

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 1997

OR

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

For the transition period from _____ to _____

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.)

3400 Central Expressway, Suite 201
Santa Clara, California 95051

(Address of principal executive offices)

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

Indicate by check mark whether the Registrant (1) has filed all reports required
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 No

Indicate the number of shares outstanding of each of the issuer's classes of
common stock, as of the latest practicable date.

Class Outstanding at September 30, 1997

Common Stock, \$0.00067 par value

43,099,792

YAHOO! INC.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION	PAGE NO.
Item 1. Condensed Consolidated Financial Statements (unaudited)	
Condensed Consolidated Balance Sheets at September 30, 1997 and December 31, 1996	3
Condensed Consolidated Statements of Operations for the three months ended September 30, 1997 and 1996; and the nine months ended September 30, 1997 and 1996	4
Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 1997 and 1996	5
Notes to Condensed Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	11
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	22
Item 2. Changes in Securities	23
Item 3. Defaults Upon Senior Securities	24
Item 4. Submission of Matters to a Vote of Security Holders	24
Item 5. Other Information	24
Item 6. Exhibits and Reports on Form 8-K	24
Signatures	25

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

YAHOO! INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 1997	December 31, 1996
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	\$ 55,754,000	\$ 31,865,000
Short-term investments in marketable securities	42,748,000	60,689,000
Accounts receivable, net	8,331,000	4,648,000
Prepaid expenses	7,190,000	353,000
Total current assets	114,023,000	97,555,000
Long-term investments in marketable securities	4,003,000	9,748,000
Property and equipment, net	4,214,000	2,223,000
Investment in unconsolidated joint venture	1,228,000	729,000
Other assets	2,286,000	-
	\$ 125,754,000	\$ 110,255,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,867,000	\$ 992,000
Accrued expenses and other current liabilities	7,958,000	4,367,000
Deferred revenue	4,332,000	1,229,000
Due to related parties	760,000	1,082,000
Total current liabilities	14,917,000	7,670,000
Minority interests in consolidated subsidiaries	809,000	510,000
Shareholders' equity:		
Common Stock	19,000	17,000
Additional paid-in capital	131,674,000	105,026,000
Accumulated deficit	(21,665,000)	(2,968,000)
Total shareholders' equity	110,028,000	102,075,000
	\$ 125,754,000	\$ 110,255,000

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

YAHOO! INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 30, 1997	September 30, 1996	September 30, 1997	September 30, 1996
Net revenues	\$ 17,320,000	\$ 5,515,000	\$ 40,355,000	\$ 10,522,000
Cost of revenues	1,992,000	1,038,000	5,268,000	1,725,000
Gross profit	15,328,000	4,477,000	35,087,000	8,797,000
Operating expenses:				
Sales and marketing	11,187,000	4,015,000	26,444,000	8,165,000
Product development	2,557,000	1,362,000	6,562,000	2,729,000
General and administrative	1,362,000	1,673,000	3,981,000	2,922,000
Other - nonrecurring costs	-	-	21,245,000	-
Total operating expenses	15,106,000	7,050,000	58,232,000	13,816,000
Income (loss) from operations	222,000	(2,573,000)	(23,145,000)	(5,019,000)
Investment income, net	1,168,000	1,262,000	3,817,000	2,423,000
Minority interests in losses from operations of consolidated subsidiaries	247,000	166,000	631,000	166,000
Income (loss) before income taxes	1,637,000	(1,145,000)	(18,697,000)	(2,430,000)
Provision for income taxes	-	-	-	-
Net income (loss)	\$ 1,637,000	\$ (1,145,000)	\$ (18,697,000)	\$ (2,430,000)
Net income (loss) per share	\$0.03	(\$0.03)	(\$0.45)	(\$0.07)
Weighted average common shares	50,096,000	39,756,000	41,742,000	36,140,000

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

YAHOO! INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Nine Months Ended	
	September 30, 1997	September 30, 1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (18,697,000)	\$ (2,430,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,157,000	441,000
Minority interests in losses from operations of consolidated subsidiaries	(631,000)	(166,000)
Non-cash charge	21,245,000	-
Changes in assets and liabilities:		
Accounts receivable, net	(3,683,000)	(2,286,000)
Prepaid expenses and other assets	(8,011,000)	(651,000)
Accounts payable	875,000	1,191,000
Accrued expenses and other current liabilities	3,330,000	2,553,000
Deferred revenue	3,103,000	105,000
Due to related parties	(322,000)	128,000
Net cash used in operating activities	(1,634,000)	(1,115,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(2,943,000)	(1,759,000)
(Purchases) sales and maturities of investments in marketable securities, net	23,686,000	(73,077,000)
Investment in unconsolidated joint venture	(299,000)	(729,000)
Net cash provided by (used in) investing activities	20,444,000	(75,565,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of capital stock, net	4,083,000	98,769,000
Proceeds from minority investors	996,000	450,000
Repayment of lease obligations	-	(128,000)
Net cash provided by financing activities	5,079,000	99,091,000
Net change in cash and cash equivalents	23,889,000	22,411,000
Cash and cash equivalents at beginning of period	31,865,000	5,297,000
Cash and cash equivalents at end of period	\$ 55,754,000	\$ 27,708,000
SUPPLEMENTAL SCHEDULE OF NONCASH TRANSACTIONS:		
Purchase of NetControls through issuance of Common Stock	\$ 1,400,000	\$ -

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

YAHOO! INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - THE COMPANY AND BASIS OF PRESENTATION

Yahoo! Inc. (the "Company") is an Internet media company that offers a network of globally-branded properties, specialty programming, and aggregated content distributed primarily on the World Wide Web (the "Web") serving business professionals and consumers, and is among the most widely used guides for information and discovery on the Web. 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.

The accompanying unaudited condensed consolidated financial statements reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for the full fiscal year or for any future period.

These financial statements should be read in conjunction with the financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996. Certain prior period balances have been reclassified to conform with current period presentation.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Standards No. 130 ("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 adjustment and unrealized gain/loss on available for sale securities. The disclosure prescribed by SFAS 130 must be made beginning with the first quarter of 1998 and is not anticipated to have a material impact on the Company's financial position or results of operations.

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 standard. The disclosures prescribed by SFAS 131 are effective in 1998.

NOTE 3 - COMMITMENTS

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 \$4,660,000 in guarantees against shared advertising revenues in the first year of the agreement 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 may be higher and will relate directly to the overall revenue recognized from the GUIDE. As of September 30, 1997, \$1,160,000 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 September 30, 1997, the Company had paid \$1,637,000 in cash and an additional \$600,000 was paid in October under the terms of the agreement. Expenses incurred to date as of September 30, 1997 under the agreement were approximately \$2,650,000. To the extent that the minimum guaranteed exposures are exceeded, the Company is obligated to remit to Netscape additional payments of cash and the Company's advertising services. At September 30, 1997, approximately \$700,000 has been expensed over and above the amortization of the minimum guaranteed 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 4 - NET INCOME (LOSS) PER SHARE

Net income 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 the exercise of stock options and warrants (using the treasury stock method or the modified treasury stock method, whichever applies). Net loss per share is computed using the weighted average number of common shares outstanding during the period. Common equivalent shares are excluded from the computation as their effect is antidilutive, except that for the nine month period ended September 30, 1996, pursuant to the Securities and Exchange Commission Staff Accounting Bulletin, the convertible preferred stock (using the if-converted method) and common equivalent shares (using the treasury stock method and the assumed public offering price) issued subsequent to March 5, 1995 through April 11, 1996 have been included in the computation as if they were outstanding for the entire period.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 128, "Earnings per Share." This Statement is effective for the Company's fiscal year ending December 31, 1997. The Statement redefines earnings per share under generally accepted accounting principles. Under the new standard, primary earnings per share is replaced by basic earnings per share and fully diluted earnings per share is replaced by diluted earnings per share. The impact of this Statement for the three and nine month periods ended September 30, 1997 and 1996 on the calculation of primary and fully diluted earnings per share is not material.

NOTE 5 - 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. Weighted average common shares have been adjusted in the notes to the financial statements and on the statements of operations for the three and nine month periods ended September 30, 1997 and 1996 to reflect the three-for-two split.

NOTE 6 - MARKETPLACE RESTRUCTURING

In August 1996, the Company entered into a joint venture arrangement with Visa Marketplace, Inc. and another party (the "Visa Group") for the development of an online property relating to electronic commerce. The arrangements included the creation of a limited liability company (Yahoo! Marketplace L.L.C.) owned by the Company and the Visa Group, to which the Company licensed certain trademarks and other intellectual

property, and included other contractual commitments by the Company to Visa. In 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, and the Company returned the Visa Group's original equity contribution to the L.L.C. 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.

NOTE 7 - PURCHASE 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 estimated useful life of the technology acquired. Upon acquisition, the historical financial results of NetControls, Inc. were de minimis.

NOTE 8 - YAHOO! KOREA

During August 1997, the Company signed a joint venture agreement with SOFTBANK, a holder of approximately 33% of the Company's Common Stock at September 30, 1997, and other SOFTBANK affiliate companies whereby Yahoo! Korea was formed to develop and operate a version of the YAHOO! Internet Guide in the native Korean language. The parties have invested a total of \$1,000,000 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 during the quarter.

NOTE 9 - SUBSEQUENT EVENT

On October 20, 1997, the Company completed the acquisition of Four11 Corporation, a privately held, online communications and directory company. Under the terms of the acquisition, which will be accounted for as a pooling of interests, the Company exchanged 1,505,720 shares of Common Stock for all of Four11's outstanding shares and assumed 148,336 options and warrants to purchase Yahoo! Common Stock, at a common exchange ratio of 0.2318121 of a share of the Company's Common Stock for each share of Four11's common stock. All outstanding Four11 preferred stock was converted into common stock immediately prior to the acquisition.

Presented below is unaudited selected pro forma financial information, reflecting the combination, for the three and nine month periods ended September 30, 1997 and 1996 (in thousands except per share amounts):

	Three Months Ended		Nine Months Ended	
	September 30, 1997	September 30, 1996	September 30, 1997	September 30, 1996
Total revenues	\$18,134	\$ 5,626	\$42,306	\$10,754
Net income (loss)	\$ 715	(\$ 1,718)	(\$21,611)	(\$3,619)
Net income (loss) per share	\$0.01	(\$0.04)	(\$0.50)	(\$0.10)
Shares used in per share computation	51,575	40,740	43,201	37,124

The unaudited pro forma results for the nine months ended September 30, 1997 do not include non-recurring costs of approximately \$4,000,000 arising from the acquisition of Four11 which will be recorded as expenses in the quarter ending December 31, 1997. The charges consist of investment banker fees, legal and accounting fees, redundancy costs, and certain other expenses directly related to the acquisition.

The unaudited pro forma information is not necessarily indicative of the actual results of operations had the acquisition occurred at the beginning of the periods indicated, nor should it be used to project the Company's results of operations for any future date or period.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE DISCUSSION IN THIS REPORT 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, 1996 AND IN THE REGISTRATION STATEMENT FILED ON FORM S-3 ON AUGUST 4, 1997 (COPIES OF WHICH ARE AVAILABLE AT BIZ.YAHOO.COM/PROFILES/YH00.HTML OR UPON REQUEST FROM THE COMPANY).

OVERVIEW

Yahoo! Inc. is an Internet media company that offers a network of globally-branded properties, specialty programming, and aggregated content distributed primarily on the World Wide Web serving business professionals and consumers, and is among the most widely used guides for information and discovery on the Web. 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 advertisements on short-term contracts. The Company's standard rates for advertising currently range from \$0.02 per impression for general rotation to \$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 one year. Advertising revenues 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. Deferred revenue is primarily comprised of billings in excess of recognized revenue relating to advertising contracts. The Company has recently started to sell a combination of sponsorship and banner advertising contracts in addition to the banner advertising contracts historically sold by the Company. In general, these sponsorship advertising contracts have longer terms than standard banner advertising contracts, 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.

