for the term of this Agreement.

[X] CONFIDENTIAL TREATMENT REQUESTED. OMITTED PORTIONS FILED SEPARATELY WITH THE COMMISSION.

EXHIBIT 13.1

PORTIONS OF THE 1997 ANNUAL REPORT TO SHAREHOLDERS

SELECTED FINANCIAL DATA

	Year Ended December 31, 1997	1996	1995
STATEMENTS OF OPERATIONS DATA:			
Net revenues	$ 67,411,000	$ 19,697,000	$ 1,410,000
Gross profit	58,039,000	16,381,000	1,212,000
Sales and marketing expenses	43,930,000	15,106,000	815,000
Product development expenses	11,138,000	5,150,000	303,000
General and administrative expenses	6,472,000	4,878,000	972,000
Other - non-recurring costs	25,095,000	-	-
Net loss	(22,887,000)	(4,285,000)	(799,000)
Basic and diluted net loss per share	$(0.53)	$(0.11)	$(0.03)
Shares used in computing basic and diluted net loss per share	43,583,000	39,256,000	27,307,000
Pro forma net income (unaudited)(1)	$2,208,000		
Pro forma diluted net income per share (unaudited)(1)	$0.04		

	December 31, 1997	1996	1995
BALANCE SHEETS DATA:			
Cash, cash equivalents, and short and long-term investments in marketable securities	$ 107,012,000	$ 103,984,000	$ 5,927,000
Working capital	83,733,000	91,449,000	5,841,000
Total assets	141,884,000	112,968,000	7,037,000
Shareholders' equity	$ 117,712,000	$ 104,205,000	$ 6,105,000

Note: The selected financial data for the three years ended December 31, 1997 has been restated to reflect the acquisition of Four11 Corporation which was accounted for as a pooling of interests.

(1) Pro forma net income and diluted net income per share exclude the effects of other non-recurring costs of $21,245,000 related to the Yahoo! Marketplace restructuring incurred during the quarter ended June 30, 1997 and $3,850,000 incurred in connection with the acquisition of Four 11 Corporation during the quarter ended December 31, 1997.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

EXCEPT FOR HISTORICAL INFORMATION, THE DISCUSSION IN THIS REPORT (INCLUDING, WITHOUT LIMITATION, THE DISCUSSION UNDER THE HEADING "RESULTS OF OPERATIONS") CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. THE COMPANY'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE DISCUSSED HEREIN. FACTORS THAT COULD CAUSE OR CONTRIBUTE TO SUCH DIFFERENCES INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED BELOW, AND THE RISKS DISCUSSED UNDER THE CAPTION, "RISK FACTORS" IN THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1997 (A COPY OF WHICH IS AVAILABLE AT WWW.SEC.GOV OR UPON REQUEST FROM THE COMPANY).

OVERVIEW

Yahoo! Inc. (the "Company") is a global Internet media company that offers a network of branded World Wide Web (the "Web") programming that serves millions of users daily. As the first online navigational guide to the Web, WWW.YAHOO.COM is the single largest guide in terms of traffic, advertising, household and business user reach, and is one of the most recognized brands associated with the Internet. Yahoo! Inc. provides targeted Internet resources and communications services for a broad range of audiences, based on demographic, key-subject and geographic interests. The Company was incorporated in California on March 5, 1995 and commenced operations on that date. In August 1995, the Company commenced selling advertisements on its Web pages and recognized its initial revenues. In April 1996, the Company completed its initial public offering.

The Company's revenues are derived principally from the sale of banner advertisements on short-term contracts. The Company's standard rates for advertising currently range from approximately $0.02 per impression for general rotation to approximately $0.08 per impression for highly targeted audiences and properties. To date, the duration of the Company's advertising commitments has ranged from one week to two years. During 1997, the Company also began selling a combination of sponsorship and banner advertising contracts. In general, these sponsorship advertising contracts have longer terms than standard banner advertising contracts (ranging from three months to two years) and also involve more integration with Yahoo! services, such as the placement of buttons which provide users with direct links to the advertiser's Web site. Advertising revenues on both banner and sponsorship contracts are recognized ratably over the period in which the advertisement is displayed, provided that no significant Company obligations remain and collection of the resulting receivable is probable. Company obligations typically include guarantees of minimum number of "impressions," or times that an advertisement appears in pages viewed by users of the Company's online properties. To the extent minimum guaranteed impressions are not met, the Company defers recognition of the corresponding revenues until the remaining guaranteed impression levels are achieved. The Company also earns additional revenue on sponsorship contracts for fees relating to the design, coordination, and integration of the customer's content and links into Yahoo! online properties. These fees are recognized as revenue once the related activities have been performed and the customer's web links are available on Yahoo! online properties. A number of the Company's agreements provide that Yahoo! receive revenues from electronic commerce transactions. These revenues are recognized by the Company upon notification from the advertiser of revenues earned by Yahoo! and, to date, have not been significant.

During 1997, the Company entered into certain agreements with Netscape Communications Corporation ("Netscape") under which the Company has developed and operates an Internet information navigation service called "Netscape Guide by Yahoo!" (the "Guide"), and was designated as a "Premier Provider" of domestic and international search and navigational services within the Netscape Web site. The Co-Marketing agreement provides that revenue from advertising on the Guide, which is managed by the Company, is to be shared between the Company and Netscape. Under the terms of the Trademark License agreement, the Company made a one-time non-refundable trademark license fee payment of $5,000,000 in March 1997, which is being amortized over the initial two-year term, which commenced in May 1997. Under the terms of the Co-Marketing agreement as amended in June 1997, the Company also provided Netscape with a minimum of up to $4,660,000 in guarantees against shared advertising revenues in the first year of the agreement, subject in the first year to a minimum level of gross revenue being met, and up to a minimum of $15,000,000 in the second year of the agreement, subject in the second year to certain minimum levels of impressions being reached on the Guide. Actual payments will relate directly to the overall revenue and impressions recognized from the Guide. Under the terms of the Premier Provider agreements, the Company is required to make minimum payments in cash of $6,100,000 and is obligated to provide $1,600,000 in the Company's advertising services in return for certain minimum guaranteed exposures over the course of the one-year term of the agreements. To the extent that the minimum guaranteed exposures are exceeded, the Company is obligated to remit to Netscape additional payments.

In August 1996, the Company entered into agreements with Visa International Service Association ("VISA") and another party (together, the "Visa Group") to establish a limited liability company, Yahoo! Marketplace L.L.C., to develop and operate a navigational service focused on information and resources for the purchase of consumer products and services over the Internet. During July 1997, prior to the completion of significant business activities and public launch of the property, the Company and VISA entered into an agreement under which the Visa Group released the Company from certain obligations and claims. In connection with this agreement, Yahoo! issued 699,481 shares of Yahoo! Common Stock to the Visa Group, for which the Company recorded a one-time, non-cash, pre-tax charge of $21,245,000 in the second quarter ended June 30, 1997.

During July 1997, GTE New Media Services Incorporated ("GTE New Media"), an affiliate of GTE, filed suit in Dallas, Texas against Netscape and the Company, in which GTE New Media made a number of claims relating to the inclusion of certain Yellow Pages hypertext links in the Netscape Guide by Yahoo!, an online navigational property operated by the Company under an agreement with Netscape. In this lawsuit, GTE New Media has alleged, among other things, that by including such links to the Yellow Pages service operated by several Regional Bell Operating Companies (the "RBOCs") within the Guide, the Company has tortiously interfered with an alleged contractual relationship between GTE New Media and Netscape relating to placement of links by Netscape for a Yellow Pages service operated by GTE New Media. GTE New Media seeks injunctive relief as well as actual and punitive damages. In October 1997, GTE New Media brought suit in the U.S. District Court for the District of Columbia, against the RBOCs, Netscape, and the Company, in which GTE New Media has alleged, among other things, that the alleged exclusion of the GTE New Media Yellow Pages from the Netscape Guide Yellow Pages service violates federal antitrust laws, and GTE New Media seeks injunctive relief and damages (trebled under federal antitrust laws) from such alleged actions. The Company believes that the claims against the Company in these lawsuits are without merit and intends to contest them vigorously. Although the Company cannot predict with certainty the outcome of these lawsuits or the expenses that may be incurred in defending the lawsuits, the Company does not believe that the result in the lawsuits will have a material adverse effect on the Company's financial position or results of operations.

On October 20, 1997, the Company completed the acquisition of Four11 Corporation, a privately-held online communications and Internet directory company. Under the terms of the acquisition, which was accounted for as a pooling of interests, the Company exchanged 1,505,720 shares of Yahoo! Common Stock for all of Four11's outstanding shares and assumed 148,336 options and warrants to purchase Yahoo! Common Stock. During the quarter ended December 31, 1997, the Company recorded a one-time charge of $3,850,000 for the acquisition. These costs consisted of investment banking fees, legal and accounting fees, redundancy costs, and certain other expenses directly related to the acquisition. The consolidated financial statements for the three years ended December 31, 1997 and the accompanying notes reflect the Company's financial position and the results of operations as if Four11 was a wholly-owned subsidiary of the Company since inception.

