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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 March 31, 2002

OR

o **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)

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

701 First Avenue
Sunnyvale, California 94089
(Address of principal executive offices)

Registrant's telephone number, including area code: **(408) 349-3300**

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 o

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 April 30, 2002
Common Stock, $0.001 par value	597,891,000

YAHOO! INC.

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PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (unaudited)

YAHOO! INC.

Condensed Consolidated Statements of Operations
(unaudited, in thousands except per share amounts)

	Three Months Ended	
	March 31, 2002	March 31, 2001
Net revenues	$ 192,665	$ 180,215
Costs and expenses:		
Cost of revenues	37,821	38,543
Sales and marketing	96,146	107,228
Product development	32,781	33,121
General and administrative	26,670	19,194
Amortization of intangibles	3,422	14,897
Total operating expenses	196,840	212,983
Loss from operations	(4,175)	(32,768)
Other income (loss), net	22,669	23,276
Minority interests in operations of consolidated subsidiaries	212	229
Income (loss) before income taxes and cumulative effect of accounting change	18,706	(9,263)
Provision for income taxes	8,231	2,223
Net income (loss) before cumulative effect of accounting change	10,475	(11,486)
Cumulative effect of accounting change	(64,120)	—
Net loss	$ (53,645)	$ (11,486)
Net income (loss) per share—basic:		
Net income (loss) before cumulative effect of accounting change	$ 0.02	$ (0.02)
Cumulative effect of accounting change	$ (0.11)	$ —
Net loss per share—basic	$ (0.09)	$ (0.02)
Net income (loss) per share—diluted		
Net income (loss) before cumulative effect of accounting change	$ 0.02	$ (0.02)
Cumulative effect of accounting change	$ (0.11)	$ —
Net income loss per share—diluted	$ (0.09)	$ (0.02)

Shares used in per share calculation—basic	586,878	565,447
Shares used in per share calculation—diluted	610,020	565,447

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

YAHOO! INC.

Condensed Consolidated Balance Sheets
(unaudited, in thousands)

	March 31, 2002	December 31, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 294,248	$ 372,632
Short-term investments in marketable securities	511,098	553,795
Accounts receivable, net	89,850	68,648
Prepaid expenses and other current assets	52,418	56,458
Total current assets	947,614	1,051,533
Long-term investments in marketable securities	549,866	580,418
Restricted long-term investments	258,662	258,662
Property and equipment, net	143,635	131,648
Goodwill	463,654	192,987
Intangible assets, net	114,547	19,457
Other assets, net	144,818	144,641
Total assets	$ 2,622,796	$ 2,379,346
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 12,715	$ 13,218
Accrued expenses and other current liabilities	252,373	235,897
Deferred revenue	125,194	109,402
Total current liabilities	390,282	358,517
Other liabilities	62,906	23,806
Minority interests in consolidated subsidiaries	29,794	30,006
Stockholders' equity:		
Common Stock	601	581
Additional paid-in capital	2,309,215	2,067,410
Treasury stock	(59,988)	(59,988)
Accumulated deficit	(103,953)	(50,308)
Accumulated other comprehensive income (loss)	(6,061)	9,322
Total stockholders' equity	2,139,814	1,967,017
Total liabilities and stockholders' equity	$ 2,622,796	$ 2,379,346

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

YAHOO! INC.

Condensed Consolidated Statements of Cash Flows
(unaudited, in thousands)

	Three Months Ended	
	March 31, 2002	March 31, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (53,645)	$ (11,486)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	22,955	30,211
Tax benefits from stock options	6,804	2,058
Cumulative effect of accounting change	64,120	—
Earnings in equity interests	(4,300)	(614)
Minority interests in operations of consolidated subsidiaries	(212)	(229)
Non-cash losses from investments	1,854	15,637
Other non-cash charges	5,629	3,415
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	(7,036)	36,874
Prepaid expenses and other assets	26,670	(12,044)
Accounts payable	(1,516)	(12,521)
Accrued expenses and other current liabilities	(17,840)	10,165
Deferred revenue	3,960	9,587
Net cash provided by operating activities	47,443	71,053
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(7,287)	(41,455)
Purchases of marketable securities	(256,739)	(469,405)
Proceeds from sales and maturities of marketable securities	313,923	548,607
Increase in restricted investments	—	(193,108)
Acquisitions, net of cash acquired, and purchases of other investments	(189,168)	(17,271)
Proceeds from the sale of other investments	687	5,000
Net cash used in investing activities	(138,584)	(167,632)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of Capital Stock, net	15,694	16,495
Net cash provided by financing activities	15,694	16,495
Effect of exchange rate changes on cash and cash equivalents	(2,937)	(5,318)
Net change in cash and cash equivalents	(78,384)	(85,402)
Cash and cash equivalents at beginning of period	372,632	456,877
Cash and cash equivalents at end of period	$ 294,248	$ 371,475