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 has been 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. 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. The Company is selling advertising space on the GUIDE by hiring a significant number of direct sales personnel. 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 \$4,660,000 in guarantees against shared advertising revenues in the first year of the agreement and up to \$15,000,000 in the second year of the agreement, subject in the second year to certain minimum levels of advertising impressions being reached on the GUIDE. Actual payments may be higher and will relate directly to the overall revenue recognized from the GUIDE.

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 September 30, 1997, the Company had paid \$1,637,000 in cash and an additional \$600,000 was paid in October under the terms of the agreement. Expenses incurred to date as of September 30, 1997 under the agreement were approximately \$2,650,000. To the extent that the minimum guaranteed exposures are exceeded, the Company is obligated to remit to Netscape additional payments of cash and the Company's advertising services. At September 30, 1997, approximately \$700,000 has been expensed over and above the amortization of the minimum guaranteed 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.

In August 1996, the Company entered into a joint venture arrangement with Visa Marketplace, Inc. and another party (the "Visa Group") for the development of an online property relating to electronic commerce. The arrangements included the creation of a limited liability company (Yahoo! Marketplace L.L.C.) owned by the Company and the Visa Group, to which the Company licensed certain trademarks and other intellectual property, and included other contractual commitments by the Company to Visa. In 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, and the Company returned the Visa Group's original equity contribution to the L.L.C. 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.

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 estimated useful life of the technology acquired. Upon acquisition, the historical financial results of NetControls, Inc. were de minimis.

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 NETSCAPE 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 alleges, 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.

During August 1997, the Company signed a joint venture agreement with SOFTBANK, a holder of approximately 33% of the Company's Common Stock at

September 30, 1997, and SOFTBANK affiliate companies whereby Yahoo! Korea was formed to develop and operate a version of the YAHOO! Internet Guide in the native Korean language. The parties have invested a total of \$1,000,000 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 during the quarter.

On October 20, 1997, the Company completed the acquisition of Four11 Corporation, a privately held, online communications and directory company. Under the terms of the acquisition agreement, the Company issued or reserved for issuance 1,654,099 shares of the Company's Common Stock for all outstanding Four11 shares, options, and warrants. The transaction will be recorded as a pooling of interests for accounting purposes. The Company expects to record a one-time charge of approximately \$4,000,000 in the fourth quarter of 1997 relating to expenses incurred with the transaction. For the nine months ended September 30, 1997 Four11 incurred a net loss of \$2,914,000. The Company is in the process of integrating Four11's technology and operations with its operations and any difficulties in successfully integrating this acquired business could have an adverse impact on the Company's short-term operating results.

Yahoo! has a limited operating history 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 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 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 September 30, 1997, the Company had an accumulated deficit of \$21,665,000. The extremely 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 significantly increase its operating expenses to expand its sales and marketing operations, to fund greater levels of product development and to develop and commercialize additional media properties. The Company also has remaining guaranteed payments of up to \$18,500,000 in advertising revenue guarantees to Netscape over the next 18 months in connection with the NETSCAPE GUIDE BY YAHOO! agreement. 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 for the foreseeable future.

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 18 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 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 implement and operate the NETSCAPE GUIDE BY YAHOO!, 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.

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, seasonal trends in Internet usage and advertising placements, 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 acquisitions such as those to be incurred for the acquisition of Four11 Corporation, 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.

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 event, the trading price of the Company's Common Stock would likely be materially and adversely affected.

RESULTS OF OPERATIONS

NET REVENUES

Net revenues increased 214% and 284% in the three and nine month periods ended September 30, 1997, respectively, as compared to the corresponding periods in fiscal 1996. The increases were due primarily to an increase in the number of advertisers, from 340 during the quarter ended September 30, 1996 to over 1,200 in the quarter ended September 30, 1997. Most of the Company's customers purchase advertisements on a short-term basis. There can be no assurance that customers will continue to purchase advertising on the Company's Web pages. Advertising purchases by SOFTBANK, a 33% shareholder of the Company at September 30, 1997, and its related companies accounted for approximately 4% and 5% of net revenues in the three and nine month periods ended September 30, 1997, respectively, as compared to 15% and 8% in the corresponding periods in fiscal 1996. Contracted prices on these orders are comparable to those given to other major customers of the Company. Except for SOFTBANK as indicated above, no one customer accounted for 10% or more of revenues during the three and nine month periods ended September 30, 1997 and 1996. International revenues were not significant during the three and nine month periods ended September 30, 1997 and 1996. Barter revenues represented less than 10% of net revenues during those periods.

COST OF REVENUES

Cost of revenues consists of the expenses associated with the production and usage of the Company's online properties. These costs primarily consist of fees paid to

third parties for content included in the online properties, Internet connection charges, equipment depreciation, and compensation. Cost of revenues were 12% and 13% of net revenues in the three and nine month periods ended September 30, 1997, respectively, as compared to 19% and 16% in the corresponding periods in fiscal 1996. The absolute dollar increase in cost of revenues from the year ago periods was primarily attributable to increases in the quantity and quality of content available on the Company's online navigational guide YAHOO! and its other online properties, and increased usage of YAHOO! and the Company's other online properties. The Company anticipates that its content and Internet connection expenses will continue to increase with the quantity and quality of content available on the Company's online properties, and increased usage of Company's online properties.

OPERATING EXPENSES

The Company's operating expenses have increased significantly since the Company's inception. This trend reflects the costs associated with the formation of the Company, the development of the corporate infrastructure, the marketing and promotion of the Company's brand name, and increased efforts to develop and commercialize the Company's products and services. The Company believes that continued expansion of its operations is essential to enhance and extend the YAHOO! main site, establish branded properties in targeted markets, and expand the Company's user and advertising base. As a consequence, the Company intends to continue to significantly increase expenditures in all operating areas.

SALES AND MARKETING

Sales and marketing expenses were \$11,187,000 for the quarter ended September 30, 1997, or 65% of net revenues as compared to \$4,015,000, or 73% of net revenues for the quarter ended September 30, 1996. For the nine months ended September 30, 1997, sales and marketing expenses were \$26,444,000, or 66% of net revenues as compared to \$8,165,000, or 78% of net revenues for the nine months ended September 30, 1996. The absolute dollar increase from the year ago periods is primarily attributable to additional 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, the addition of and growth in the various international subsidiaries, an increase in advertising costs associated with the Company's aggressive brand building strategy, costs associated with the NETSCAPE GUIDE BY YAHOO!, an increase in the total costs incurred from the Netscape search programs, and an increase in commissions associated with the increase in revenues. The Company anticipates that sales and marketing expenses will increase in future periods in absolute dollars as it continues to pursue an aggressive brand building strategy and continues to build a direct sales organization.

PRODUCT DEVELOPMENT

Product development expenses were \$2,557,000 for the quarter ended September 30, 1997, or 15% of net revenues as compared to \$1,362,000, or 25% of net revenues for

the quarter ended September 30, 1996. For the nine months ended September 30, 1997, product development expenses were \$6,562,000, or 16% of net revenues as compared to \$2,729,000, or 26% of net revenues for the nine months ended September 30, 1996. The increase in absolute dollars from the year ago periods is primarily attributable to the development of new online media properties and the addition of engineers. Product development expenses consist primarily of employee compensation relating to developing and enhancing the features and functionality of YAHOO! and 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 acquisition of NetControls, is capitalized and amortized over the 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.

GENERAL AND ADMINISTRATIVE

General and administrative expenses were \$1,362,000 for the quarter ended September 30, 1997, or 8% of net revenues as compared to \$1,673,000, or 30% of net revenues for the quarter ended September 30, 1996. The decrease in absolute dollars from the year ago quarter is primarily attributable to lower legal expenses, partially offset by an increase in personnel. For the nine months ended September 30, 1997, general and administrative expenses were \$3,981,000, or 10% of net revenues as compared to \$2,922,000, or 28% of net revenues for the nine months ended September 30, 1996. The increase in absolute dollars from the year ago period is primarily attributable to increases in personnel, partially offset by lower legal expenses. The Company believes that the absolute dollar level of general and administrative expenses will increase in future periods, as a result of increased staffing, fees for professional services, and costs associated with registering the Company's trademarks in various countries.

OTHER - NONRECURRING COSTS

In July 1997, the Company and Visa entered into an agreement under which the Visa Group released the Company from certain obligations and claims, and the Company returned the Visa Group's original equity contribution to Yahoo! Marketplace L.L.C. 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 expects to record a one-time charge of approximately \$4,000,000 in the fourth quarter of 1997 relating to expenses incurred with the transaction.

INVESTMENT INCOME, NET

Investment income, net of investment expense, was \$1,168,000 for the quarter ended September 30, 1997. For the quarter ended September 30, 1996, investment income was \$1,262,000. Investment income for the nine months ended September 30,

1997 was \$3,817,000 as compared to \$2,423,000 for the nine months ended September 30, 1996. The increase in investment income from the year ago nine month period is 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 losses from operations of consolidated subsidiaries were \$247,000 for the quarter ended September 30, 1997 as compared to \$166,000 for the year ago quarter. For the nine months ended September 30, 1997, minority interests in losses from operations of consolidated subsidiaries were \$631,000 as compared to \$166,000 for the nine months ended September 30, 1996. The increase from the year ago periods is primarily attributable to the staggered launch dates of the joint ventures. Yahoo! Marketplace and Yahoo! Europe operations began during the third quarter of 1996 and Yahoo! Korea operations started in the third quarter of 1997. The joint venture agreement for Yahoo! Marketplace was terminated during the second quarter of 1997 and the Yahoo! Europe and Yahoo! Korea 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.

INCOME TAXES

Based on the current estimate of expected operating results and certain other factors, the Company expects its effective tax rate to be 0% through fiscal year 1997. The Company believes sufficient uncertainty exists regarding the realizability of its deferred tax assets such that a full valuation allowance continues to be required. The portion of the deferred tax asset attributable to the U.S. operating loss carryforwards resulting from the exercise of employee stock options is expected to increase through fiscal year 1997. The tax benefit of this portion of the deferred tax asset, when recognized, will be accounted for as a credit to additional paid-in capital rather than a reduction of the income tax provision.

NET INCOME (LOSS)

The Company recorded net income of \$1,637,000 or \$0.03 per share for the quarter ended September 30, 1997. For the year ago quarter ended September 30, 1996, the Company recorded a net loss of \$1,145,000 or \$0.03 per share. For the nine month period ended September 30, 1997, the Company recorded a net loss of \$18,697,000 or \$0.45 per share. Excluding the effect of the one-time, non-cash, pre-tax charge of \$21,245,000 recorded during the second quarter of 1997, the Company earned \$2,548,000 on a pre-tax basis. For the year ago nine month period ended September 30, 1996, the Company recorded a net loss of \$2,430,000 or \$0.07 per share.

LIQUIDITY AND CAPITAL RESOURCES

Yahoo! invests predominantly in instruments that are highly liquid, of high 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 September 30, 1997, the Company had cash and cash equivalents and investments totaling \$102,505,000 comprised of \$55,754,000 in cash and cash equivalents, \$42,748,000 in short-term investments, and \$4,003,000 in long-term investments.

For the nine months ended September 30, 1997, cash used in operating activities of \$1,634,000 was primarily due to increases in prepaid expenses and other assets, which resulted primarily from a \$5,000,000 one-time non-refundable license payment to Netscape under the NETSCAPE GUIDE BY YAHOO! agreement and a \$2,900,000 payment to Netscape under the international Netscape Net Search program agreement, and an increase in accounts receivable, partially offset by increases in accrued liabilities, deferred revenue, and investment income. For the nine months ended September 30, 1996, \$1,115,000 of cash was used in operating activities.

Cash provided by investing activities was \$20,444,000 for the nine months ended September 30, 1997. Sales and maturities (net of purchases) of investments in marketable securities during the period were \$23,686,000 and capital expenditures totaled \$2,943,000. Capital expenditures have generally been comprised of purchases of computer hardware and software as well as leasehold improvements related to leased facilities, and are expected to increase in future periods. For the nine months ended September 30, 1996, \$75,565,000 was used in investing activities. Purchases (net of sales and maturities) of investments in marketable securities during the period were \$73,077,000 and capital expenditures totaled \$1,759,000.