CERTAIN RISK FACTORS

Yahoo! has a limited operating history upon which an evaluation of the Company can be based, and its prospects are subject to the risks, expenses, and uncertainties frequently encountered by companies in the new and rapidly evolving markets for Internet products and services, including the Web-based advertising market. Specifically, such risks include, without limitation, the failure to continue to develop and extend the "Yahoo!" brand, the failure to develop new media properties, the inability of the Company to maintain and increase the levels of traffic on Yahoo! properties, the development or acquisition of equal or superior services or products by competitors, the failure of the market to adopt the Web as an advertising medium, the failure to successfully sell Web-based advertising through the Company's recently developed internal sales force, potential reductions in market prices for Web-based advertising as a result of competition or other factors, the failure of the Company to effectively generate commerce-related revenues through sponsored services and placements in Yahoo! properties, the inability of the Company to effectively integrate the technology and operations or any other acquired businesses or technologies with its operations, such as the recent acquisition of Four11 Corporation, the failure of the Company to successfully develop and offer personalized Web-based services, such as e-mail services, to consumers without errors or interruptions in service, and the inability to continue to identify, attract, retain and motivate qualified personnel. There can be no assurance that the Company will be successful in addressing such risks.

As of December 31, 1997, the Company had an accumulated deficit of $27,971,000. The limited operating history of the Company and the uncertain nature of the markets addressed by the Company make the prediction of future results of operations difficult or impossible and, therefore, the recent revenue growth experienced by the Company should not be taken as indicative of the rate of revenue growth, if any, that can be expected in the future. The Company believes that period-to-period comparisons of its operating results are not meaningful and that the results for any period should not be relied upon as an indication of future performance. The Company currently expects to continue to significantly increase its operating expenses to expand its sales and marketing operations, to continue to develop and extend the "Yahoo!" brand, to fund greater levels of product development, to develop and commercialize additional media properties, and to acquire complementary businesses and technologies. The Company derives the majority of its revenues from the sale of advertisements under short-term contracts, which are difficult to forecast accurately. The Company's expense levels are based in part on its expectations concerning future revenue and, to a large extent, are fixed. The Company also has fixed expenses in the form of advertising revenue guarantees of up to $18,500,000 over the next 15 months relating to the Netscape Guide By Yahoo!, which subject the Company to additional risk in the event that advertising revenues from this property are not sufficient to offset guaranteed payments and related operating expenses. Quarterly revenues and operating results depend substantially upon the advertising revenues received within the quarter, which are difficult to forecast accurately. Accordingly, the cancellation or deferral of a small number of advertising or sponsorship contracts could have a material adverse effect on the Company's business, results of operations, and financial condition. The Company may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall, and any significant shortfall in revenue in relation to the Company's expectations would have an immediate adverse effect on the Company's business, operating results, and financial condition. In addition, the Company plans to continue to significantly increase its operating expenses to expand its sales and marketing operations, to continue to develop and extend the "Yahoo!" brand, to fund greater levels of product development, and to develop and commercialize additional media properties. To the extent that such expenses precede or are not subsequently followed by increased revenues, the Company's business, operating results, and financial condition will be materially and adversely affected. As a result of these factors, there can be no assurance that the Company will not incur significant losses on a quarterly and annual basis in the future.

The Company's operating results may fluctuate significantly in the future as a result of a variety of factors, many of which are outside the Company's control. These factors include the level of usage of the Internet, demand for Internet advertising, the addition or loss of advertisers, the level of user traffic on Yahoo! and the Company's other online media properties, the advertising budgeting cycles of individual advertisers, the amount and timing of capital expenditures and other costs relating to the expansion of the Company's operations, the introduction of new products or services by the Company or its competitors, pricing changes for Web-based advertising, the timing of initial set-up, engineering or development fees that may be paid in connection with larger advertising and distribution arrangements, technical difficulties with respect to the use of Yahoo! or other media properties developed by the Company, incurrence of costs relating to future acquisitions, general economic conditions, and economic conditions specific to the Internet and online media. As a strategic response to changes in the competitive environment, the Company may from time to time make certain pricing, service or marketing decisions, or business combinations that could have a material adverse effect on the Company's business, results of operations, and financial condition. The Company also has experienced, and expects to continue to experience, seasonality in its business, with user traffic on Yahoo! and the Company's other online media properties being lower during the summer and year-end vacation and holiday periods, when usage of the Web and the Company's services typically experience slower growth or decline. Additionally, seasonality may also affect the amount of customer advertising dollars placed with the Company in the first and third calendar quarters as advertisers historically spend less during these quarters.

A key element of the Company's strategy is to generate additional advertising revenues through sponsored services and placements by third parties in Yahoo! online properties in addition to banner advertising. In connection with these arrangements, the Company may receive sponsorship fees as well as a portion of transaction revenues received by the third-party sponsor from users originated through the Yahoo! placement, in return for minimum levels of user impressions to be provided by the Company. To the extent implemented, these arrangements expose the Company to potentially significant financial risks, including the risk that the Company fails to deliver required minimum levels of user impressions and that third party sponsors do not renew the agreements at the end of their term. In addition, because the Company has limited experience with these arrangements, the Company is unable to determine what effect such arrangements will have on gross margins and results of operations. Although transaction-based fees have not to date represented a significant portion of the Company's net revenues, if and to the extent such revenues become significant, the foregoing factors could result in greater variations in the Company's quarterly operating results and could have a material adverse effect on the Company's business, results of operations, and financial condition.

The market for Internet products and services is highly competitive and competition is expected to continue to increase significantly. In addition, the Company expects the market for Web-based advertising, to the extent it continues to develop, to be intensely competitive. There are no substantial barriers to entry in these markets, and the Company expects that competition will continue to intensify. Although the Company currently believes that the diverse segments of the Internet market will provide opportunities for more than one supplier of products and services similar to those of the Company, it is possible that a single supplier may dominate one or more market segments, including well-established companies such as Microsoft. The Company competes with many other providers of online navigation, information and community services. The Company also competes with online services and other Web site operators, as well as traditional offline media such as television, radio and print for a share of advertisers' total advertising budgets. The Company believes that the number of companies selling Web-based advertising and the available inventory of advertising space have increased substantially during recent periods. Accordingly, the Company may face increased pricing pressure for the sale of advertisements. There can be no assurance that the Company will be able to compete successfully against its current or future competitors or that competition will not have a material adverse effect on the Company's business, operating results, and financial condition.

Due to all of the foregoing factors, in some future quarter the Company's operating results may fall below the expectations of securities analysts and investors. In such an event, the trading price of the Company's Common Stock would likely be materially and adversely affected.

RESULTS OF OPERATIONS

NET REVENUES. Net revenues were $67,411,000, $19,697,000, and $1,410,000 for the years ended December 31, 1997, 1996, and 1995, respectively. The increases from year to year are due primarily to the increasing number of advertisers purchasing space on Yahoo! and the Company's other online media properties. Approximately 2,600 customers advertised on Yahoo! and the Company's other online media properties during 1997 as compared to approximately 700 in 1996. Additionally, the Company began selling sponsorship contracts during 1997 which also contributed to the increase in net revenues. International revenues have accounted for less than 10% of net revenues in the years ended December 31, 1997, 1996, and 1995. Barter transactions have also accounted for less than 10% of net revenues in the years ended December 31, 1997, 1996, and 1995. There can be no assurance that customers will continue to purchase advertising on the Company's Web pages or that market prices for Web-based advertising will not decrease due to competitive or other factors.

COST OF REVENUES. Cost of revenues consists of the expenses associated with the production and usage of Yahoo! and the Company's other online media properties. These costs primarily consist of fees paid to third parties for content included on the Company's properties, Internet connection charges, equipment depreciation, and compensation. Cost of revenues were $9,372,000 for the year ended December 31, 1997, or 14% of net revenues as compared to $3,316,000, or 17% of net revenues and $198,000, or 14% of net revenues for the years ended December 31, 1996 and 1995, respectively. The absolute dollar increases in cost of revenues from year to year are primarily attributable to an increase in the quantity of content available on Yahoo! and the Company's other online media properties, and the increased usage of these properties. The Company anticipates that its content and Internet connection expenses will increase with the quantity and quality of content available on Yahoo! and the Company's other online media properties, and increased usage of these properties. As measured in page views (defined as electronic page displays), the Company delivered an average of approximately 65 million page views per day in December 1997 compared with an average of approximately 20 million page views per day in December 1996 and an average of approximately 6 million page views per day in February 1996. Yahoo! Japan, an unconsolidated joint venture of the Company which began operations in April 1996, is included in these page views figures and accounted for an average of approximately 5 million per day in December 1997 and an average of approximately 1.4

million per day in December 1996. The Company anticipates that its content and Internet connection expenses will continue to increase in absolute dollars for the foreseeable future. The Company currently anticipates 1998 cost of revenues to be in the range of 12% to 16% of revenues.

SALES AND MARKETING. Sales and marketing expenses were $43,930,000 for the year ended December 31, 1997, or 65% of net revenues. For the years ended December 31, 1996 and 1995, sales and marketing expenses were $15,106,000 and $815,000, or 77% and 58% of net revenues, respectively. Sales and marketing expenses consist primarily of advertising and other marketing related expenses (which include Netscape Premier Provider costs), compensation, sales commissions, and travel costs. The year-to-year increases in absolute dollars are primarily attributable to increases in compensation expense associated with an increase in sales and marketing personnel related to the addition of a direct sales force which the Company began building in the fourth quarter of 1996; an increase in advertising costs associated with the Company's aggressive brand building strategy; an increase in the total costs incurred from the Netscape search programs; the addition of and growth in the various international subsidiaries including France, Germany, and the United Kingdom during 1996 and Singapore, Australia, Korea, Sweden, Denmark, and Norway during 1997; and an increase in sales commissions associated with the increase in revenues. The Company anticipates that sales and marketing expenses in absolute dollars will increase in future periods as it continues to pursue an aggressive brand building strategy and continues to build its direct sales organization. As a percentage of net revenues, the Company currently anticipates that sales and marketing expenses will approximate 60% in the first quarter of 1998 and will trend lower over the remainder of 1998.