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. ("Yahoo!" or the "Company") is a leading provider of comprehensive online products and services to consumers and businesses worldwide. The Company, a Delaware corporation, commenced operations in 1995.

The accompanying unaudited condensed consolidated interim financial statements reflect all adjustments, consisting of only normal and recurring items, which in the opinion of management, are necessary for a fair presentation of the results of operations 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 consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001. Certain prior period balances have been reclassified to conform to current period presentation.

Note 2—Recent Accounting Pronouncements

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets." SFAS 142 requires, among other things, the discontinuance of amortization related to goodwill and indefinite lived intangible assets. These assets will then be subject to an impairment test at least annually. In addition, the statement includes provisions upon adoption for the reclassification of certain existing recognized intangibles to goodwill, the identification of reporting units for the purpose of assessing potential future impairments of goodwill, the reassessment of the useful lives of existing recognized intangibles and the reclassification of certain intangibles out of previously reported goodwill.

Upon the adoption of SFAS 142, the Company recognized a transitional goodwill impairment loss of $64.1 million as of January 1, 2002, which was recorded as the cumulative effect of an accounting change in the Company's consolidated statements of operations. Any further impairment losses recorded in the future could have a material adverse impact on our financial conditions and results of operations. See also Note 3—Goodwill.

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 144 ("SFAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement addresses financial accounting and reporting for the impairment of long-lived assets. The adoption of this statement did not have a significant impact on the Company's results of operations or financial position.

Note 3—Goodwill

The changes in the carrying amount of goodwill for the three months ended March 31, 2002 are as follows (in thousands, except per share amounts):

	United States	International	Total
Balance as of January 1, 2002	$ 47,590	$ 145,397	$ 192,987
Acquisitions and other (1)	323,395	11,392	334,787
Cumulative effect of accounting change	—	(64,120)	(64,120)
Balance as of March 31, 2002	$ 370,985	$ 92,669	$ 463,654

(1) Other primarily includes the reclassification of certain intangibles to goodwill in connection with the adoption of SFAS 142 and certain purchase price adjustments to existing goodwill.

The Company performed a transitional impairment test of its goodwill and intangible assets as of January 1, 2002. Due to the overall softening of the global economy and the related decline in international advertising, the Company recorded a transitional goodwill impairment loss of $64.1 million, which was recorded as a cumulative effect of an accounting change in the Company's Consolidated Statements of Operations. The fair value of the reporting unit giving rise to the transitional impairment loss was estimated using the expected present value of future cash flows.

Due to the adoption of SFAS 142, the Company ceased amortizing goodwill. Had SFAS 142 been in effect in the first quarter of 2001, the Company would not have recorded goodwill amortization expense of $12.5 million. The following summarizes net loss adjusted to exclude goodwill amortization expense, and the related tax effect, that is no longer subject to amortization (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2002	2001
Reported net loss	$ (53,645)	$ (11,486)
Goodwill amortization, net of tax	—	12,511
Adjusted net income (loss)	$ (53,645)	$ 1,025
Basic earnings per share—as reported	$ (0.09)	$ (0.02)
Basic earnings per share—adjusted	$ (0.09)	$ —
Diluted earnings per share—as reported	$ (0.09)	$ (0.02)
Diluted earnings per share—adjusted	$ (0.09)	$ —

Note 4—Intangibles

	March 31, 2002			December 31, 2001
	Gross carrying amount	Accumulated amortization	Net	Net
		(in thousands)		
Intangible assets:				
Trademarks	$ 57,100	$ (1,782)	$ 55,318	$ 2,890
Customer agreements	52,730	(5,450)	47,280	10,275
Developed technology	8,700	(154)	8,546	—

Content and other	4,950	(1,547)	3,403	6,292
	$ 123,480	$ (8,933)	$ 114,547	$ 19,457

Intangibles are all amortizable and have original estimated useful lives as follows: Trademarks—four to seven years; Customer agreements—one to seven years; Developed technology-three to five years; Content and other—two to three years. Based on the current amount of intangibles subject to amortization, the estimated amortization expense for each of the succeeding five years are as follows: 2002: $21.2 million; 2003: $21.7 million; 2004; $19.6 million; 2005: $15.2 million; and 2006: $14.1 million.