For the nine months ended September 30, 1997, cash provided by financing activities of \$5,079,000 was due to \$4,083,000 from the issuance of Common Stock pursuant to the exercise of stock options and \$996,000 of proceeds received from minority investors. For the nine months ended September 30, 1996, cash provided by financing activities of \$99,091,000 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 and the April 1996 initial public offering of 2,990,000 shares of Common Stock for net proceeds of \$35,043,000.

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. During September 1997, the Company entered into a sublease agreement which will provide the Company with additional office space at its existing Santa Clara location. Under this sublease agreement, the Company has committed to approximately \$12,000,000 in sublease payments over the seven year period beginning January 1, 1998. Under the terms of the amended Co-Marketing agreement, the Company has fixed expenses in the form of advertising revenue guarantees of up to \$18,500,000 over the next 18 months, subject in the second year to certain minimum

levels of advertising impressions being reached on the GUIDE. Under the terms of the Premier Provider agreements, the Company has remaining minimum payments to Netscape at September 30, 1997 of \$1,563,000 in cash and \$850,000 in the Company's advertising services which are due during the one-year terms of the agreements, of which \$600,000 in cash was paid in October 1997. 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 (including through joint ventures) 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. Thereafter, the Company may sell additional equity or debt securities or obtain credit facilities. The sale of additional equity or convertible debt securities could result in additional dilution to the Company's shareholders.

ITEM 1. LEGAL PROCEEDINGS

In July 1997, GTE New Media Services Incorporated ("GTE New Media"), an affiliate of GTE, filed suit in Dallas, Texas, against Netscape Communications Corporation ("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 NETSCAPE 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 alleges, 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 has been, and expects to continue to be, subject to other legal proceedings and claims in the ordinary course of its business, including, among others, contractual disputes with advertisers and content distribution providers, and claims of alleged infringement of the trademarks and other intellectual property rights of third parties by the Company and its licensees. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources. Although the Company cannot predict the outcome of any proceeding, the Company is not currently aware of any such 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 2. CHANGES IN SECURITIES

Yahoo! Inc. made the following unregistered sales of the Company's Common Stock since July 1, 1997. All shares and price information have been adjusted to reflect the 3-for-2 stock split effected on August 11, 1997.

TRANSACTION DATE	AMOUNT OF SECURITIES SOLD	NAME OF UNDERWRITER OR PLACEMENT AGENT	CONSIDERATION RECEIVED	PERSONS OR CLASS OF PERSONS TO WHOM THE SECURITIES WERE SOLD	EXEMPTION FROM REGISTRATION CLAIMED
07/29/97	699,481 Shares (1)	None	(1)	Accredited Persons	Section 4(2) ("SECTION 4(2)") of the Securities Act of 1933, as amended ("1933 ACT")
07/31/97	37,167 Shares (2)	None	(2)	Accredited Person	Section 4(2)
10/06/97	17,958 Shares (3)	None	(3)	Accredited Person	Section 4(2)
10/20/97	1,521,834 Shares (4)	None	(4)	Shareholders and warrant holders of Four11 Corporation	Section 4(2)

(1) In connection with a Restructuring Agreement among the Company, Visa International Service Association, Visa Marketplace, Inc. ("VISA MARKETPLACE"), Sterling Payot Capital, L.P. ("STERLING CAPITAL") and Sterling Payot Company dated July 29, 1997, the Company issued an aggregate of 699,481 shares of Common Stock to Visa Marketplace and Sterling Capital as described in Part 1 Item 2. Of the 699,481 shares of Common Stock issued by the Company, the resale of 388,603 shares was subsequently registered by the Company on behalf of Visa Marketplace and Sterling Capital on a Registration Statement on Form S-3 ("FORM S-3") filed with the Securities and Exchange Commission (the "SEC") on August 4, 1997.

(2) This transaction involved the issuance of 37,167 shares of Common Stock by the Company to Michael Burmeister-Brown in connection with the acquisition by the Company of all the outstanding stock of NetControls, Inc. on July 31, 1997. Of the 37,167 shares issued by the Company, the resale of 31,593 shares was subsequently registered by the Company on behalf of Mr. Burmeister-Brown on a Form S-3 filed with the SEC on August 4, 1997.

(3) This transaction involved the net issue exercise by the Company to Phoenix Leasing Incorporated ("PHOENIX") of a warrant issued by the Company to Phoenix on October 6, 1995.

(4) Pursuant to an Agreement and Plan of Reorganization dated October 7, 1997, among the Company, ST Acquisition Corporation, a California corporation and a wholly-owned subsidiary of the Company, and Four11 Corporation, a California corporation ("FOUR11"), on October 20, 1997 (the effective date of the merger), all outstanding shares of Four11 Common Stock and Four11 Preferred Stock were converted into an aggregate of 1,505,720 shares and all outstanding warrants to purchase shares of Four11 capital stock were assumed and have become warrants to purchase 16,114 shares of the Company's Common Stock at an exercise price of \$7.68 per share. The Company intends to file a Form S-3 with the SEC for the resale of the shares issued to Four11's shareholders and warrantholders.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- a. The exhibits listed in the accompanying Index to Exhibits are filed as part of this Report on Form 10-Q.
- b. Reports on Form 8-K:
On July 29, 1997, the Company filed a report on Form 8-K in conjunction with the signing of a restructuring agreement whereby the Visa Group released Yahoo! from certain obligations and claims, and Yahoo! purchased the Visa Group's interest in Yahoo! Marketplace LLC.

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

YAHOO! INC.

Dated: October 30, 1997

By: /s/ Gary Valenzuela

Senior Vice President, Finance
and Administration, and Chief
Financial Officer
(Principal Financial Officer)

Dated: October 30, 1997

By: /s/ James J. Nelson

Vice President, Finance
(Principal Accounting Officer)

YAHOO! INC.

INDEX TO EXHIBITS

Title -----	Exhibit No. -----
Joint Venture Agreement, dated August 31, 1997 between Yahoo! Inc., SoftBank Korea Corporation, SoftBank Corporation, and Yahoo! Japan Corporation	.10.1
Sublease Agreement, dated September 11, 1997 between Yahoo! Inc. and Amdahl Corporation	.10.2
Computation of Net Income (Loss) Per Share11
Financial Data Schedule27

JOINT VENTURE AGREEMENT

THIS AGREEMENT (the "Agreement") is made and entered into as of this 31st day of August, 1997 by and among YAHOO! INC., a California corporation ("Yahoo"), having its principal office at 3400 Central Expressway, Suite 201, Santa Clara, CA 95051, SOFTBANK KOREA CORPORATION, a Korean corporation ("Softbank Korea"), having its principal office at 2 Flr., 4 Naengchen-dong, Seodaemun-ku, Seoul, Korea, SOFTBANK CORPORATION, a Japanese corporation ("Softbank"), having its principal office at 24-1, Nihonbashi-Hakozakicho, Chuo-ku, Tokyo 103 Japan, and YAHOO! JAPAN CORPORATION, a Japanese corporation ("Yahoo Japan"), having its principal office at 24-1, Nihonbashi-Hakozakicho, Chuo-ku, Tokyo 103 Japan (Yahoo, Softbank and Yahoo Japan, the "non-Korea based parties").

RECITALS:

A. Yahoo and Yahoo Japan have developed certain technologies related to Internet on-line products and services;

B. In respect of such products and services, Yahoo, the Company (as defined below) and Yahoo Japan will enter into a License Agreement (the "License Agreement") and Softbank Korea and the Company will enter into a Services Agreement (the "Services Agreement") (together, the "Related Agreements"); and

C. Softbank Korea desires to use such Internet expertise and all parties hereto desire to organize and establish a Korean joint venture company to distribute and sell such products and services and such other products and services as they may agree upon from time to time.

NOW, THEREFORE, based on the foregoing premises, the parties hereto agree as follows:

ARTICLE 1. ESTABLISHMENT OF THE COMPANY

1.1 Promptly upon receipt of all necessary government approvals to implement this joint venture in form and substance acceptable to all parties, the parties shall, in accordance with the laws of Korea, establish a Korean joint stock company (CHUSIK HOESA) which will be named in English "Yahoo! Korea Corporation," and in Korean "Yahoo! Korea CHUSIK HOESA" (the "Company").

1.2 As soon as reasonably possible after the establishment of the Company, the parties shall cause the Company to execute its written acceptance hereto whereby the terms and conditions of this Agreement shall become enforceable by and against the Company as if it were an original signatory hereto.

ARTICLE 2. PURPOSE OF THE COMPANY

The purpose of the Company is to:

(a) Develop and market certain Internet related on-line products and services in the Republic of Korea.

(b) Engage in any and all other conduct, activities or businesses which are related, directly or indirectly, to the attainment and continuation of the foregoing purposes.

ARTICLE 3. ARTICLES OF INCORPORATION

The articles of incorporation of the Company (the "Articles of Incorporation") shall be substantially in the form of Appendix A hereto or otherwise as agreed to from time to time by the parties hereto. If any discrepancy is found between this Agreement and the Articles of Incorporation, the terms of this Agreement shall prevail and the parties shall amend the Articles of Incorporation so as to be in accord with this Agreement.

ARTICLE 4. CAPITAL SUBSCRIPTION

4.1 At formation, the Company shall have an initial authorized capital of 3,600,000,000 Won.

4.2 The capital shall be divided into common shares of voting stock of the Company. Each share shall have a par value of 5,000 Won. Any shares issued by the Company shall be common shares of one class.

4.3 At the time of establishment of the Company, the Company shall issue 180,000 shares at a price of Won 5,000/share and the paid-in capital of the Company shall be equivalent to 900,000,000 Won.

4.4 The parties shall subscribe for the shares which shall be issued under Article 4.3 above as follows:

- (a) Yahoo shall subscribe for 108,000 shares.
- (b) Softbank Korea shall subscribe for 45,000 shares.
- (c) Softbank shall subscribe for 18,000 shares.
- (d) Yahoo Japan shall subscribe for 9,000 shares.

As a result, the parties shall have the following percentage interest in the Company: (i) 60% to Yahoo, (ii) 25% to Softbank Korea, (iii) 10% to Softbank and (iv) 5% to Yahoo Japan.

4.5 Within two (2) weeks after all necessary government approvals are received in form and substance acceptable to all parties hereto, any shares subscribed for by the non-Korea

based parties shall be paid in full in United States dollars corresponding to the Korean Won amount indicated in Article 4.4 above, according to the dollar selling rate mutually agreed to by the parties.

4.6 Any increase in the authorized or paid-in capital set forth in Articles 4.1 and 4.3 above, respectively, shall be done in accordance with Article 10.3(c).

4.7 The Board of Directors shall assess the Company's cash flow and financial situation on a quarterly basis. If the Board of Directors determines that the Company requires additional capital contributions, it shall by written notice to the parties call for the parties to subscribe for additional stock of the Company in proportion to their respective pro rata share based on the total number of capital stock of the Company then outstanding. To the extent a party does not fully subscribe to its pro rata share of such additional stock, the remaining parties shall be entitled to purchase any of such unsubscribed shares of stock in proportion to their respective pro rata share. Each party agrees (i) to advise the Company of its intention to subscribe to its pro rata share of any additional stock at the earliest practicable date and in any event within thirty (30) days following a determination by the Board of Directors to issue additional stock and (ii) to pay the purchase price in cash for such shares not later than thirty (30) days thereafter.

ARTICLE 5. SHARE CERTIFICATE; TRANSFERS OF SHARES

5.1 Share certificates if issued by the Company shall be in non-bearer form.

5.2 Notwithstanding the provision of Article 5.1 above, upon the establishment of the Company each party shall notify the Company in writing that it does not want the Company to issue share certificates for the shares of such party and upon such notice the Company shall not issue share certificates.

5.3 Upon receipt of such notices from the parties, the Company shall enter without delay, in its shareholders register book and any duplicate thereof, a statement to the effect that no share certificate representing the shares subscribed to by the parties shall be issued unless a party shall subsequently so request in writing.

5.4 Each party covenants and agrees that it will not request that the Company issue any share certificate representing the shares held by such party without the prior written consent of the other parties hereto.