PRODUCT DEVELOPMENT. Product development expenses were $11,138,000, or 17% of net revenues for the year ended December 31, 1997 compared to $5,150,000 and $303,000, or 26% and 21% of net revenues for the years ended December 31, 1996 and 1995, respectively. Product development expenses consist primarily of employee compensation relating to developing and enhancing the features and functionality of Yahoo! and the Company's other online media properties. The year-to-year increases in absolute dollars are primarily attributable to increases in the number of engineers that develop and enhance Yahoo! and the Company's other online media properties. To date, all internal product development costs have been expensed as incurred. Acquired technology for which technological feasibility has been established, including the technology purchased in the Company's 1997 acquisition of NetControls for $1,400,000, is capitalized and amortized over its useful life. The Company believes that significant investments in product development are required to remain competitive. As a consequence, the Company intends to incur increased product development expenditures in absolute dollars in future periods. As a percentage of net revenues, the Company currently anticipates that product development expenses will approximate current levels during 1998.

GENERAL AND ADMINISTRATIVE. General and administrative expenses were $6,472,000, or 10% of net revenues for the year ended December 31, 1997 compared to $4,878,000 and $972,000, or 25% and 69% of net revenues for the years ended December 31, 1996 and 1995, respectively. General and administrative expenses consist primarily of compensation and fees for professional services. The year-to-year increases in absolute dollars are primarily attributable to increases in staffing and usage of professional services. The Company believes that the absolute dollar level of general and administrative expenses will increase in future periods, as a result of increased staffing and fees for professional services. As a percentage of net revenues, the Company currently anticipates that general and administrative expenses will approximate current levels in the first half of 1998 and may decrease slightly during the second half of 1998.

OTHER -- NON-RECURRING COSTS. During July 1997, the Company and VISA entered into an agreement under which the Visa Group released the Company from certain obligations and claims. In connection with this agreement, Yahoo! issued 699,481 shares of Yahoo! Common Stock to the Visa Group, for which the Company recorded a one-time, non-cash, pre-tax charge of $21,245,000 in the second quarter ended June 30, 1997. In conjunction with the October 1997 acquisition of Four11 Corporation, the Company recorded a one-time charge of $3,850,000 which consisted of investment banking fees, legal and accounting fees, redundancy costs, and certain other expenses directly related to the acquisition.

INVESTMENT INCOME, NET. Investment income, net of investment expense, was $4,982,000 for the year ended December 31, 1997 as compared to $3,928,000 for the year ended December 31, 1996. The increase of $1,054,000 from 1996 to 1997 is primarily attributable to a higher average investment balance as a result of private and public offering proceeds received during March and April of 1996. Investment income in future periods may fluctuate as a result of fluctuations in average cash balances maintained by the Company and changes in the market rates of its investments.

MINORITY INTERESTS IN OPERATIONS OF CONSOLIDATED SUBSIDIARIES. Minority interests in operations of consolidated subsidiaries were $727,000 and $540,000 for the years ended December 31, 1997 and 1996, respectively. The increase from 1996 to 1997 is primarily attributable to the staggered launch dates of the joint ventures. Yahoo! Europe operations began during the third quarter of 1996 and Yahoo! Korea operations started in the third quarter of 1997 and both subsidiaries are still in the early stages of development. The Company expects that minority interests in operations of consolidated subsidiaries in the aggregate will continue to fluctuate in future periods as a function of the results from consolidated subsidiaries. When, and if, the consolidated subsidiaries become profitable, the minority interests elimination on the statement of operations will have an adverse effect on the Company's net results.

INCOME TAXES. No provision for federal and state income taxes has been recorded as the Company has incurred net operating losses through December 31, 1997. At December 31, 1997, the Company had approximately $54,200,000 of federal net operating loss carryforwards for tax reporting purposes available to offset future taxable income; such carryforwards will expire beginning in 2010. Additionally, the Company has approximately $26,200,000 of California net operating loss carryforwards for tax reporting purposes which will expire beginning in 2003. Deferred tax assets and related valuation allowances totaled $27,198,000 of which approximately $18,600,000 relate to certain U.S. operating loss carryforwards resulting from the exercise of employee stock options, the tax benefit of which, when recognized, will be accounted for as a credit to additional paid-in capital rather than a reduction of the income tax provision. The Company currently expects its combined federal and state income tax rate to increase to approximately 20% for 1998. This estimate is based on current tax law and current estimate of earnings, and is subject to change.

NET LOSS. The Company recorded net losses of $22,887,000, $4,285,000, and $799,000, or $0.53, $0.11, and $0.03 per share for the years ended December 31, 1997, 1996, and 1995, respectively. Excluding the effect of the one-time, non-cash, pre-tax charge of $21,245,000 recorded during the second quarter of 1997 for the restructuring of the Yahoo! Marketplace agreements with the Visa Group and the one-time charge of $3,850,000 recorded during the fourth quarter of 1997 for costs incurred for the acquisition of Four11, the Company earned $2,208,000.

LIQUIDITY AND CAPITAL RESOURCES

Yahoo! invests predominantly in instruments that are highly liquid, of quality investment grade, and predominantly have maturities of less than one year with the intent to make such funds readily available for operating purposes. At December 31, 1997, the Company had cash and cash equivalents and investments in marketable securities totaling $107,012,000 compared to $103,984,000 at December 31, 1996. For the year ended December 31, 1997, cash provided by operating activities was $3,123,000 compared to cash used for operating activities of $1,280,000 and $696,000 for the years ended December 31, 1996 and 1995, respectively.

Capital expenditures for the years ended December 31, 1997, 1996, and 1995 totaled $6,580,000, $3,077,000, and $192,000, respectively, and are expected to continue to increase in future periods as a result of the Company's growth. Capital expenditures have generally been comprised of purchases of computer hardware and software as well as furniture and leasehold improvements related to leased facilities.

For the year ended December 31, 1997, cash provided by financing activities of $8,514,000 was primarily due to proceeds of $6,409,000 from the issuance of Common Stock under the Company's stock option and employee stock purchase plans. Additionally, proceeds of $999,000 were received from minority investors in consolidated joint ventures. For the year ended December 31, 1996, cash provided by financing activities of $103,206,000 was primarily due to the March 1996 issuance of 5,100,000 shares of Mandatorily Redeemable Convertible Series C Preferred Stock for aggregate proceeds of $63,750,000, the April 1996 initial public offering of 4,485,000 shares of Common Stock for net proceeds of $35,106,000, and other issuances of Common Stock. Additionally, proceeds of $1,050,000 were received from minority investors in consolidated joint ventures. For the year ended December 31, 1995, cash provided by financing activities of $6,815,000 was primarily due to proceeds of $6,004,000 from the issuance of Convertible Preferred Stock.

The Company currently has no material commitments other than those under the Netscape Co-Marketing agreement, the Netscape Premier Provider agreements, and operating lease agreements. Under the terms of the amended Co-Marketing agreement, the Company has remaining fixed expenses in the form of advertising revenue guarantees of up to $3,500,000 over the next three months, subject to a minimum level of gross revenue being met during the first year of the agreement, and up to $15,000,000 in the second year, subject to certain minimum levels of advertising impressions being reached on the Guide. Under the terms of the Premier Provider agreements, the Company has minimum expense obligations of $2,917,000 at December 31, 1997, of which $550,000 is to be paid for with the Company's advertising services. The Company has experienced a substantial increase in its capital expenditures and operating lease arrangements since its inception, which is consistent with increased staffing, and anticipates that this will continue in the future. Additionally, the Company will continue to evaluate possible acquisitions of, or investments in businesses, products, and technologies that are complementary to those of the Company, which may require the use of cash. Management believes existing cash and investments will be sufficient to meet the Company's operating requirements for at least the next twelve months; however, the Company may sell additional equity or debt securities or obtain credit facilities. The sale of additional securities could result in additional dilution to the Company's shareholders.

CONSOLIDATED BALANCE SHEETS

	December 31, 1997	December 31, 1996
ASSETS		
Current assets:		
Cash and cash equivalents	$ 62,538,000	$ 33,547,000
Short-term investments in marketable securities	27,772,000	60,689,000
Accounts receivable, net of allowance of $2,598,000 and $665,000	10,986,000	5,082,000
Prepaid expenses	5,893,000	384,000
Total current assets	107,189,000	99,702,000
Long-term investments in marketable securities	16,702,000	9,748,000
Property and equipment, net	7,035,000	2,789,000
Investment in Yahoo! Japan	2,828,000	729,000
Other assets	8,130,000	-
	$141,884,000	$112,968,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,711,000	$ 1,106,000
Accrued expenses and other current liabilities	12,481,000	4,718,000
Deferred revenue	4,852,000	1,347,000
Due to related parties	1,412,000	1,082,000
Total current liabilities	23,456,000	8,253,000
Commitments and contingencies (Notes 8 and 9)		
Minority interests in consolidated subsidiaries	716,000	510,000
Shareholders' equity:		
Preferred Stock, $0.001 par value; 10,000,000 shares authorized; none issued	-	-
Common Stock, $0.00067 par value; 225,000,000 shares authorized; 45,012,624 and 41,298,067 issued and outstanding	20,000	18,000
Additional paid-in capital	146,106,000	109,334,000
Accumulated deficit	(27,971,000)	(5,084,000)
Cumulative translation adjustment	(443,000)	(63,000)
Total shareholders' equity	117,712,000	104,205,000
	$141,884,000	$112,968,000