5.5 During the term of this Agreement, any share certificate issued hereunder will bear the following legend:

"Transfer of the shares of stock represented by this certificate is subject to the Joint Venture Agreement dated August 31, 1997, a copy of which is on file at the principal office of the Company in Seoul, the Republic of Korea."

5.6 Any transfer of registered share(s) shall not be valid unless approved by the Board of Directors, and no transfer shall be binding on the Company unless and until the name and address of the transferee is duly entered into the Register of Shareholders following such transfer.

ARTICLE 6. SHAREHOLDERS MEETING

6.1 The Board of Directors shall decide the time and place for convening of, and the matters to be transacted in, all Shareholders Meetings. Notice of all Shareholders Meetings shall be given to each shareholder in accordance with the Articles of Incorporation.

6.2 Except as otherwise required by applicable laws or the Articles of Incorporation, all actions and resolutions of the shareholders shall be adopted by the affirmative vote of a majority of the common voting shares of the Company represented at the meeting; PROVIDED, that more than one-half the total number of issued and outstanding common voting shares of the Company shall be represented at such meeting as a quorum.

6.3 Notwithstanding Article 6.2 above, any of the following actions shall be adopted by the affirmative vote of more than two-thirds (2/3) of the total number of the Company's issued and outstanding common voting shares, at a Shareholders Meeting:

- (a) removal of a director or the auditor;
- (b) transfer, takeover, or lease of a material part of the Company's business;
- (c) amendment to the Articles of Incorporation;
- (d) merger or consolidation with another company;
- (e) dissolution of the Company; and
- (f) reduction of stated capital.

ARTICLE 7. DIRECTORS AND AUDITOR OF THE COMPANY

The Company shall have:

- (a) Seven (7) directors who shall be elected by a resolution of the shareholders of the Company;
- (b) One (1) Representative Director who shall be elected by a resolution of the shareholders of the Company;
- (c) One (1) Chairman who shall be elected by the resolution of the Board of Directors; and

(d) One (1) auditor who shall be elected by a resolution of the shareholders of the Company.

ARTICLE 8. ELECTION OF DIRECTORS AND AUDITOR

8.1 The parties shall exercise their respective voting rights in the Company and take such other steps as are necessary so as to ensure the nomination and election of the directors and auditor of the Company as follows:

(a) Four (4) directors shall be nominated by Yahoo, two (2) directors by Softbank Korea and one (1) director by Yahoo Japan;

(b) The auditor shall be nominated by Yahoo;

(c) The Representative Director-President shall be nominated by Yahoo; and

(d) The Chairman shall be nominated by the mutual agreement between Yahoo and Softbank Korea.

8.2 If a party hereto wishes to change any of its nominated director(s), the Representative Director, the Chairman or the auditor, with or without cause, the other party shall vote accordingly; PROVIDED, however, that if such dismissal is without cause, the party proposing the dismissal shall indemnify and hold the Company and the other parties harmless from any and all damages and other expenses that may arise from such action.

8.3 In case the position of a director or the auditor of the Company becomes vacant for any reason, the parties hereto agree to cause their shares to be voted to elect as a replacement for such director or auditor a person nominated by the party who nominated the director or auditor whose position is vacant.

ARTICLE 9. REPRESENTATIVE DIRECTOR AND CHAIRMAN

The Representative Director shall represent the Company and shall carry on the administration of the affairs of the Company in accordance with the policies established by the Board of Directors and resolutions of the Shareholders Meeting, and the Chairman shall preside over all Board of Directors meetings and Shareholders Meetings.

ARTICLE 10. BOARD OF DIRECTORS

10.1 Board of Directors actions shall be valid only if made at a meeting held in person or by conference telephone or video, at which at least a majority of all directors then in office are present and a majority of those directors present at the meeting approve the Board of Directors action. The Board of Directors may hold meetings, both regular and special, at such time and place as it may determine. Notice of Board of Directors meetings shall be given to each director in accordance with the Articles of Incorporation.

10.2 Unless otherwise required by applicable laws or the Articles of Incorporation actions and resolutions taken at a meeting of the Board of Directors shall be adopted by the affirmative vote of a majority of all the directors in office.

10.3 Subject to Article 10.4 and the requirements under the Korean Commercial Code, the following actions shall be reserved for resolution by the Board of Directors:

(a) To establish or change the management structure of the Company or authority of its officers and to make any decision involving basic policy of the Company;

(b) To approve or terminate any contract between a director and the Company;

(c) To issue any new shares within the scope of authorized capital;

(d) To recommend any distribution of the profits of the Company to a general Shareholders Meeting as a dividend;

(e) To take any action or enter into any one transaction of any nature by, with, in the name of or on behalf of the Company and involving (i) an agreement, obligation or duty of the Company which is intended or reasonably expected to take more than 12 months to be fully performed or (ii) property of any nature having a book value, cost or market value, whichever is greater, in excess of 30,000,000 Won or (iii) an amount, liability or obligation of any nature owed by or to the Company in excess of 50,000,000 Won;

(f) To approve the business plans and budgets, including the annual operating and capital expenditure budgets of the Company;

(g) To set up the Company's policies regarding the salaries, bonuses, severance allowances and other emoluments of directors, auditors, officers, and employees of the Company, provided that compensation for the directors and auditor shall be further approved by a general Shareholders Meeting;

(h) To approve any contract between the Company and a shareholder of the Company or its affiliate, other than the Related Agreements;

(i) To borrow monies, issue guarantees, provide security interests on the assets of the Company or to take any other actions to create indebtedness of the Company whether contingent or not;

(j) To appoint the Independent Auditor and the legal counsel of the Company;

(k) To appoint domestic and export sales agents and generally determine domestic and export sales policy, including without limitation export to territories not previously approved by the Board of Directors;

(l) To enter into any arrangement, agreement or transaction (other than the Related Agreements) which could reasonably be expected to materially adversely affect any interest of the Company;

(m) To approve any collective bargaining agreement with employees;
and

(n) Other important matters relating to the management of the Company, the acquisition or disposition of land or other important assets (by whatever means).

10.4 The non-standing directors shall receive no other compensation for services to the Company as director except from reimbursement for expenses directly related to fulfilling their positions as directors.

10.5 The parties shall take all steps to ensure that no director shall be liable, in damages or otherwise, to the Company or to any of the parties for any act or omission performed or omitted by such director pursuant to the authority granted by this Agreement, except if such act or omission results from gross negligence, willful misconduct or bad faith. The Company shall save, indemnify, defend and hold harmless each director to the fullest extent permitted under the applicable Korean law and regulations, including without limitation, from and against any and all claims or liabilities of any nature whatsoever, including, but not limited to, reasonable attorneys' fees, arising out of or in connection with any action taken or omitted by such director pursuant to the authority granted by this Agreement, except where attributable to the gross negligence, willful misconduct or bad faith of such director or such director's agents. Each director shall be entitled to rely on the advice of counsel, public accountants or other independent experts experienced in the matter at issue, and any act or omission of such director in reliance on such advice shall in no event subject such director to liability to the Company or any party. No director, in his or her capacity as such, shall owe any fiduciary duty to the Company or the parties and all fiduciary duties that would otherwise be implied by law are hereby expressly disclaimed to the fullest extent permitted under the applicable laws. No party shall owe any fiduciary duty to the Company or the other parties and all fiduciary duties that would otherwise be implied by law are hereby expressly disclaimed to the fullest extent permitted under the applicable laws. Each party expressly acknowledges and agrees that (i) except as otherwise provided herein or in the Related Agreements or any other agreement among parties, other parties (and directors who may be affiliated with such parties) may engage in activities competitive with those of the Company, and may pursue business opportunities that may also be available to the Company and (ii) except as otherwise provided herein or in the Related Agreements or any other agreement among parties, and except for any liability relating to the misuse or improper disclosure of the Company confidential or proprietary information, no party shall have any liability as a fiduciary or otherwise in connection with the pursuit of such activities.

ARTICLE 11. AUDITOR

The auditor shall perform the legally required functions of that statutory position, including without limitation, investigation of the business decisions of the directors as well as auditing of the books of account and records of the Company.

ARTICLE 12. INDEPENDENT AUDITOR

The Company shall appoint a firm of independent certified public accountants internationally recognized and licensed to practice in Korea which shall act as an independent auditor (the "Independent Auditor").

ARTICLE 13. ACCOUNTING

13.1 The fiscal year of the Company shall commence on January 1 of each year and end on December 31 of the same year; PROVIDED, however, that the first fiscal year of the Company shall commence as of the date of establishment of the Company pursuant hereto and end on the following December 31.

13.2 The Company shall keep accurate books of account and financial and related records in accordance with generally accepted Korean and United States generally accepted accounting principles, standards and procedures, consistently applied.

13.3 At the end of each annual fiscal year of the Company, the books of account and records of the Company shall be audited, at the expense of the Company, by the Independent Auditor. The Independent Auditor shall prepare for and supply to the parties certified balance sheets, profit and loss statements and other financial reports suitable for use by each of the parties hereto in connection with its financial and tax reports within three months of the end of the fiscal year. Such statements and reports shall be in both the Korean and English languages.

13.4 Promptly after the end of each quarter the Company shall prepare and submit to each party, in a form satisfactory to the parties and at the expense of the Company, the balance sheet and profit and loss statement of the Company in the Korean and English languages in respect of the preceding quarter.

13.5 The Company shall make available at its head office to each of the parties hereto, or to their designated representative(s), the books of account and records of the Company, at such reasonable times as any party hereto may so request.

ARTICLE 14. BUSINESS AND OPERATION OF THE COMPANY

The parties will cooperate and work together to develop promptly a business plan each fiscal year for the Company, to be mutually agreed upon by the parties (the "Operating Plan"). No later than forty-five (45) days prior to the commencement of each fiscal year of the Company, Yahoo and Softbank Korea will mutually agree as to the Operating Plan for the ensuing fiscal year, which shall include projections of revenue, expenses and net income on a quarterly basis. Yahoo and Softbank Korea agree to use their best efforts in good faith to agree on such Operating Plan, taking into account, all relevant business factors relating to the Company and its business, which factors shall include, but not be limited to, the Operating Plan and the Company's performance for recent prior periods, the size and the growth rates of the Internet advertising market in Korea, the competitive environment in Korea and the prevailing pricing for services similar to those offered by Yahoo! Korea.

ARTICLE 15. CONFIDENTIALITY OF INFORMATION

15.1 Each party hereto agrees to keep secret and confidential all information obtained from another party hereto or the Company which is designated or may be considered as confidential by such party or the Company, as the case may be. The parties agree to take all necessary precautions in a manner acceptable to the party furnishing the confidential information to keep secret such information and to restrict its use as aforesaid; provided, that the above shall not apply to information which is or becomes part of the public domain through no fault of the disclosing party, nor shall the above restrict or prohibit the disclosure of such information to competent government authorities as is required to bring about the purposes intended by this Agreement.

15.2 The parties hereto shall take all necessary steps to ensure that their directors, officers, employees, agents and subcontractors, if any, will comply in all respects with this Article 15.

15.3 Such obligations, as are undertaken by the parties hereto pursuant to Article 15, shall survive termination of this Agreement and shall remain in effect and be binding on the termination of this Agreement except for such information as shall become part of the public domain or is received from an independent source through no fault of the party wishing to disclose.

ARTICLE 16. TAXES

Any sum required under Korean tax laws to be withheld by the Company for the account of a non-Korea based party from payments due to such party shall be borne by the party and shall be withheld and promptly paid by the Company to the appropriate tax authorities, and the parties hereto shall cause the Company to furnish such party with official tax receipts or other appropriate evidence issued by the Korean tax authorities sufficient to enable it to support a claim for credit, in respect of any sum so withheld, against income taxes imposed by its jurisdiction of incorporation.

ARTICLE 17. RIGHT OF FIRST REFUSAL

17.1 Before any shares of the Company (the "Shares") held by a party to this Agreement or any transferee of such party (either being sometimes referred to herein as the "Holder") may be sold or otherwise transferred (including transfer by gift or operation of law), Yahoo or its assignee(s) shall have a right of first refusal to purchase the shares on the terms and conditions set forth in this Article (the "Right of First Refusal").