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	1997	1996	1995
Net revenues	$ 67,411,000	$ 19,697,000	$ 1,410,000
Cost of revenues	9,372,000	3,316,000	198,000
Gross profit	58,039,000	16,381,000	1,212,000
Operating expenses:			
Sales and marketing	43,930,000	15,106,000	815,000
Product development	11,138,000	5,150,000	303,000
General and administrative	6,472,000	4,878,000	972,000
Other - non-recurring costs	25,095,000	-	-
Total operating expenses	86,635,000	25,134,000	2,090,000
Loss from operations	(28,596,000)	(8,753,000)	(878,000)
Investment income, net	4,982,000	3,928,000	79,000
Minority interests in operations of consolidated subsidiaries	727,000	540,000	-
Net loss	$(22,887,000)	$ (4,285,000)	$ (799,000)
Basic and diluted net loss per share	$ (0.53)	$ (0.11)	$ (0.03)
Shares used in computing basic and diluted net loss per share	43,583,000	39,256,000	27,307,000

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Convertible Preferred Stock		Common Stock	
	Shares	Amount	Shares	Amount
Issuance of Common Stock in connection with the formation of the Company	-	$ -	15,579,530	$ 1,000
Issuance of Series A and B Convertible Preferred Stock at $0.20 and $1.97 per share, respectively	7,738,072	8,000	-	-
Issuance of Common Stock for employee stock plans and other	-	-	783,866	-
Net loss	-	-	-	-
Balance at December 31, 1995	7,738,072	8,000	16,363,396	1,000
Issuance of Mandatorily Redeemable Convertible Series C Preferred Stock at $12.50 per share	5,100,000	5,000	-	-
Sale of Common Stock, net of issuance costs of $1,192,000	-	-	4,485,000	3,000
Conversion of Convertible Preferred Stock to Common Stock	(12,838,072)	(13,000)	19,257,108	13,000
Issuance of Common Stock, net of issuance costs	-	-	447,997	-
Issuance of Common Stock pursuant to exercise of options	-	-	744,566	1,000
Compensation expense on option grants	-	-	-	-
Net loss	-	-	-	-
Foreign currency translation adjustment	-	-	-	-
Balance at December 31, 1996	-	-	41,298,067	18,000
Issuance of Common Stock pursuant to exercise of warrants	-	-	348,159	-
Issuance of Common Stock for acquisitions and investments	-	-	115,246	-
Issuance of Common Stock pursuant to Visa Group Agreement	-	-	699,481	1,000
Issuance of Common Stock for employee stock plans	-	-	2,551,671	1,000
Write-up of investment in Yahoo! Japan	-	-	-	-
Compensation expense on option grants	-	-	-	-
Net loss	-	-	-	-
Foreign currency translation adjustment	-	-	-	-
Balance at December 31, 1997	-	$ -	45,012,624	$20,000

	Additional Paid-in Capital	Accumulated Deficit	Cumulative Translation Adjustment	Total
Issuance of Common Stock in connection with the formation of the Company	$ 2,000	$ -	$ -	$ 3,000
Issuance of Series A and B Convertible Preferred Stock at $0.20 and $1.97 per share, respectively	5,996,000	-	-	6,004,000
Issuance of Common Stock for employee stock plans and other	897,000	-	-	897,000
Net loss	-	(799,000)	-	(799,000)
Balance at December 31, 1995	6,895,000	(799,000)	-	6,105,000
Issuance of Mandatorily Redeemable Convertible Series C Preferred Stock at $12.50 per share	63,745,000	-	-	63,750,000
Sale of Common Stock, net of issuance costs of $1,192,000	35,103,000	-	-	35,106,000
Conversion of Convertible Preferred Stock to Common Stock	-	-	-	-
Issuance of Common Stock, net of issuance costs	3,418,000	-	-	3,418,000
Issuance of Common Stock pursuant to exercise of options	9,000	-	-	10,000
Compensation expense on option grants	164,000	-	-	164,000
Net loss	-	(4,285,000)	-	(4,285,000)
Foreign currency translation adjustment	-	-	(63,000)	(63,000)

Balance at December 31, 1996	109,334,000	(5,084,000)	(63,000)	104,205,000
Issuance of Common Stock pursuant to exercise of warrants	-	-	-	-
Issuance of Common Stock for acquisitions and investments	6,400,000	-	-	6,400,000
Issuance of Common Stock pursuant to Visa Group Agreement	21,049,000	-	-	21,050,000
Issuance of Common Stock for employee stock plans	6,408,000	-	-	6,409,000
Write-up of investment in Yahoo! Japan	1,700,000	-	-	1,700,000
Compensation expense on option grants	1,215,000	-	-	1,215,000
Net loss	-	(22,887,000)	-	(22,887,000)
Foreign currency translation adjustment	-	-	(380,000)	(380,000)
Balance at December 31, 1997	$146,106,000	$(27,971,000)	$(443,000)	$117,712,000

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(22,887,000)	$ (4,285,000)	$ (799,000)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,554,000	552,000	145,000
Compensation expense on stock option grants	1,215,000	164,000	-
Minority interests in operations of consolidated subsidiaries	(727,000)	(540,000)	-
Income from investment in Yahoo! Japan	(100,000)	-	-
Non-cash charge	21,245,000	-	-
Changes in assets and liabilities:			
Accounts receivable, net	(5,904,000)	(4,254,000)	(828,000)
Prepaid expenses	(5,959,000)	(366,000)	(18,000)
Accounts payable	2,499,000	1,043,000	63,000
Accrued expenses and other current liabilities	7,352,000	4,290,000	428,000
Deferred revenue	3,505,000	1,168,000	179,000
Due to related parties	330,000	948,000	134,000
Net cash provided by (used in) operating activities	3,123,000	(1,280,000)	(696,000)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property and equipment	(6,580,000)	(3,077,000)	(192,000)
Purchases of investments in marketable securities	(58,753,000)	(113,285,000)	(392,000)
Proceeds from sales and maturities of investments in marketable securities	84,716,000	43,240,000	-
Investment in AudioNet	(1,350,000)	-	-
Investment in Yahoo! Japan	(299,000)	(729,000)	-
Net cash provided by (used in) investing activities	17,734,000	(73,851,000)	(584,000)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of Common Stock, net	6,409,000	38,534,000	820,000
Proceeds from issuance of Convertible Preferred Stock	-	63,750,000	6,004,000
Proceeds from minority investors	999,000	1,050,000	-
Other	1,106,000	(128,000)	(9,000)
Net cash provided by financing activities	8,514,000	103,206,000	6,815,000
Effect of exchange rate changes on cash and cash equivalents	(380,000)	(63,000)	-
Net change in cash and cash equivalents	28,991,000	28,012,000	5,535,000
Cash and cash equivalents at beginning of period	33,547,000	5,535,000	-
Cash and cash equivalents at end of period	$ 62,538,000	$ 33,547,000	$5,535,000

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE COMPANY. Yahoo! Inc. (the "Company") is a global Internet media company that offers a network of branded World Wide Web (the "Web") programming that serves millions of users daily. Yahoo! Inc. provides targeted Internet resources and communications services for a broad range of audiences, based on demographic, key-subject and geographic interests. The Company was incorporated in California on March 5, 1995 and commenced operations on that date. The Company conducts its business within one industry segment.

PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the accounts of Yahoo! Inc. and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The equity and net loss attributable to the minority shareholder interests which related to the Company's subsidiaries, are shown separately in the consolidated balance sheets and consolidated statements of operations, respectively. Losses in excess of the minority interest equity would be charged against the Company. Investments in entities owned 20% or more but less than majority owned and not otherwise controlled by the Company are accounted for under the equity method.

RECLASSIFICATIONS. Certain prior years' balances have been reclassified to conform with the current year's presentation.

REVENUE RECOGNITION. The Company's revenues are derived principally from the sale of banner advertisements on short-term contracts. The Company's standard rates for advertising currently range from approximately $0.02 per impression for general rotation to approximately $0.08 per impression for highly targeted audiences and properties. To date, the duration of the Company's advertising commitments has ranged from one week to two years. During 1997, the Company also began selling a combination of sponsorship and banner advertising contracts. In general, these sponsorship advertising contracts have longer terms than standard banner advertising contracts (ranging from three months to two years) and also involve more integration with Yahoo! services, such as the placement of buttons which provide users with direct links to the advertiser's Web site. Advertising revenues on both banner and sponsorship contracts are recognized ratably in the period in which the advertisement is displayed, provided that no significant Company obligations remain and collection of the resulting receivable is probable. Company obligations typically include guarantees of minimum number of "impressions," or times that an advertisement appears in pages viewed by users of the Company's online properties. To the extent minimum guaranteed impressions are not met, the Company defers recognition of the corresponding revenues until the remaining guaranteed impression levels are achieved. The Company also earns additional revenue on sponsorship contracts for fees relating to the design, coordination, and integration of the customer's content and links into Yahoo! online properties. These fees are recognized as revenue once the related activities have been performed and the customer's web links are available on Yahoo! online properties. A number of the Company's agreements provide that Yahoo! receive revenues from electronic commerce transactions. These revenues are recognized by the Company upon notification from the advertiser of revenues earned by Yahoo! and, to date, have not been significant.

Revenues from barter transactions are recognized during the period in which the advertisements are displayed in Yahoo! properties. Barter transactions are recorded at the lower of estimated fair value of the goods or services received or the estimated fair value of the advertisements given. To date, barter transactions have been less than 10% of net revenues. During 1997, no one customer accounted for more than 10% of net revenues. During 1996, SOFTBANK, a 31% shareholder of the Company at December 31, 1997, and its related companies accounted for approximately 12% of net revenues. During 1995, another company accounted for approximately 11% of net revenues. Deferred revenue is primarily comprised of billings in excess of recognized revenue relating to advertising contracts and payments received pursuant to sponsorship advertising agreements in advance of revenue recognition.

PRODUCT DEVELOPMENT. Costs incurred in the classification and organization of listings within Yahoo! properties and the development of new products and enhancements to existing products are charged to expense as incurred. Statement of Financial Accounting Standards ("SFAS") No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed," requires capitalization of certain software development costs subsequent to the establishment of technological feasibility. Based upon the Company's product development process, technological feasibility is established upon completion of a working model. Costs incurred by the Company between completion of the working model and the point at which the product is ready for general release have been insignificant.

ADVERTISING COSTS. Advertising production costs are recorded as expense the first time an advertisement appears. All other advertising costs are expensed as incurred. The Company does not incur any direct-response advertising costs. Advertising expense totaled $10,168,000 for 1997, $3,939,000 for 1996, and $130,000 for 1995.

ACQUISITION OF FOUR11 CORPORATION. On October 20, 1997, the Company consummated an Agreement and Plan of Reorganization with Four11 Corporation ("Four11"), a privately-held company, upon which Four11's shareholders exchanged all of their shares on an as-if-converted basis for shares of the Company's Common Stock in a business combination which was accounted for as a pooling of interests. The consolidated financial statements for the three years ended December 31, 1997 and the accompanying notes reflect the Company's financial position and the results of operations as if Four11 was a wholly-owned subsidiary of the Company since inception. As separate companies, Yahoo! accounted for net revenues of $40,355,000 for the nine months ended September 30, 1997, and $19,073,000 and $1,363,000 for the years ended December 31, 1996 and 1995, respectively, and Four11 accounted for net revenues of $1,951,000 for the nine months ended September 30, 1997, and $624,000 and $47,000 for the years ended December 31, 1996 and 1995, respectively. During the fourth quarter of 1997, combined Yahoo!-Four11 net revenues were $25,105,000. Yahoo! accounted for net losses of $18,697,000 for the nine months ended September 30, 1997, and $2,334,000 and $634,000 for the years ended December 31, 1996 and 1995, respectively, and Four11 accounted for net losses of $2,914,000 for the nine months ended September 30, 1997, and $1,951,000 and $165,000 for the years ended December 31, 1996 and 1995, respectively. During the fourth quarter of 1997, the combined Yahoo!-Four11 net loss was $1,276,000.

BENEFIT PLAN. The Company maintains a 401(k) Profit Sharing Plan (the "Plan") for its full-time employees. Each participant in the Plan may elect to contribute from 1% to 17% of his or her annual compensation to the Plan. The Company matches employee contributions at a rate of 25%. Employee contributions are fully vested, whereas vesting in matching Company contributions occurs at a rate of 33.3% per year of employment. During 1997 and 1996, the Company's contributions amounted to $263,000 and $81,000, respectively, all of which was expensed.

CASH, CASH EQUIVALENTS, SHORT AND LONG-TERM INVESTMENTS. The Company invests its excess cash in debt instruments of the U.S. Government and its agencies, and in high-quality corporate issuers. All highly liquid instruments with an original maturity of three months or less are considered cash equivalents, those with original maturities greater than three months and current maturities less than twelve months from the balance sheet date are considered short-term investments, and those with maturities greater than twelve months from the balance sheet date are considered long-term investments.

At December 31, 1997 and 1996, short and long-term investments in marketable securities were classified as available-for-sale and consisted of 81% and 64% corporate debt securities, 8% and 26% debt securities of the U.S. Government and its agencies, 4% and 0% municipal debt securities, and 7% and 10% foreign debt securities, respectively. All long-term investments in marketable securities mature within two years. At December 31, 1997, the fair value of the investments approximated cost. Fair value is determined based upon the quoted market prices of the securities as of the balance sheet date.

At December 31, 1997, the Company had equity interests in privately-held, information technology companies totaling $6,450,000. These investments are included in other long-term assets and are accounted for under the cost method. The Company purchased these investments at or near December 31, 1997, therefore, their carrying values approximate fair values. For these non-quoted investments, the Company's policy is to regularly review the assumptions underlying the operating performance and cash flow forecasts in assessing the carrying values. The Company identifies and records impairment losses on long-lived assets when events and circumstances indicate that such assets might be impaired. To date, no such impairment has been recorded.

CONCENTRATION OF CREDIT RISK. Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash, cash equivalents, short and long-term investments, and accounts receivable. Substantially all of the Company's cash, cash equivalents, short and long-term investments are managed by three financial institutions. Accounts receivable are typically unsecured and are derived from revenues earned from customers primarily located in the United States. The Company performs ongoing credit evaluations of its customers and maintains reserves for potential credit losses; historically, such losses have been immaterial and within management's expectations. At December 31, 1997 and 1996, no one customer accounted for 10% or more of the accounts receivable balance. At December 31, 1995, two customers accounted for a total of 21% of the accounts receivable balance.

PROPERTY AND EQUIPMENT. Property and equipment, including leasehold improvements, are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally two to five years.

INCOME TAXES. Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws.

STOCK-BASED COMPENSATION. The Company accounts for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," and complies with the disclosure provisions of SFAS 123, "Accounting for Stock-Based Compensation." Under APB 25, compensation cost is recognized over the vesting period based on the difference, if any, on the date of grant between the fair value of the Company's stock and the amount an employee must pay to acquire the stock.

FOREIGN CURRENCY AND INTERNATIONAL OPERATIONS. The functional currency of the Company's subsidiaries in the United Kingdom, Germany, France, Sweden, Denmark, Norway, Australia, Singapore, and Korea is the local currency. The financial statements of these subsidiaries are translated to United States dollars using year-end rates of exchange for assets and liabilities, and average rates for the year for revenues, costs, and expenses. Translation losses, which are deferred and accumulated as a component of shareholders' equity, were $380,000 and $63,000 for the years ended December 31, 1997 and 1996, respectively. Net gains and losses resulting from foreign exchange transactions are included in the consolidated statements of operations and were not significant during the periods presented. International revenues have accounted for less than 10% of net revenues in the years ended December 31, 1997, 1996, and 1995. International assets were not significant at December 31, 1997 or 1996.

BASIC AND DILUTED NET LOSS PER SHARE. The Company adopted SFAS 128, "Earnings per Share" during the year ended December 31, 1997 and retroactively restated all prior periods. As a result of adopting SFAS 128, the net loss per share of $0.02 reported for the year ended December 31, 1995 increased to a basic and diluted net loss of $0.03. Basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and common equivalent shares outstanding during the period. Common equivalent shares consist of the incremental common shares issuable upon conversion of the convertible preferred stock (using the if-converted method) and shares issuable upon the exercise of stock options and warrants (using the treasury stock method). Common equivalent shares are excluded from the computation if their effect is anti-dilutive.

USE OF ESTIMATES. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

RECENT ACCOUNTING PRONOUNCEMENTS. In June 1997, the Financial Accounting Standards Board ("FASB") issued SFAS 130, "Reporting Comprehensive Income." SFAS 130 establishes standards for reporting comprehensive income and its components in a financial statement. Comprehensive income as defined includes all changes in equity (net assets) during a period from non-owner sources. Examples of items to be included in comprehensive income, which are excluded from net income, include foreign currency translation adjustments and unrealized gains/losses on available-for-sale securities. The disclosure prescribed by SFAS 130 must be made beginning with the first quarter of 1998. Additionally in June 1997, the FASB issued SFAS 131, "Disclosures about Segments of an Enterprise and Related Information." This statement establishes standards for the way companies report information about operating segments in annual financial statements. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. The Company has not yet determined the impact, if any, of adopting this new standard. The disclosures prescribed by SFAS 131 will be effective for the year ending December 31, 1998 consolidated financial statements.

NOTE 2 BALANCE SHEET COMPONENTS

	December 31, 1997	December 31, 1996
Property and equipment:		
Computers and equipment	$ 6,815,000	$ 2,228,000
Furniture and fixtures	2,316,000	888,000
Leasehold improvements	855,000	290,000
	9,986,000	3,406,000
Less: accumulated depreciation	(2,951,000)	(617,000)
	$ 7,035,000	$ 2,789,000
Other Assets:		
Investment in Geocities	$ 5,100,000	$ -
Investment in AudioNet	1,350,000	-
Other	1,680,000	-
	$ 8,130,000	$ -
Accrued expenses and other current liabilities:		
Accrued vacation, wages, and other employee benefits	$ 2,838,000	$ 1,069,000
Accrued content and connect costs	2,909,000	754,000
Accrued sales and marketing related	2,144,000	250,000
Accrued professional service expenses	1,730,000	801,000
Other	2,860,000	1,844,000
	$ 12,481,000	$ 4,718,000

NOTE 3 RELATED PARTY TRANSACTIONS

During 1997 and 1996, the Company recognized net revenues of approximately $3,120,000 and $2,381,000, respectively, on advertising contracts and publication, development, and licensing arrangements with SOFTBANK and its related companies, a holder of approximately 31% of the Company's Common Stock at December 31, 1997. Prices on these contracts were comparable to those given to other major customers of the Company. Additionally, three SOFTBANK-related companies provided Internet access and sales and marketing-related services for fees of approximately $3,190,000, $2,300,000, and $177,000 during 1997, 1996, and 1995, respectively. Sequoia Capital, a holder of approximately 9% of the Company's Common Stock at December 31, 1997, was also an investor in one of these SOFTBANK-related companies. The amount due for these services totaled approximately $1,046,000 and $896,000 at December 31, 1997 and 1996, respectively.