17.2 The Holder of the Shares shall deliver to Yahoo a written notice (the "Notice") stating: (A) the Holder's bona fide intention to sell or otherwise transfer such Shares; (B) the name of each proposed purchaser or other transferee ("Proposed Transferee"); (C) the number of Shares to be transferred to each Proposed Transferee; and (D) the terms and conditions of each proposed sale or transfer. The Holder shall offer the Shares at the same price (the "Offered

Price") and upon the same terms (or terms as similar as reasonably possible) to Yahoo or its assignee(s).

17.3 At any time within thirty (30) days after receipt of the Notice, Yahoo and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase all, but not less than all, of the Shares proposed to be transferred to any one or more of the Proposed Transferees, at the purchase price determined in accordance with Article 17.4 below.

17.4 The purchase price ("Purchase Price") for the Shares purchased by Yahoo or its assignee(s) under this Article shall be the Offered Price. If the Offered Price includes consideration other than cash, the cash equivalent value of the non-cash consideration shall be determined by the Board of Directors of Yahoo in good faith.

17.5 Payment of the Purchase Price shall be made, at the option of Yahoo or its assignee(s), in cash (by check), by cancellation of all or a portion of any outstanding indebtedness of the Holder to Yahoo (or, in the case of repurchase by an assignee, to the assignee), or by any combination thereof within 30 days after receipt of the Notice or in the manner and at the times set forth in the Notice.

17.6 If all of the Shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by Yahoo and/or its assignee(s) as provided in this Article, then the Holder may sell or otherwise transfer such Shares to that Proposed Transferee at the Offered Price or at a higher price, provided that such sale or other transfer is consummated within 60 days after the date of the Notice and provided further that any such sale or other transfer is effected in accordance with any applicable securities laws and the Proposed Transferee agrees in writing that the provisions of this Article shall continue to apply to the Shares in the hands of such Proposed Transferee. If the Shares described in the Notice are not transferred to the Proposed Transferee within such period, or if the Holder proposes to change the price or other terms to make them more favorable to the Proposed Transferee, a new Notice shall be given to Yahoo, and Yahoo and/or its assignees shall again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

ARTICLE 18. TERM AND TERMINATION

18.1 The term of this Agreement shall begin as of the Effective Date (as defined in Article 21.2) and shall continue in force and effect for an indefinite term thereafter, until the Company shall be dissolved or otherwise cease to exist as a separate entity, or until this Agreement is sooner terminated pursuant to the provisions of this Article 18.

18.2 This Agreement is terminable by any party upon written notice to the other parties:

(a) if another party shall be or become incapable for a period of ninety (90) consecutive days of performing any of its obligations under this Agreement because of force majeure as defined in Article 22; or

(b) if another party or its creditors or any other eligible party shall file for such party's liquidation, bankruptcy, reorganization, compulsory composition, or dissolution, or if the party is unable to pay any debts as they become due, has explicitly or implicitly suspended payment of any debts as they become due (except debts contested in good faith) or if the creditors or the party have taken over its management, or if the relevant financial institutions have suspended the party's clearing house privileges, or if any material or significant part of the party's undertaking, property or assets shall be intervened in, expropriated, or totally or partially confiscated by action of any government.

18.3 This Agreement is terminable by Yahoo upon written notice to the other parties:

(a) upon Softbank Korea's material breach of the Services Agreement that remains uncured for a period of thirty (30) days following Softbank Korea's receipt of written notice thereof from Yahoo;

(b) upon a merger or consolidation of Softbank Korea 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 Softbank Korea's assets;

(c) at any time after calendar year 1999, upon the Company's failure to achieve at least eighty percent (80%) of the revenue target mutually agreed to by Yahoo and Softbank Korea as set forth in the Operating Plan for three (3) out of any four (4) consecutive calendar quarters, as reflected in the Company's financial statements prepared in accordance with Article 13;

(d) at any time in the event that cumulative losses of the Company for any calendar year commencing on January 1, 2000 and thereafter, equal or exceed 120% of the cumulative yearly losses mutually agreed to by Yahoo and Softbank Korea as set forth in the Operating Plan, as reflected in the Company's financial statements prepared in accordance with Article 13;

(e) if any enactment of law of Korea subsequent to obtaining the government approvals contemplated by Article 21.1 hereof shall, in the reasonable opinion of Yahoo, (i) make performance of this Agreement and/or any unreasonably expensive or unreasonably difficult, or (ii) significantly alter the rights and obligations of the parties from those agreed and contemplated by this Agreement and/or any agreements related hereto, or (iii) significantly interfere with the benefits contemplated by this Agreement and/or any agreements related hereto; or

(f) in the event any material term or provision of this Agreement shall for any reason be invalid, illegal or unenforceable in any respect, by giving at least thirty (30) days' prior notice to the other parties.

18.4 This Agreement may also be terminated pursuant to Article 20.3 (lack of governmental approval) and the Company dissolved thereafter.

18.5 If this Agreement is terminated for any reason whatsoever,

(a) the License Agreement (if not previously terminated), along with all licenses granted by Yahoo pursuant to Section 2.1 thereunder, shall automatically terminate; and

(b) the Company may terminate the Services Agreement (if not previously terminated).

18.6 (a) If this Agreement is terminated pursuant Article 18.2 above (if the responsible party is Yahoo), Softbank, Yahoo Japan and Softbank Korea (collectively, "Softbank Party") shall have the option thirty (30) days after the effective date of such termination, of (i) purchasing all of the shares of Yahoo at fair market value as determined by an independent auditor of international standing chosen by the Softbank Party from a pool of three (3) independent auditors of international standing nominated by Yahoo (an "Independent Auditor"), or (ii) selling all of its shares to Yahoo at fair market value as determined by an Independent Auditor or (iii) selling the Company to a third party or (iv) proceeding to a dissolution of the Company.

(b) If this Agreement is terminated pursuant to Article 18.2 or Article 18.3 above (if the responsible party is any of the Softbank Party), Yahoo shall have the option thirty (30) days after the effective date of such termination, of (i) purchasing all of the shares of the Softbank Party at fair market value as determined by an Independent Auditor, or (ii) selling all of its shares to the Softbank Party at fair market value as determined by an Independent Auditor or (iii) selling the Company to a third party or (iv) proceeding to a dissolution of the Company.

(c) The fair market value of shares shall not be less than the proportion of the book value of the Company immediately before the causal event of the above Articles 18.2 or 18.3, as appropriate, has taken place, but after giving effect to any termination of the Service Agreement and the License Agreement under Article 18.5. A contract for the sale and purchase of shares shall be deemed to have been entered into upon the giving of written notice to the other parties of the election of the terminating party to exercise the option given to it in (i), (ii) or (iii) above. In the event of exercise of the option in (i) or (ii) above, a payment for the shares shall be due within sixty (60) days of the completion of the appraisal by the independent auditor which appraisal shall be made at the cost of the Company as soon as reasonably practicable after the giving of such written notice.

18.7 In the event that this Agreement is terminated and the parties do not reach an agreement regarding the purchase of shares of the Company or the sale of the Company pursuant to Article 18.6 above, the parties shall promptly dissolve the Company and cause the Company's debts to be paid to the extent the Company's assets are available to do so and the remaining assets to be distributed to the Holders in accordance with their rights as equity holders of the Company.

18.8 Nothing in this Article shall prevent a party from enforcing its rights which may be available under the other provisions of this Agreement or applicable law.

ARTICLE 19. RESOLUTION OF DISPUTES, GOVERNING LAW AND LANGUAGE

19.1 It is agreed that in case any controversy or claim arises out of or in relation to this Agreement or with respect to a breach hereof, the parties shall seek to solve the matter amicably through discussions between the parties.

19.2 If the parties cannot resolve such controversy or claim, such controversy or claim shall be finally settled by binding arbitration in Santa Clara County, California under the Commercial Arbitration Rules of the American Arbitration Association by three arbitrators appointed in accordance with such Rules. Judgment on the award rendered by a majority of the arbitrators may be entered in any court of competent jurisdiction. The cost of the arbitration, including administrative and arbitrators' fees, shall be paid by the losing party, as determined by the arbitrators as part of their findings. Each party shall bear the cost of its own attorneys' fees and expert witness fees. The parties may also apply to any court of competent jurisdiction for a temporary restraining order, preliminary injunction or other interim or conservatory relief, as necessary, without breach of this arbitration provision and without any abridgment of the powers of the arbitrator.

19.4 The validity, performance, construction, and effect of this Agreement shall be governed by the laws of Korea.

19.5 This Agreement is executed in the English language. In the event of any difference, discrepancy or conflict between the English and Korean versions of this Agreement, the English version shall be controlling in all respects.

ARTICLE 20. ASSIGNABILITY

This Agreement and each and every covenant, term and condition hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors, but neither this Agreement nor any rights and obligations hereunder shall be assignable or delegable directly or indirectly by any party without the prior written consent of the other parties except for the transfer of shares pursuant to Article 17.

ARTICLE 21. GOVERNMENT APPROVAL AND EFFECTIVE DATE

21.1 Softbank Korea shall exert its best efforts to obtain all approvals of the government of Korea at its reasonable expense necessary to enable the non-Korea based parties' investment into the Company and to enable all the other purposes of this Agreement to be fully carried out, upon the terms and conditions provided for in this Agreement. The non-Korea based parties shall assist Softbank Korea in obtaining such government approvals and provide such information and documents as Softbank Korea shall reasonably request in obtaining such approvals. Softbank Korea shall keep the non-Korea based parties fully informed as to the status of such approval procedures. Softbank Korea shall provide the non-Korea based parties with copies of all correspondence and documents transmitted to and received from the governmental authorities relating to such approval. Softbank Korea shall advise approval of this Agreement and shall transmit to the non-Korea based parties a copy of any government documents received

by Softbank Korea indicating the date of such approval and the terms and conditions thereof; provided, however, that any variation of the terms and conditions hereof which may be required to be made as a condition of such government approvals should be subject to the approval and acceptance of the parties hereto.

21.2 This Agreement shall come into effect upon the date the duly authorized representatives of the parties hereto have added their signatures or names hereto (the "Effective Date"). Notwithstanding the foregoing, the provisions of this Agreement which require government approval shall not become enforceable until all necessary and appropriate government approvals of this Agreement are obtained in form and substance acceptable to the parties hereto.

21.3 Notwithstanding any other provision of this Agreement, should the government approvals pursuant to Article 21.1 not be obtained within six (6) months of the Effective Date, then upon written notice to the other parties, any party may terminate this Agreement and this Agreement shall become null and void and no rights or liabilities shall arise in or against either party hereto specifically as a result of such termination.

21.4 If any further government review and approval of this Agreement or of any amendment hereto is required under the laws or regulations or other legal authority of Korea, Softbank Korea shall keep the non-Korea based parties fully informed as to the status of such approval procedures. Softbank Korea shall provide the non-Korea based parties with copies of all correspondence and documents transmitted to and received from the governmental authorities relating to such approval.

ARTICLE 22. FORCE MAJEURE

No party hereto shall be liable to another party for any loss, injury, delay, damages or other casualty suffered or incurred by the latter due to strikers riots, storms, fires, explosions, acts of God, war, action of any government or any other cause beyond the reasonable control of the party ("force majeure"), and any failure or delay by any party hereto or performance of any of its obligations under this Agreement due to one or more of the foregoing causes shall not be considered a breach of this Agreement. The party suffering such force majeure shall notify the other parties in writing promptly after the occurrence of such force majeure and shall, to the extent reasonable and lawful, use its best efforts to remove or remedy such cause.