NOTE 4 ACQUISITIONS AND INVESTMENTS

ACQUISITION OF NETCONTROLS. On July 31, 1997, the Company entered into a stock purchase agreement to acquire all of the outstanding capital stock of NetControls, Inc. for 37,167 shares of the Company's Common Stock. The acquisition was recorded as a purchase for accounting purposes and the majority of the purchase price of approximately $1,400,000 will be amortized over the three year estimated useful life of the technology acquired. Upon acquisition, the historical financial results of NetControls, Inc. were de minimis.

ACQUISITION OF FOUR11. On October 20, 1997, the Company completed the acquisition of Four11 Corporation, a privately-held online communications and Internet directory company. Under the terms of the acquisition, which was accounted for as a pooling of interests, the Company exchanged 1,505,720 shares of Yahoo! Common Stock for all of Four11's outstanding shares and assumed 148,336 options and warrants to purchase Yahoo! Common Stock. All outstanding Four11 preferred shares were converted into Four11 common stock immediately prior to the acquisition. During the quarter ended December 31, 1997, the Company recorded a one-time charge of $3,850,000 for acquisition-related costs. These costs consisted of investment banking fees, legal and accounting fees, redundancy costs, and certain other expenses directly related to the acquisition.

INVESTMENT IN AUDIONET. On December 30, 1997, the Company invested $1,350,000 in cash for a less than 20% equity position in AudioNet, Inc., a provider of Internet broadcasting services. The Company purchased 79,618 shares of AudioNet common stock for a total of $750,000 and a warrant to purchase 159,236 shares of AudioNet common stock at an exercise price of $9.42 per share for $600,000. The investment is being accounted for under the cost method.

INVESTMENT IN GEOCITIES. On December 31, 1997, the Company issued 78,079 shares of Yahoo! Common Stock for a less than 20% equity position in GeoCities, a provider of free personal Web pages. In return, the Company received 336,684 shares of GeoCities Series E preferred stock. The investment, aggregating $5,100,000, is being accounted for under the cost method.

NOTE 5 JOINT VENTURES

YAHOO! JAPAN. During April 1996, the Company signed a joint venture agreement with SOFTBANK, a holder of approximately 31% of the Company's Common Stock at December 31, 1997, whereby Yahoo! Japan Corporation was formed to establish and manage in Japan a Japanese version of the Yahoo! Internet Guide, develop related Japanese online navigational services, and conduct other related business. The Company's ownership interest in the joint venture upon inception was 40%. At December 31, 1996, the Company's investment in the joint venture was $729,000. In September 1997, the Company invested an additional $299,000 in the joint venture. During November 1997, Yahoo! Japan Corporation completed its initial public offering, issuing 975 previously unissued shares and raising total proceeds of approximately $5,500,000. Accordingly, the Company increased its investment by $1,700,000, recorded as additional paid-in capital, to reflect the increase in the Company's share of Yahoo! Japan Corporation's net assets. The investment is being accounted for using the equity method. At December 31, 1997, the fair value of the Company's 34% ownership in Yahoo! Japan, based on the quoted trading price, was approximately $53,000,000.

YAHOO! EUROPE. On November 1, 1996, the Company signed a joint venture agreement with a subsidiary of SOFTBANK, a holder of approximately 31% of the Company's Common Stock at December 31, 1997, whereby separate companies were formed in Germany, the United Kingdom, and France ("Yahoo! Europe") to establish and manage versions of the Yahoo! Internet Guide for Germany, the United Kingdom, and France, develop related online navigational services, and conduct other related business. The parties agreed to invest a total of up to $4,000,000 in proportion to their respective equity interests, and had invested $2,000,000 as of December 31, 1996 and the entire $4,000,000 as of December 31, 1997. The Company has a majority share of approximately 70% in each of the Yahoo! Europe entities, and therefore, has consolidated their financial results. During 1997 and 1996, Yahoo! Europe incurred losses from operations of $1,807,000 and $842,000, respectively. SOFTBANK's interest in the net assets of Yahoo! Europe at December 31, 1997 and 1996, as represented by the minority interest on the balance sheet, was $405,000 and $347,000, respectively.

YAHOO! KOREA. During August 1997, the Company signed a joint venture agreement with SOFTBANK and other SOFTBANK affiliate companies whereby Yahoo! Korea was formed to develop and operate a Korean version of the Yahoo! Internet Guide, develop related Korean online navigational services, and conduct other related business. The parties have invested a total of $999,000 in proportion to their respective equity interests. The Company has a majority share of approximately 60% in the joint venture, and therefore, has consolidated the financial results, which were insignificant for the year ended December 31, 1997.

YAHOO! MARKETPLACE. On August 26, 1996, the Company entered into agreements with Visa International Service Association ("VISA") and another party (together, the "Visa Group") to establish a limited liability company, Yahoo! Marketplace L.L.C., to develop and operate a navigational service focused on information and resources for the purchase of consumer products and services over the Internet. As of December 31, 1996, the parties had invested a total of $1,000,000. At December 31, 1996, the Company owned approximately 55% of the equity interest in Yahoo! Marketplace. Yahoo! Marketplace incurred start-up losses of $246,000 in 1997 and $637,000 in 1996. In connection with this agreement, the Company issued to the Visa Group for a purchase price of $50,000, a warrant to purchase 525,000 shares of the Company's Common Stock at an exercise price of $8.33 per share, which warrant was exercisable during a two year period commencing in March 1997. In April 1997, the Visa Group net exercised the warrant. During July 1997, prior to the completion of significant business activities and public launch of the property, the Company and VISA entered into an agreement under which the Visa Group released the Company from certain obligations and claims. In connection with this agreement, the Company issued 699,481 shares of Yahoo! Common Stock to the Visa Group, for which the Company recorded a one-time, non-cash, pre-tax charge of $21,245,000 in the second quarter ended June 30, 1997.

NOTE 6 SHAREHOLDERS' EQUITY

STOCK SPLIT. During July 1997, the Company's Board of Directors approved a three-for-two Common Stock split. Shareholders of record on August 11, 1997 (the record date) received one additional share for every two shares held on that date. All references to the number of shares of Common Stock, weighted average common shares, and per share amounts have been retroactively restated in the accompanying consolidated financial statements to reflect the effect of the three-for-two split.

COMMON STOCK. On April 11, 1996, the Company completed its initial public offering of 4,485,000 shares of its Common Stock. Net proceeds to the Company aggregated approximately $35,106,000. As of the closing date of the offering, all of the Convertible Preferred Stock and Mandatorily Redeemable Convertible Preferred Stock outstanding was converted into an aggregate of 19,257,108 shares of Common Stock. The Company has the right to repurchase, at the original issue price, a declining percentage of certain of the common shares issued to employees under restricted stock agreements. The Company's repurchase right lapses over four years based on the length of the employees' continual employment with the Company. At December 31, 1997, 3,125,000 shares of Common Stock were subject to repurchase by the Company.

STOCK OPTION PLANS. As of December 31, 1997, the Company had four stock-based compensation plans which are described below. The Company applies APB Opinion 25 and related interpretations in accounting for its plans and complies with the disclosure provisions of SFAS 123, "Accounting for Stock-Based Compensation."

The 1995 Stock Plan (the "Stock Plan") and the 1995 Four11 Stock Option Plan (the "Four11 Plan") allow for the issuance of incentive stock options, non-qualified stock options and stock purchase rights to purchase a maximum of 19,830,332 shares of the Company's Common Stock. Under the Stock Plan and the Four11 Plan, incentive stock options may be granted to employees, directors, and officers of the Company and non-qualified stock options and stock purchase rights may be granted to consultants, employees, directors, and officers of the Company. Options granted under the Stock Plan and the Four11 Plan are for periods not to exceed ten years, and must be issued at prices not less than 100% and 85%, for incentive and nonqualified stock options, respectively, of the fair market value of the stock on the date of grant as determined by the Board of

DIRECTORS. Options granted to shareholders who own greater than 10% of the outstanding stock are for periods not to exceed five years and must be issued at prices not less than 110% of the fair market value of the stock on the date of grant as determined by the Board of Directors. Options granted under the Stock Plan and the Four11 Plan generally vest 25% after the first year of service and ratably each month over the remaining thirty-six month period. Options issued under the Four11 Plan may be exercised prior to vesting and are subject to repurchase in the event of a voluntary termination, at the original purchase price. At December 31, 1997, 30,749 shares were subject to repurchase under the provisions of the Four11 Plan

The 1996 Directors' Stock Option Plan (the "Directors' Plan") provides for the issuance of up to 300,000 non-statutory stock options to non-employee directors of the Company. Each person who becomes a non-employee director of the Company after the date of the Company's initial public offering will automatically be granted a non-statutory option (the "First Option") to purchase 60,000 shares of Common Stock upon the date on which such person first becomes a director. Thereafter, each director of the Company will be granted an annual option (the "Annual Option") to purchase 7,500 shares of Common Stock. Options under the Directors' Plan will be granted at the fair market value of the stock on the date of grant as determined by the Board of Directors and will vest in equal monthly installments over four years, in the case of the First Option, or at the end of four years in the case of the Annual Option.

Activity under the Company's stock option plans is summarized as follows:

	Available for Grant	Options Outstanding	Weighted Average Price per Share
Shares reserved	7,830,332		
Options granted	(5,260,626)	5,260,626	$ 0.02
Options exercised	-	(284,100)	0.01
Balance at December 31, 1995	2,569,706	4,976,526	0.02
Additional shares reserved	4,800,000		
Options granted	(5,707,385)	5,707,385	6.71
Options canceled	461,328	(461,328)	6.64
Options exercised	-	(744,566)	0.01
Balance at December 31, 1996	2,123,649	9,478,017	3.73
Additional shares reserved	7,500,000		
Options granted	(4,604,075)	4,604,075	37.45
Options canceled	88,913	(88,913)	9.18
Options exercised	-	(2,417,456)	2.09
Balance at December 31, 1997	5,108,487	11,575,723	$ 17.38

The following table summarizes information about fixed stock options outstanding as of December 31, 1997:

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.01 - $0.01	2,496,770	7.6	$ 0.01	744,314	$ 0.01
$0.13 - $0.22	361,352	8.0	$ 0.14	98,561	$ 0.16
$0.67 - $1.00	954,757	8.2	$ 0.79	284,718	$ 0.78
$2.33 - $4.00	313,424	8.2	$ 3.43	77,753	$ 3.57
$4.67 - $6.67	1,229,040	8.2	$ 5.56	326,156	$ 5.18
$11.33 - $13.92	2,151,934	8.8	$ 12.46	442,289	$ 12.35
$17.75 - $26.50	1,335,751	9.4	$ 22.61	-	$ -
$32.33 - $43.13	628,375	9.7	$ 38.82	-	$ -
$46.00 - $55.75	2,104,320	9.9	$ 52.75	-	$ -
	11,575,723			1,973,791	

Options to purchase 830,040 and 101,250 shares were vested at December 31, 1996 and 1995, respectively.

During the period from January 1996 through April 1996, the Company granted options to purchase an aggregate of 3,450,702 shares of Common Stock at exercise prices ranging from $0.13 to $6.67 per share. Based in part on an independent appraisal obtained by the Company's Board of Directors, $625,000 of compensation expense relating to certain options is to be recognized over the four-year vesting periods of the options, of which, $156,000 was recognized in both 1997 and 1996. During 1995, the Company granted options to purchase 441,600 shares of Common Stock to consultants in exchange for services at an exercise price of $0.01 per share. The Company recorded expense totaling $75,000 related to these options based on the estimated fair value of the services received. Pursuant to the acquisition of Four11, the Company will record $2,168,000 of compensation expense related to certain stock options issued below fair market value between August 1996 and September 1997, of which the Company recorded $1,059,000 and $8,000 during the years ended December 31, 1997 and 1996, respectively. The remaining $1,101,000 will be recognized over the remainder of the four-year vesting periods of the options.

EMPLOYEE STOCK PURCHASE PLAN. Effective March 6, 1996, the Company's Board of Directors adopted the Employee Stock Purchase Plan (the "Purchase Plan"), which provides for the issuance of a maximum of 450,000 shares of Common Stock. Eligible employees can have up to 15% of their earnings withheld, up to certain maximums, to be used to purchase shares of the Company's Common Stock on every December 31st and June 30th. The price of the Common Stock purchased under the Purchase Plan will be equal to 85% of the lower of the fair market value of the Common Stock on the commencement date of each six month offering period or the specified purchase date. During 1997, 134,215 shares were purchased at prices of $7.37 to $19.30 per share. There were no shares issued under the Purchase Plan during 1996. At December 31, 1997, 315,785 shares were available under the Purchase Plan for future issuance.

STOCK COMPENSATION. The Company accounts for stock-based compensation in accordance with the provisions of APB 25. Had compensation expense been determined based on the fair value at the grant dates, as prescribed in SFAS 123, the Company's net loss would have been $29,268,000, $5,131,000, and $801,000, and basic and diluted loss per share would have been $0.67, $0.13, and $0.03 for the years ended December 31, 1997, 1996, and 1995, respectively. Prior to the Company's initial public offering, the fair value of each option grant was determined on the date of grant using the minimum value method. Subsequent to the offering, the fair value was determined using the Black-Scholes model. The weighted average fair market value of an option granted during 1997, 1996, and 1995 was $17.34, $3.16, and $0.01, respectively. Except for the volatility assumption which was only used under the Black-Scholes model, the following range of assumptions was used to perform the calculations: expected life of 36 months in 1997 and 30 months in 1996 and 1995; interest rate ranges of 5.6% to 6.6% during 1997, 5.1% to 6.5% during 1996, and 5.3% to 6.0% during 1995; volatility of 59% in 1997, 53% in 1996, and it was not applicable in 1995; and no dividend yield for the three years ended December 31, 1997. Because additional stock options are expected to be granted each year, the above pro forma disclosures are not representative of pro forma effects on reported financial results for future years.

NOTE 7 INCOME TAXES

No provision for federal and state income taxes has been recorded as the Company has incurred net operating losses through December 31, 1997. The following table sets forth the primary components of deferred tax assets:

	December 31,		
	1997	1996	1995
Net operating loss and credit carryforwards	$23,966,000	$3,421,000	$144,000
Nondeductible reserves and expenses	3,232,000	1,382,000	134,000
Other	-	86,000	-
Gross deferred tax assets	27,198,000	4,889,000	278,000
Valuation allowance	(27,198,000)	(4,889,000)	(278,000)
	$ -	$ -	$ -

At December 31, 1997, 1996, and 1995, the Company fully reserved its deferred tax assets. The Company believes sufficient uncertainty exists regarding the realizability of the deferred tax assets such that a full valuation allowance is required. Deferred tax assets and related valuation allowances of approximately $18,600,000 relate to certain U.S. operating loss carryforwards resulting from the exercise of employee stock options, the tax benefit of which, when recognized, will be accounted for as a credit to additional paid-in capital rather than a reduction of the income tax provision. Additionally, deferred tax assets of $900,000 relate to operating loss carryforwards in various foreign jurisdictions. Certain of these carryforwards will expire if not utilized. At December 31, 1997, the Company had approximately $54,200,000 of federal net operating loss carryforwards for tax reporting purposes available to offset future taxable income; such carryforwards will expire beginning in 2010. Additionally, the Company has approximately $26,200,000 of California net operating loss carryforwards for tax reporting purposes which will expire beginning in 2003.

NOTE 8 COMMITMENTS AND CONTINGENCIES

OPERATING LEASES. During September 1997, the Company entered into a non-cancelable operating sublease agreement which will provide the Company with additional office space at its existing Santa Clara, California location. Additionally during 1997, the Company entered into various other non-cancelable operating lease agreements for its sales offices throughout the U.S. and its international subsidiaries. Future minimum lease payments under non-cancelable operating leases with initial terms of one year or more are $1,659,000 in 1998, $2,155,000 in 1999, $2,187,000 in 2000, $2,151,000 in 2001, $2,136,000 in 2002, and $2,463,000 thereafter. Total minimum rental payments aggregate $12,751,000. Rent expense under operating leases totaled $1,225,000, $436,000, and $32,000 during 1997, 1996, and 1995, respectively.

NETSCAPE GUIDE BY YAHOO!. During March 1997, the Company entered into certain agreements with Netscape Communications Corporation ("Netscape") under which the Company has developed and operates an Internet information navigation service called "Netscape Guide by Yahoo!" (the "Guide"). The Co-Marketing agreement provides that revenue from advertising on the Guide, which is managed by the Company, is to be shared between the Company and Netscape. Under the terms of the Trademark License agreement, the Company made a one-time non-refundable trademark license fee payment of $5,000,000 in March 1997 which is being amortized over the initial two-year term, which commenced in May 1997. Under the terms of the Co-Marketing agreement as amended in June 1997, the Company also provided Netscape with a minimum of up to $4,660,000 in guarantees against shared advertising revenues in the first year of the agreement, subject in the first year to a minimum level of gross revenue being met, and up to a minimum of $15,000,000 in the second year of the agreement, subject in the second year to certain minimum levels of impressions being reached on the Guide. Actual payments will relate directly to the overall revenue and impressions recognized from the Guide. As of December 31, 1997, $1,160,000 of shared advertising revenues had been paid to Netscape under this agreement.

NETSCAPE PREMIER PROVIDER. Also during March 1997, the Company entered into an agreement with Netscape whereby it was designated as one of four "Premier Providers" of domestic navigational services within the Netscape Web site. Under the terms of the agreement, the Company is required to make minimum payments of $3,200,000 in cash and is obligated to provide $1,500,000 in the Company's advertising services in return for certain minimum guaranteed exposures over the course of the one-year term of the agreement, which commenced in May 1997. The minimum payments are amortized over the term of the agreement. As of December 31, 1997, the Company had paid $2,456,000 in cash under the terms of the agreement. Expenses incurred to date as of December 31, 1997 under the agreement were approximately $4,600,000. To the extent that the minimum guaranteed exposures are exceeded, the Company is obligated to remit to Netscape additional payments.

During June 1997, the Company entered into certain agreements with Netscape whereby it was designated as a Premier Provider of international search and navigational guide services for the Netscape Net Search program. Under the terms of the agreements, the Company will provide services in 12 countries, including Australia, Denmark, France, Germany, Italy, Japan, Korea, The Netherlands, Portugal, Spain, Sweden, and the United Kingdom. Under the terms of the agreements, the Company made a cash payment of $2,900,000 in July 1997 and is obligated to provide $100,000 in the Company's advertising services in return for certain minimum guaranteed exposures over the course of the one-year term of the agreements, which commenced in July 1997. The Company amortizes the total cost of these agreements over their one-year term.