ARTICLE 23. REPRESENTATIONS AND WARRANTIES

23.1 Each party represents and warrants to the other party that;

(a) it is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction wherein it is organized and existing;

(b) it has all necessary corporate power and authority to enter into this Agreement and to perform all of the obligations to be performed by it hereunder;

(c) subject to the obtaining of all required government approvals of this Agreement, this Agreement constitutes a valid and legally binding obligation of the party and will be enforceable against the party in accordance with its terms;

(d) this Agreement, and the consummation of the transactions contemplated hereby have been duly authorized and approved by and on behalf of the party by all requisite corporate actions; and

(e) the execution and delivery of this Agreement, and the performance of the transactions contemplated hereby, and the fulfillment of and compliance with the terms and conditions hereof, do not (i) violate any provision of law, statute, rule or regulation to which the party is subject, (ii) violate any judgment, order, writ, injunction or decree of any court applicable to the party, (iii) result in the breach of, or be in conflict with, any term, covenant, condition or provision of, or affect the validity, enforceability and subsistence of any agreement, or lease or other commitment to which the party is a party and which would materially and adversely affect the party, or (iv) result in the creation or imposition of any lien, pledge, mortgage, claim, charge or encumbrance upon any assets of the party.

23.2 Each party agrees to hold the other parties harmless and to indemnify the other parties against any and all liabilities, losses, costs, damages, commissions and expenses which the other party may sustain by reason of the breach of any of representations and the warranties set forth in this Agreement.

ARTICLE 24. NOTICE

24.1 Except as otherwise provided in this Agreement, all notices required or permitted to be given hereunder shall be in writing and shall be valid and sufficient if dispatched by registered airmail (postage prepaid), delivered personally, or sent by telex, facsimile or cable to the following addresses:

If to Yahoo:

3400 Central Expressway
Suite 201
Santa Clara, CA 95051
Attn: Timothy A. Koogle

If to Yahoo Japan:

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

If to Softbank:

24-1 Nihonbashi-Hakozakicho
Chuo-ku
Tokyo 103 Japan
Attn: Masayoshi Son

If to Softbank Korea:

2nd Flr., 4 Naengchen-dong
Seodaemun-ku
Seoul, Korea
Attn: Hongsun Lee

24.2 Each party hereto may change its address by notice given to the party hereto in the manner set forth above. Notices given as herein provided shall be considered effective seven (7) days after the registered postage pre-paid mailing thereof, or on the day of personal delivery, or the day after sending if by telex, facsimile or cable, whichever occurs first with confirmation copy sent by registered mail.

24.3 All notices, communications, evidences, reports, opinions and other documents given under or in connection with this Agreement, unless submitted in the English language, shall be accompanied by one English translation thereof; PROVIDED, that the English version of all such notices, communications, evidences, reports, opinions and other documents shall govern in the event of any conflict with the non-English version thereof.

ARTICLE 25. EXPENSES

25.1 Each party shall bear its own attorney fees and other expenses incurred to execute this Agreement.

25.2 All fees, related to incorporation of the Company including but not limited to fees paid to governmental bodies, shall be borne by the parties in proportion to their respective shares in the Company.

ARTICLE 26. ENTIRE AGREEMENT

This Agreement embodies the entire agreement of the parties with respect to the subject matter hereof and supersedes and cancels any and all prior understandings or agreements, verbal or otherwise, in relation hereto, which may exist between the parties. No oral explanation or oral information by any of the parties hereto shall alter the meaning or interpretation of this Agreement. No amendment or change hereof or addition hereto shall be effective or binding on any of the parties hereto unless reduced to writing and executed by the respective duly authorized representatives of each of the parties hereto.

ARTICLE 27. UNENFORCEABLE TERMS

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.

ARTICLE 28. NON-WAIVER

The failure or delay of any party to require performance by the other parties of any provision of, or of any right or obligation under, this Agreement, shall not constitute a waiver thereof, nor shall such affect that party's right to thereafter require performance of such or any other provision, right or obligation.

ARTICLE 29. DISCLAIMER OF AGENCY

This Agreement shall not be deemed to constitute any party hereto the agent of the other parties, nor shall it be deemed to constitute the Company an agent of any party hereto.

ARTICLE 30. HEADINGS

The headings in this Agreement have been inserted for convenience of reference only and are not to be used in construing or interpreting this Agreement.

ARTICLE 31. COUNTERPARTS

This Agreement may be executed in any number of counterparts. Any such counterpart shall constitute a full and original agreement for all purposes.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers as of the date first above set forth.

YAHOO! INC.

SOFTBANK KOREA CORPORATION

By /s/ Timothy A. Koogle

By /s/ Hongsun Lee

Name: Timothy A. Koogle
Title: President and Chief Executive
Officer

Name: Hongsun Lee
Title: President and Chief Executive
Officer

YAHOO! JAPAN CORPORATION

SOFTBANK CORPORATION

By /s/ Masahiro Inoue

By /s/ Masayoshi Son

Name: Masahiro Inoue
Title: President and Chief Executive
Officer

Name: Masayoshi Son
Title: President and Chief Executive
Officer

SUBLEASE AGREEMENT

I. DEFINED TERMS

Base Rent:

A. From Phase I Commencement Date:

Monthly: \$67,950.00
Annually: \$815,400.00

From Phase II Commencement Date:

Monthly: \$135,900.00
Annually: \$1,630,800.00

B. From the first annual anniversary of the Commencement Date (Phase I) through the date preceding the second annual anniversary of the Commencement Date:

Monthly: \$141,336.00
Annually: \$1,696,032.00

C. From the second annual anniversary of the Commencement Date (Phase I) through the date preceding the third annual anniversary of the Commencement Date:

Monthly: \$146,772.00
Annually: \$1,761,264.00

D. From the third annual anniversary of the Commencement Date (Phase I) through the date preceding the fourth annual anniversary of the Commencement Date:

Monthly: \$152,208.00
Annually: \$1,826,496.00

E. From the fourth annual anniversary of the Commencement Date (Phase I) through the date preceding the fifth annual anniversary of the Commencement Date:

Monthly: \$157,644.00
Annually: \$1,891,728.00

F. From the fifth annual anniversary of the Commencement Date (Phase I) through the date preceding the sixth annual anniversary of the Commencement Date:

Monthly: \$163,080.00
Annually: \$1,956,960.00

G. From the sixth annual anniversary of the Commencement Date (Phase I) through March 31, 2004:

Monthly: \$168,516.00
Annually: \$2,022,192.00

Broker: Sublessor's Broker: CPS Realty
Sublessee's Broker: Ernst & Young Kenneth Leventhal

Building: 3420 Central Expressway
Santa Clara, California

Document Date: September 11, 1997.

Expiration Date: March 31, 2004.

Landlord: Sobrato Interests, a California general partnership

Master Lease: Dated as of March 10, 1989.

Permitted Uses: General office use, developing, assembling, operating and selling computers and computer parts, accessories, manuals and software.

Premises: Improved real property as more particularly described in the Master Lease, attached hereto as EXHIBIT A, consisting of approximately 108,720 rentable square feet.

Commencement Date/
Occupancy Date:

Phase I: Upon the earlier to occur of: (i) the date the Phase I portion of the Sublet Space is Ready

for Occupancy (as defined in the Work Letter), or (ii) January 1, 1998; provided, however, that such January 1, 1998 date shall be extended one (1) day for each day after November 1, 1997 that Sublessor delivers possession of the Phase I portion of the Sublet Space to Sublessee.

Phase II: If the Sublessee constructs the Phase II Improvements, the Phase II Commencement Date shall be upon the earlier to occur of (i) the date the Phase II portion of the Sublet Space is Ready for Occupancy, or (ii) January 1, 1999; provided, however, that such January 1, 1999 date shall be extended one (1) day for each day after October 1, 1998 that Sublessor delivers possession of the Phase II portion of the Sublet Space to Sublessee. If the Sublessor constructs the Phase II Improvements, the Phase II Commencement Date shall occur upon the date the Phase II portion of the Sublet Space is Ready for Occupancy.

Security
Deposit: \$136,000.00

Sublessee: Yahoo!, a California corporation

Sublessee's
Address: Yahoo!
3400 Central Expressway, Suite 201
Santa Clara, California 95051
Attn: Mr. Gary Valenzuela
Phone: (408) 731-3350

Sublessee's
Share:

- A. From Phase I Commencement Date:
 - 50% of the total Rentable Area of the Building
- B. From Phase II Commencement Date:

100% of the total Rentable Area of the Building

Sublessor: AMDAHL CORPORATION, a Delaware corporation

Sublessor's
Address: 1250 East Arques Avenue
Mail Stop 110
P.O. Box 3470
Sunnyvale, California 94088-3470
Attn: Director, Corporate Real Estate
Phone: (408) 746-6639

Sublet Space:

Phase I: That portion of the Premises covering the second floor of the Building, as more particularly described in the Sublet Space Floor Plan, attached hereto as EXHIBIT B, consisting of approximately 54,360 rentable square feet. Sublessee acknowledges that the above-described square footage for the Phase I portion of the Sublet Space includes an approximately 40 square foot security closet located on the second floor which serves the entire building.

Phase II: That portion of the Premises covering the first floor of the Building, as more particularly described in the Sublet Space Floor Plan, attached hereto as EXHIBIT C, consisting of approximately 54,360 rentable square feet, and together with Phase I Sublet Space, consisting of approximately 108,720 rentable square feet.

Term: The period commencing on the Phase I Commencement Date and ending on the Expiration Date, unless terminated earlier in accordance with its terms.

Exhibits: EXHIBIT A - Master Lease
EXHIBIT B - Phase I: Sublet Space Floor Plan
EXHIBIT C - Phase II: Sublet Space Floor Plan
EXHIBIT D - Commencement Date Memorandum
EXHIBIT E - Work Letter

II.

THIS SUBLEASE AGREEMENT ("Sublease") is entered as of the Document Date by and between Sublessor and Sublessee.

THE PARTIES ENTER this Sublease on the basis of the following facts, understandings and intentions:

a. Sublessor is presently a lessee of the Premises in the Building pursuant to the Master Lease by and between Landlord and Sublessor. A copy of the Master Lease with all exhibits and addenda thereto is attached hereto as EXHIBIT A.

b. Sublessor desires to sublease the Sublet Space to Sublessee and Sublessee desires to sublease the Sublet Space from Sublessor on all of the terms, covenants and conditions hereinafter set forth.

c. All of the terms and definitions in the Defined Terms section are incorporated herein by this reference.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants and promises of the parties, the parties hereto agree as follows:

1. SUBLEASE. Sublessor shall sublease to Sublessee, and Sublessee shall sublease from Sublessor, the Sublet Space for the Term upon all of the terms, covenants and conditions herein contained. In addition, Sublessor shall lease to Sublessee, and Sublessee shall lease from Sublessor, any and all permanent improvements ("Improvements") on the Sublet Space constructed and/or owned by Sublessor, upon all of the terms, covenants and conditions herein contained. As used herein, "Sublet Space" shall include the Sublet Space and the Improvements. If Sublessor, for any reason whatsoever, cannot deliver possession of the Phase I portion of the Sublet Space to Sublessee on or before January 1, 1998, this Sublease shall not be void or voidable nor shall Sublessor be liable to Sublessee for any resulting loss or damages of any kind, consequential or otherwise. Notwithstanding any provision in this Sublease to the contrary, if the Phase II Improvements for the Sublet Space are being constructed by Sublessor, and if the Commencement Date for Phase II of the Sublet Space has not occurred by March 31, 1999 (which date shall be extended one day for each event of Sublessee Delay), then Sublessee, by written notice to Sublessor given within ten (10) business days after March 31, 1999, may terminate this Sublease without any liability to Sublessor. In any event, if the Phase I Commencement Date is other than January 1, 1998, or the Phase II Commencement Date is other than January 1, 1999, then Sublessor and Sublessee shall execute a Commencement Date Memorandum in the form attached hereto as EXHIBIT D evidencing the relevant actual commencement date.

2. CONDITION OF SUBLET SPACE.

a. PHYSICAL CONDITION. As of the Document Date, Sublessee acknowledges that Sublessee shall have conducted Sublessee's own investigation of the Sublet Space and the physical condition thereof, including accessibility and location of utilities, improvements, existence of hazardous materials, including but not limited to asbestos, asbestos containing materials, polychlorinated biphenyls (PCB) and earthquake preparedness, which in Sublessee's judgment affect or influence Sublessee's use of the Sublet Space and Sublessee's willingness to enter this Sublease. Sublessee recognizes that Sublessor would not sublease the Sublet Space except on an "as is" basis and acknowledges that Sublessor has made no representations of any kind in connection with improvements or physical conditions on, or bearing on, the use of the Sublet Space. Sublessee shall rely solely on Sublessee's own inspection and examination of such items and not on any representations of Sublessor, express or implied. Sublessee further recognizes and agrees that neither Sublessor nor Landlord shall be required to perform any work of construction, alteration or maintenance of or to the Sublet Space; provided, however, Sublessor shall deliver the Sublet Space to Sublessee in broom clean condition and with all the improvements contemplated in Section 17 completed.

b. FURTHER INSPECTION. Sublessee represents and warrants to Sublessor that as of the Document Date Sublessee shall examine and inspect all matters with respect to taxes, income and expense data, insurance costs, bonds, permissible uses, the Master Lease, zoning, covenants, conditions and restrictions and all other matters which in Sublessee's judgment bear upon the value and suitability of the Sublet Space for Sublessee's purposes. Sublessee has and will rely solely on Sublessee's own inspection and examination of such items and not on any representations of Sublessor, express or implied.

3. SUBLEASE SUBJECT TO MASTER LEASE.

a. INCLUSIONS. It is expressly understood, acknowledged and agreed by Sublessee that all of the other terms, conditions and covenants of this Sublease shall be those stated in the Master Lease except as excluded in Section E3.b herein, modified as appropriate in the circumstances so as to make such Articles, and any Sections contained therein, applicable only to the subleasing hereunder by Sublessor of the particular Sublet Space covered hereby. Whenever the word "Premises" is used in the Master Lease, for purposes of this Sublease, the word Sublet Space shall be substituted. Sublessee shall be subject to, bound by and comply with all of said Articles and Sections of the Master Lease with respect to the Sublet Space and shall satisfy all applicable terms and conditions of the Master Lease relating to the Sublet Space for the benefit of both Sublessor and Landlord, it being understood and agreed that wherever in the Master Lease the word "Tenant" appears, for the purposes of this

Sublease, the word "Sublessee" shall be substituted, and wherever the word "Landlord" appears, for the purposes of this Sublease, the word "Sublessor" shall be substituted; and that upon the breach of any of said terms, conditions or covenants of the Master Lease by Sublessee or upon the failure of Sublessee to pay Rent or comply with any of the provisions of this Sublease, Sublessor may exercise any and all rights and remedies granted to Landlord by the Master Lease. In the event of any conflict between this Sublease and the Master Lease, the terms of this Sublease shall control. It is further understood and agreed that Sublessor has no duty or obligation to Sublessee under the aforesaid Articles and Sections of the Master Lease other than to perform the obligations of Sublessor as lessee under the Master Lease during the Term of this Sublease. Whenever the provisions of the Master Lease incorporated as provisions of this Sublease require the written consent of Landlord, said provisions shall be construed to require the written consent of both Landlord and Sublessor. Sublessee hereby acknowledges that it has read and is familiar with all the terms of the Master Lease, and agrees that this Sublease is subordinate and subject to the Master Lease and that any termination thereof not due to a default by Sublessor thereunder shall likewise terminate this Sublease. Sublessor represents to Sublessee that the Master Lease is in full force and effect and that no written notices of default have been sent by Sublessor to Landlord, or received by Sublessor from Landlord, with respect to the Master Lease, nor to the current actual knowledge of Sublessor has any event or condition occurred which, with the passing of time or the giving of notice, would result in an Event of Default by Sublessor under the Master Lease. If Sublessor receives a written notice from Landlord that an Event of Default by Sublessor under the Master Lease has occurred, Sublessor shall deliver a true and correct copy of such written notice to Sublessee within five (5) business days of Sublessor's receipt thereof.

b. EXCLUSIONS. The terms and provisions of the following Sections and portions of the Master Lease are not incorporated into this Sublease: 4, Landlord's obligations under Sections 5 and 6; Sections 30, 31 and 36; First Addendum to Lease.

c. TIME FOR NOTICE. The time limits provided for in the provisions of the Master Lease for the giving of notice, making of demands, performance of any act, condition or covenant, or the exercise of any right, remedy or option, are amended for the purposes of this Sublease by lengthening or shortening the same in each instance by five (5) days, as appropriate, so that notices may be given, demands made, or any act, condition or covenant performed, or any right, remedy or option hereunder exercised, by Sublessor or Sublessee, as the case may be, within the time limit relating thereto contained in the Master Lease. If the Master Lease allows only five (5) days or less for Sublessor to perform any act, or to undertake to perform such act, or to correct any failure relating to the Premises or this Sublease, then Sublessee shall

nevertheless be allowed three (3) days to perform such act, undertake such act and/or correct such failure.

4. LANDLORD'S OBLIGATIONS. It shall be the obligation of Landlord to (i) provide all services to be provided by Landlord under the terms of the Master Lease and (ii) to satisfy all obligations and covenants of Landlord made in the Master Lease. Sublessee acknowledges that Sublessor shall be under no obligation to provide any such services or satisfy any such obligations or covenants; provided, however, Sublessor, upon written notice by Sublessee, shall diligently attempt to enforce all obligations of Landlord under the Master Lease (without requiring Sublessor to spend more than a nominal sum, which nominal sum shall be limited to all costs associated with the preparation of and transmittal to Landlord of documentation from Sublessor or Sublessee's attorneys determining the obligations to be performed by Landlord under the Master Lease). If, after receipt of written request from Sublessee, Sublessor shall fail or refuse to take action for the enforcement of Sublessor's rights against Landlord with respect to the portion of the Premises then occupied by Sublessee ("Action"), Sublessee shall have the right to take such Action in its own name, and for that purpose and only to such extent, all of the rights of Sublessor as tenant under the Master Lease are hereby conferred upon and assigned to Sublessee, and Sublessee shall be subrogated to such rights to the extent that the same shall apply to the portion of the Premises then occupied by Sublessee. If any Action against Landlord in Sublessee's name shall be barred by reason of lack of privity, nonassignability or otherwise, Sublessee may take such Action in Sublessor's name; provided that Sublessee has obtained the prior written consent of Sublessor, which consent shall not be unreasonably withheld; and provided, further, that Sublessee shall indemnify, protect, defend by counsel reasonably satisfactory to Sublessor and hold Sublessor harmless from and against any and all claims, demands, actions, suits, proceedings, liabilities, obligations, losses, damages, judgments, costs and expenses (including, without limitation, reasonable attorneys' fees) which Sublessor may incur or suffer by reason of such Action, except to the extent incurred or suffered by reason of Sublessor's negligent acts or omissions. Sublessor hereby agrees to perform its obligations as tenant under the Master Lease if and to the extent those obligations are not assumed by Sublessee pursuant to the terms of this Sublease. If a default by Landlord under the terms of the Master Lease shall result in the excuse of Sublessor from the performance of any of its obligations to be performed under the Master Lease or result in any reduction or abatement in the base rent or additional rent to be paid by Sublessor thereunder, then Sublessee shall be excused from the performance of a corresponding obligation and/or shall be entitled to a proportionate reduction in or abatement of the Rent to be paid by Sublessee hereunder.

5. RENT.

a. INITIAL RENT. Upon execution hereof, Sublessee shall deliver the first month's Base Rent to Sublessor, to be applied against Sublessee's first obligation to pay Base Rent hereunder. Sublessee shall pay to Sublessor the Base Rent in advance on the first day of each month of the Term, commencing on the Phase I Commencement Date without being invoiced by Sublessor. In the event the first day of the Term shall not be the first day of a calendar month or the last day of the Term is not the last day of the calendar month, the Base Rent shall be appropriately prorated based on the number of days in such month. All installments of Base Rent shall be delivered to Sublessor's Address, or at such other place as may be designated in writing from time to time by Sublessor, in lawful money of the United States and without deduction or offset for any cause whatsoever.

b. NET RENTAL. Except for services specifically requested by Sublessor for the sole benefit of Sublessor, Sublessee shall be responsible for Sublessee's Share of all costs and expenses of every kind and nature which may be imposed, at any time, on Sublessor pursuant to the Master Lease (except for Base Rent, as defined in the Master Lease) including, but not limited to, additional rent, operating costs, and tax costs, all as defined in the Master Lease, except for utilities, which in 1998 only shall be billed at the same rate per square foot that Sublessee currently pays at 3400 Central Expressway, Suite 201. That current utility rate will be defined as the twelve (12) month period beginning January 1, 1997 and ending December 31, 1997. As hereinafter used, "Rent" shall include Base Rent and all additional charges to be paid by Sublessee pursuant to this Section 5.b. In the event Sublessee shall require additional services beyond those standard services provided in the Master Lease, then Sublessee shall pay the costs of those services. Sublessor shall deliver to Sublessee invoices for services provided to the Sublet Space. Sublessee shall pay the amounts due under such invoices directly to the service provider prior to or on the date that such payments are due.

c. INTEREST. Any payment of Rent or other amount from Sublessee to Sublessor in this Sublease which is not paid on the date due shall accrue interest from the date due until the date paid at an annual rate of ten percent (10%) (the "Interest Rate"). This Section 5 shall not relieve Sublessee of Sublessee's obligation to pay any amount owing hereunder at the time and in the manner provided.

6. SECURITY DEPOSIT. Upon execution hereof, Sublessee shall deposit the Security Deposit with Sublessor. The Security Deposit shall secure Sublessee's obligations under this Sublease to pay Base Rent and other monetary amounts, to maintain the Sublet Space and repair damages thereto, to surrender the Sublet Space to Sublessor in clean condition and repair upon termination of this Sublease and to discharge Sublessee's other obligations hereunder. Sublessor may use and commingle the Security Deposit with other funds of Sublessor. If Sublessee fails to perform Sublessee's obligations hereunder, Sublessor may, but

without any obligation to do so, apply all or any portion of the Security Deposit towards fulfillment of Sublessee's unperformed obligations. If Sublessor does so apply any portion of the Security Deposit, Sublessee's failure to remit to Sublessor a sufficient amount in cash to restore the Security Deposit to the original amount within five (5) days after receipt of Sublessor's written demand to do so shall constitute an event of default. Upon termination of this Sublease, if Sublessee has then performed all of Sublessee's obligations hereunder, Sublessor shall return the Security Deposit, or whatever amount remains of the Security Deposit after Sublessor applied all or a portion of the Security Deposit to perform Sublessee's obligations hereunder, to Sublessee without payment of interest.

7. USE. The Sublet Space is to be used for the Permitted Uses, and for no other purpose or business without the prior written consent of Sublessor. In no event shall the Sublet Space be used for a purpose or use prohibited by the Master Lease.

8. ASSIGNMENT AND SUBLETTING. Sublessee shall not sell, assign, encumber, sublease or otherwise transfer by operation of law or otherwise the Sublet Space or this Sublease without Sublessor's and Landlord's consent. Sublessor's consent shall not be unreasonably withheld or delayed. Any such sale, assignment, encumbrance, sublease or other transfer in violation of the terms of this Sublease shall be void and shall be of no force or effect.

9. ALTERATIONS. Except with respect to the Phase I Improvements and Phase II Improvements, which shall be performed in accordance with the terms of the Work Letter attached hereto as EXHIBIT E, Sublessee shall not make, or suffer to be made, any alteration or addition to the Sublet Space, or any part thereof, without the written consent of Sublessor and Landlord first had and obtained, which shall not be unreasonably withheld and shall be based upon Sublessee's delivering to Sublessor and Landlord the proposed architectural and structural plans for all such alterations; Sublessee shall deliver such plans to Sublessor and Landlord at least ten (10) days prior to the date upon which Sublessee wishes to begin such work and Sublessor and Landlord shall have ten (10) days after receipt of same to approve or reject such alterations or additions, such approval shall not be unreasonably withheld. In addition, Sublessee shall not be required to obtain Sublessor's consent to any nonstructural alteration costing less than \$10,000.00. Any alterations, improvements or additions made or paid for by Sublessee which are not permanently attached to the building shall remain the property of Sublessee and Sublessee may remove such alterations, improvements or additions at any time during the Term hereof, provided Sublessee repairs any damage caused by such removal. Sublessee agrees that it will not proceed to make such alterations or additions until three (3) days from the receipt of such consent, in order that Landlord and Sublessor may post appropriate notices to avoid any liability to contractors or material suppliers for payment for Sublessee's improvements.