NOTE 9 LITIGATION

In July 1997, GTE New Media Services Incorporated ("GTE New Media"), an affiliate of GTE, filed suit in Dallas, Texas against Netscape and the Company, in which GTE New Media made a number of claims relating to the inclusion of certain Yellow Pages hypertext links in the Netscape Guide by Yahoo!, an online navigational property operated by the Company under an agreement with Netscape. In this lawsuit, GTE New Media has alleged, among other things, that by including such links to the Yellow Pages service operated by several Regional Bell Operating Companies (the "RBOCs") within the Guide, the Company has tortiously interfered with an alleged contractual relationship between GTE New Media and Netscape relating to placement of links by Netscape for a Yellow Pages service operated by GTE New Media. GTE New Media seeks injunctive relief as well as actual and punitive damages. In October 1997, GTE New Media brought suit in the U.S. District Court for the District of Columbia, against the RBOCs, Netscape, and the Company, in which GTE New Media has alleged, among other things, that the alleged exclusion of the GTE New Media Yellow Pages from the Netscape Guide Yellow Pages service violates federal antitrust laws, and GTE New Media seeks injunctive relief and damages (trebled under federal antitrust laws) from such alleged actions. The Company believes that the claims against the Company in these lawsuits are without merit and intends to contest them vigorously. Although the Company cannot predict with certainty the outcome of these lawsuits or the expenses that may be incurred in defending the lawsuits, the Company does not believe that the result in the lawsuits will have a material adverse effect on the Company's financial position or results of operations. From time to time the Company is subject to other legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of trademarks and other intellectual property rights. The Company is not currently aware of any legal proceedings or claims that the Company believes will have, individually or in the aggregate, a material adverse effect on the Company's financial position or results of operations.

REPORT OF INDEPENDENT ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF YAHOO! INC.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Yahoo! Inc. and its subsidiaries at December 31, 1997 and 1996, and the results of their operations and their cash flows for the years ended December 31, 1997, 1996, and 1995, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ Price Waterhouse LLP

San Jose, California
January 9, 1998

QUARTERLY FINANCIAL DATA (UNAUDITED)

	QUARTER ENDED			
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
1997				
Net revenues	$ 10,065,000	$ 14,107,000	$ 18,134,000	$ 25,105,000
Gross profit	8,628,000	11,789,000	15,746,000	21,876,000
Net income (loss)	(740,000)	(21,552,000)	681,000	(1,276,000)
Basic and diluted net income (loss) per share	$ (0.02)	$ (0.50)	$ 0.01	$ (0.03)
Pro forma net income (loss)(1)		(307,000)		2,574,000
Pro forma diluted net income (loss) per share (1)		$ (0.01)		$ 0.05
1996				
Net revenues	$ 1,770,000	$ 3,358,000	$ 5,626,000	$ 8,943,000
Gross profit	1,584,000	2,806,000	4,539,000	7,452,000
Net loss	(181,000)	(1,720,000)	(1,718,000)	(666,000)
Basic and diluted net loss per share	$(0.01)	$ (0.04)	$ (0.04)	$ (0.02)

Note: The quarterly financial data for the quarters presented above has been restated to reflect the acquisition of Four11 Corporation which was accounted for as a pooling of interests.

(1) Pro forma net income and diluted net income per share exclude the effects of other non-recurring costs of $21,245,000 related to the Yahoo! Marketplace restructuring incurred during the quarter ended June 30, 1997 and $3,850,000 incurred in connection with the acquisition of Four11 Corporation during the quarter ended December 31, 1997.

CORPORATE INFORMATION

CORPORATE EXECUTIVE OFFICERS AND DIRECTORS

TIMOTHY KOOGLE
President and Chief
Executive Officer and Director

JERRY YANG
Chief Yahoo and Director

DAVID FILO
Chief Yahoo

JEFF MALLETT
Chief Operating Officer

GARY VALENZUELA
Sr. Vice President,
Finance and Administration,
Chief Financial Officer

FARZAD NAZEM
Sr. Vice President,
Product Development,
Chief Technology Officer

JAMES NELSON
Vice President, Finance

JOHN PLACE
General Counsel and Secretary

ANIL SINGH
Vice President, Advertising Sales

ERIC HIPPEAU
Director (1)

ARTHUR KERN
Director (1)(2)

MICHAEL MORITZ
Director (1)(2)

(1) Member of the Compensation Committee
(2) Member of the Audit Committee

EXECUTIVE OFFICERS

Timothy Brady
Vice President, Production

KAREN EDWARDS
Vice President, Brand Marketing

Heather Killen
Vice President, International

GEOFF RALSTON
Vice President, Development
and Communications

ELLEN SIMINOFF
Vice President, Strategic
Development

SRINIJA SRINIVASAN
Vice President, Editor-in-Chief

WENDY YANOWITCH
Vice President, Operations

CORPORATE HEADQUARTERS

Yahoo! Inc.
3420 Central Expressway
Santa Clara, CA 95051-0703

WORLD YAHOO!S

YAHOO! AUSTRALIA & NEW ZEALAND
Suite 10, 177-199 Pacific Highway,
North Sydney, NSW 2060, Australia

YAHOO! CANADA
Suite 400,
156 Front St. West
Toronto M5J 2L6 Canada

YAHOO! DANMARK
YAHOO! NORGE
YAHOO! SVERIGE
Artillerigatan 36 114 45,
Stockholm, Sweden

YAHOO! DEUTSCHLAND
Riesstrasse 25, Haus C, 80992
Munchen, Germany

YAHOO! FRANCE
14 Place Marie-Jeanne Bassot, 92593
Levallois-Perret Cedex, France

YAHOO! IN ASIA
703 Winning House
10-16 Cochrane Street
Central
Hong Kong

YAHOO! JAPAN
24-1 Nihonbashi-Hakozaki Cho
Chuo-Ku, Tokyo 103
Japan

Yahoo! Korea
4 Naengchun-dong, Seodaemun-ku,
Seoul, Korea

YAHOO! UK & IRELAND
80/81 St. Martin's Lane
London WC2N 4AA

INDEPENDENT ACCOUNTANTS
Price Waterhouse LLP
San Jose, California

LEGAL COUNSEL
Venture Law Group
Menlo Park, California

TRANSFER AGENT

Boston EquiServe
P.O. Box 8040
Boston, MA 02266-8040

FORM 10-K

A copy of the Yahoo! Inc. Form 10-K as filed with the Securities and Exchange Commission is available without charge at WWW.SEC.GOV or by request by contacting:

Yahoo! Investor Relations
3420 Central Expressway
Santa Clara, California 95051-0703

A copy of this annual report can be found online at:
HTTP://WWW.YAHOO.COM/INFO/INVESTOR/

ANNUAL SHAREHOLDERS MEETING

The annual meeting of shareholders will be April 17, 1998 at 10am at Yahoo! Corporate Headquarters.

STOCK INFORMATION

Yahoo! Inc. Common Stock is quoted on the NASDAQ National Market System under the symbol YHOO. The table below sets forth the range of high and low closing sales prices for the quarters indicated. *

All stock prices have been adjusted for the 3-for-2 stock split which was completed on September 2, 1997.

The Company had approximately 750 shareholders of record as of December 31, 1997. The Company has not declared or paid any cash dividends on its Common Stock and presently intends to retain its future earnings, if any, to fund the development and growth of its business and, therefore, does not anticipate paying any cash dividends in the foreseeable future.

*COMMON STOCK

1996	High	Low
First Quarter		
Second Quarter	$22.00	$12.17
Third Quarter	$16.00	$10.50
Fourth Quarter	$15.08	$11.33

1997	High	Low
First Quarter	$24.29	$11.67
Second Quarter	$26.17	$18.29
Third Quarter	$55.38	$22.33
Fourth Quarter	$71.00	$38.00

EXHIBIT 21.1

SUBSIDIARIES OF YAHOO! INC.

NAME	JURISDICTION OF INCORPORATION
Four11 Corporation	California
Yahoo! Marketplace, L.L.C.	Delaware
NetControls, Inc.	Washington
Yahoo! UK Ltd.	United Kingdom
Yahoo! Holdings Limited	United Kingdom
Yahoo! France, SARL	France
Yahoo! GmbH	Germany
Yahoo! Pte Ltd	Singapore
Yahoo! Sweden	Sweden
Yahoo! Norway AS	Norway
Yahoo! Denmark	Denmark
Yahoo! Korea	Korea

BRANCHES OF YAHOO! INC.

NAME	JURISDICTION OF REGISTRATION
Yahoo! Australia	Australia

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statements on Form S-3 (No. 333-43887, No. 333-39539, No. 333-32783) and in the Registration Statements on Form S-8 (No. 333-3694, No. 333-39105) of Yahoo! Inc. of our report dated January 9, 1998 appearing in the 1997 Annual Report to Shareholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears in this Form 10-K.

/s/ PRICE WATERHOUSE LLP
San Jose, California
March 11, 1998

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE YAHOO! INC. ANNUAL REPORT ON FORM 10-K FOR THE PERIOD ENDED DECEMBER 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

12-MOS
DEC-31-1997
JAN-01-1997
DEC-31-1997
62,538,000
27,772,000
13,584,000
2,598,000
0
107,189,000
9,986,000
2,951,000
141,884,000
23,456,000
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0
0
20,000
117,692,000
141,884,000
0
67,411,000
0
9,372,000
86,635,000
0
0
(22,887,000)
0
(22,887,000)
0
0
0
(22,887,000)
(0.53)
(0.53)