Sublessee will at all times permit such notices to be posted and to remain posted until the completion of work.

10. DAMAGE AND DESTRUCTION.

a. TERMINATION OF MASTER LEASE. If the Sublet Space is damaged or destroyed and Landlord exercises any option it may have to terminate the Master Lease, if any, this Sublease shall terminate as of the date of the termination of the Master Lease. If Sublessor has the option to terminate the Master Lease and the relevant event of damage or destruction occurs after the Phase II Commencement Date, Sublessor shall promptly give Sublessee notice of such option and shall exercise such option if so directed by Sublessee subject to the relevant provisions of the Master Lease.

b. CONTINUATION OF SUBLEASE. If the Master Lease is not terminated following any damage or destruction as provided above, this Sublease shall remain in full force and effect and Sublessee shall be entitled to any reduction or abatement of Base Rent in an amount in proportion to the corresponding reduction in base rent for the Sublet Space which Sublessor receives under the Master Lease. Sublessor shall diligently enforce any obligation of Landlord to rebuild the Sublet Space in accordance with the Master Lease; and (ii) Sublessor shall make available to Sublessee any insurance proceeds Sublessor receives as a result of such damage or destruction.

11. EMINENT DOMAIN.

a. TOTAL CONDEMNATION. If all of the Premises is condemned by eminent domain, inversely condemned or sold in lieu of condemnation, for any public or a quasi-public use or purpose ("Condemned" or "Condemnation"), this Sublease shall terminate as of the date of title vesting in such proceeding, and Base Rent shall be adjusted to the date of termination.

b. PARTIAL CONDEMNATION. If any portion of the Premises is Condemned, and Landlord exercises any option to terminate the Master Lease, this Sublease shall automatically terminate as of the date of the termination of the Master Lease. If Sublessor has the option to terminate the Master Lease, Sublessor shall promptly give Sublessee notice of such option and shall exercise such option if so directed by Sublessee subject to the relevant provisions of the Master Lease and further provided that such partial condemnation renders the Premises unusable for Sublessee's business, as reasonably determined by Sublessor. If this Sublease is not terminated following any such Condemnation, this Sublease shall remain in full force and effect. Sublessor shall diligently enforce any rights under the Master Lease to require Lessor to rebuild the Premises. Base Rent shall be equitably adjusted to take into account interference with Sublessee's ability to conduct its operations on the

Premises as a result of the Premises being Condemned. Sublessee hereby waives the provisions of California Code of Civil Procedure Section 1265.130 permitting a court of law to terminate this Sublease.

c. SUBLESSEE'S AWARD. Subject to the provisions of the Master Lease, Sublessee shall have the right to recover from the condemning authority, but not from Sublessor, such compensation as may be separately awarded to Sublessee in connection with costs and removing Sublessee's merchandise, furniture, fixtures, leasehold improvements and equipment to a new location.

12. INSURANCE. All insurance policies required to be carried by Sublessee, pursuant to the Master Lease, shall contain a provision whereby Sublessor and Landlord are each named as additional insureds under such policies.

13. BROKERAGE COMMISSION. Sublessor shall pay a brokerage commission to Sublessor's Broker for Sublessee's subletting of the Sublet Space as provided for in a separate agreement between Sublessor and Sublessor's Broker. Sublessee warrants for the benefit of Sublessor that its sole contact with Sublessor or the Sublet Space in connection with this transaction has been directly with Sublessor, Sublessor's Broker and Sublessee's Broker. Sublessee further warrants for the benefit of Sublessor that no broker or finder other than Sublessee's Broker can properly claim a right to a commission or a finder's fee based upon contacts between the claimant and Sublessee with respect to the other party or the Sublet Space. Sublessee and Sublessor shall each indemnify, defend by counsel acceptable to the other party and hold the other party harmless from and against any loss, cost or expense, including, but not limited to, attorneys' fees and court costs, resulting from any claim for a fee or commission by any broker or finder, other than any claims by such party's broker in connection with the Sublet Space and this Sublease. Sublessor shall pay a commission to Sublessee's Broker in the amount of \$261,500, one half of which shall be due and payable upon execution of this Sublease, and the second half of which shall be due and payable upon occupancy by Sublessee of the Phase I portion of the Sublet Space.

14. SUBLESSEE'S INDEMNITY.

a. Except to the extent caused by the gross negligence of Sublessor, or its agents, contractors or employees, Sublessee shall defend, indemnify and hold harmless Sublessor, its partners, employees, and agents, and Landlord, from and against any and all claims, liabilities, suits, judgments, awards, damages, losses, fines, penalties, costs and expenses, including reasonable attorney's fees, that Sublessor, its partners, employees and agents, and Landlord may suffer, incur or be liable for by reason of or arising out of or related to the breach by Sublessee of any of the duties, obligations, liabilities or

covenants applicable to Sublessee hereunder, Sublessee's occupancy or use of the Sublet Space, any alterations, additions or modifications made to the Premises by Sublessee or Sublessee's negligence or willful misconduct. This indemnification shall survive termination of this Sublease.

b. Sublessor shall indemnify, defend and hold harmless Sublessee, its partners, employees, and agents from and against all claims, liabilities, suits, judgments, awards, damages, losses, fines, penalties, costs and expenses, including reasonable attorney's fees, that Sublessee, its partners, employees and agents, and Landlord may suffer, incur or be liable for by reason of or arising out of or related to the gross negligence or willful misconduct of Sublessor or Sublessor's agents, contractors or employees on the Sublet Space.

15. RIGHT TO CURE SUBLESSEE'S DEFAULTS. Sublessee shall at any time fail to make any payment or perform any other obligation of Sublessee hereunder, then Sublessor shall have the right, but not the obligation, after the lesser of five (5) days' notice to Sublessee or the time within which Landlord may act on Sublessor's behalf under the Master Lease, or without notice to Sublessee in the case of any emergency, and without waiving or releasing Sublessee from any obligations of Sublessee hereunder, to make such payment or perform such other obligation of Sublessee in such manner and to such extent as Sublessor shall deem necessary, and in exercising any such right, to pay any incidental costs and expenses, employ attorneys and other professionals, and incur and pay attorneys' fees and other costs reasonably required in connection therewith. Sublessee shall pay to Sublessor upon demand all sums so paid by Sublessor and all incidental costs and expenses of Sublessor in connection therewith, together with interest thereon at the Interest Rate.

16. SUBLESSEE IMPROVEMENTS. Sublessee hereby agrees to build certain improvements to the Sublet Space in accordance with the terms of the Work Letter attached hereto as EXHIBIT E.

17. MISCELLANEOUS.

a. ENTIRE AGREEMENT. This Sublease contains all of the covenants, conditions and agreements between the parties concerning the Sublet Space, and shall supersede all prior correspondence, agreements and understandings concerning the Sublet Space, both oral and written. No addition or modification of any term or provision of this Sublease shall be effective unless set forth in writing and signed by both Sublessor and Sublessee.

b. CAPTIONS. All captions and headings in this Sublease are for the purposes of reference and convenience and shall not limit or expand the provisions of this Sublease.

c. LANDLORD'S CONSENT. This Sublease is conditioned upon Landlord's written approval of this Sublease within forty-five (45) days after the Document Date. If Landlord refuses to consent to this Sublease, or if the forty-five (45) day consent period expires, this Sublease shall terminate and neither party shall have any continuing obligation to the other with respect to the Sublet Space; provided Sublessor shall return the Deposit, if previously delivered to Sublessor, to Sublessee.

d. AUTHORITY. Each person executing this Sublease on behalf of a party hereto represents and warrants that he or she is authorized and empowered to do so and to thereby bind the party on whose behalf he or she is signing.

e. ATTORNEYS' FEES. In the event either party shall bring any action or proceeding for damages or for an alleged breach of any provision of this Sublease to recover rents, or to enforce, protect or establish any right or remedy hereunder, the prevailing party shall be entitled to recover reasonable attorneys' fees and court costs as part of such action or proceeding.

f. HOLDOVER. This Sublease shall terminate without further notice at the expiration of the Sublease Term. If Sublessee holds over at the Sublet Space or any part thereof after the expiration or earlier termination of the Term, such holding over shall constitute a month-to-month tenancy, at a rent equal to two hundred percent (200%) of the base rent due under the Master Lease. Nothing in the foregoing sentence shall be deemed Sublessor's permission for Sublessee to hold over, and acceptance of Base Rent by Sublessor following expiration or termination of the Sublease shall not constitute a renewal of this Sublease. In addition to the foregoing, Sublessee shall indemnify, defend by counsel satisfactory to Sublessor, protect and hold Sublessor harmless from any and all liabilities, claims, causes of action, damages, costs or expenses (including reasonable attorney's fees) directly or indirectly resulting from Sublessee's holding over at the Sublet Space beyond the expiration or termination of the Term.

g. ACCESS. Sublessor reserves the right to enter the Sublet Space upon reasonable notice to Sublessee (except that in case of emergency no notice shall be necessary) in order to gain access to the security closet located on the second floor of the building.

h. TIME. Time is of the essence of every provision of this Sublease.

i. CONFIDENTIALITY. Sublessor, Sublessee and Landlord shall each keep all information related to this Sublease confidential. Sublessor, Sublessee and Landlord shall not disclose any such information to any

other person or entity, without obtaining the prior written consent of each of the other parties.

j. EXTERIOR SIGNAGE. Upon the Phase I Commencement Date and subject to any requirement for Landlord's prior approval pursuant to the Master Lease, Sublessee shall have the right to use Sublessor's exterior signage during the Term of this Sublease.

IN WITNESS WHEREOF, the parties hereto have executed one (1) or more copies of this Sublease, dated as of the Document Date.

"SUBLESSOR"

AMDAHL CORPORATION, a Delaware corporation

By: /s/ Edward S. Hartford

Edward S. Hartford

Its: Vice President, Corporate Facilities

"SUBLESSEE"

YAHOO!, a California corporation

By: /s/ Gary Valenzuela

Its: Sr. VP, CFO

By:

Its:

YAHOO! INC.
 Computation of Net Income (Loss) per Share

	Three Months Ended		Nine Months Ended	
	September 30, 1997	September 30, 1996	September 30, 1997	September 30, 1996
Net income (loss)	\$1,637,000	(\$1,145,000)	(\$18,697,000)	(\$2,430,000)
Weighted average number of Common shares used in computation:	42,749,000	39,756,000	41,742,000	36,140,000(a)
Common stock options and warrants using the modified treasury method	7,347,000	-	-	-
Total	50,096,000	39,756,000	41,742,000	36,140,000
Net income (loss) per common and common equivalent share	\$0.03	(\$0.03)	(\$0.45)	(\$0.07)

(a) Common equivalent shares are excluded from the computation as their effect is antidilutive, except that for the nine month period ended September 30, 1996, pursuant to the Securities and Exchange Commission Staff Accounting Bulletin, the convertible preferred stock (using the if-converted method) and common equivalent shares (using the treasury stock method and the public offering price) issued subsequent to March 5, 1995 through April 11, 1996 have been included in the computation as if they were outstanding for the entire period.

This schedule contains summary financial information extracted from the Yahoo! Inc. Form 10-Q for the period ended September 30, 1997 and is qualified in its entirety by reference to such financial statements.

9-MOS		
	DEC-31-1997	
	JAN-01-1997	
	SEP-30-1997	
		55,754,000
		46,751,000
		10,078,000
		1,747,000
		0
	114,023,000	
		5,614,000
		1,400,000
		125,754,000
	14,917,000	
		0
	0	
		0
		19,000
		110,009,000
125,754,000		
		0
	40,355,000	
		0
		5,268,000
		58,232,000
		0
		0
	(18,697,000)	
		0
(18,697,000)		
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		0
		0
	(18,697,000)	
		(0.45)
		(0.45)