Note 5—Restructuring Costs

In 2001, the Company announced restructuring programs to balance its investment in growth areas with the desire to modify its near-term business plan to reflect the current economic and capital market slowdown. These restructuring programs included worldwide workforce reductions, consolidation of excess facilities and other charges. As a result of these restructuring programs, the Company recorded restructuring costs of $57.5 million classified as operating expenses in 2001.

The worldwide workforce reductions totaling approximately 660 employees across certain business functions, operating units and geographic regions commenced in the second quarter of 2001 and were substantially completed by December 31, 2001. Amounts related to the net lease expense due to the consolidation of facilities will be paid over the respective lease terms through December 2012. If facilities rental rates continue to decrease in their respective markets or if it takes longer than expected to sublease these facilities, the actual loss could increase the original total restructuring costs of $57.5 million.

A summary of the restructuring costs during the first quarter of 2002 is as follows (in thousands):

	Restructuring Accrual at December 31, 2001	Cash Payments	Restructuring Accrual at March 31, 2002
Workforce reduction	$ 3,825	$ (3,657)	$ 168
Consolidation of excess facilities and other charges	25,675	(9,696)	15,979
Total	$ 29,500	$ (13,353)	$ 16,147

The restructuring accrual is included on the balance sheet in accrued expenses and other current liabilities.

Note 6—Basic and Diluted Net Loss per Share

Basic net loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed using the weighted average

number of common and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon conversion of convertible preferred stock (using the if-converted method) and shares issuable upon the exercise of stock options and warrants (using the treasury stock method). For the three month period ended March 31, 2002, potential common shares of 23.1 million were included in the computation and were primarily related to shares issuable upon the exercise of stock options. For the three month period ended March 31, 2001, potential common shares related to shares issuable upon the exercise of stock options of 31.1 million were not included in the computation because they were antidilutive.

Note 7—Comprehensive Loss

The components of comprehensive loss, net of tax, are as follows (in thousands):

	Three Months Ended March 31,	
	2002	2001
Net loss	$ (53,645)	$ (11,486)
Unrealized losses on available-for-sale securities	(11,851)	(15,115)
Foreign currency translation losses	(3,532)	(5,318)
Comprehensive loss	$ (69,028)	$ (31,919)

Accumulated other comprehensive loss consists of the unrealized gains or losses on available-for-sale securities, net of tax and the cumulative translation adjustment, as presented on the accompanying unaudited condensed consolidated balance sheets.

Note 8—Acquisition

In February 2002, the Company completed the acquisition of HotJobs.com, Ltd. ("HotJobs"), a recruiting solutions company, which became a part of the Company's listings properties and generates revenue for the Company primarily through listings and subscription fees for access to HotJobs' database.

The total purchase price of $439.1 million consisted of $191.8 million in Yahoo! Common Stock, representing approximately 12 million shares, $206.6 million in cash consideration, $33.7 million of stock options exchanged and direct transaction costs of $7.0 million. The value of the common stock and stock options was determined based on the average market price of the Company's common stock over the 5-day period surrounding the date the terms of the exchange offer were finalized in February 2002.

The preliminary allocation of the purchase price to the assets acquired and liabilities assumed based on the fair value of HotJobs was as follows (in millions):

Cash acquired	$	53.3
Other tangible assets acquired		47.1
Amortizable intangible assets		98.6
Goodwill		323.9
Liabilities		(48.3)
Deferred income taxes		(39.4)
Deferred compensation		3.9
Total	$	439.1

Amortizable intangible assets acquired have estimated useful lives as follows: Tradename, trademark and domain name—seven years; Customer contracts—five to seven years; Developed technology—three to five years. Goodwill of $323.9 million represents the excess of the purchase price

over the fair value of the net tangible and intangible assets acquired, and is not deductible for tax purposes. In accordance with SFAS 142, goodwill is not amortized and will be tested for impairment at least annually.

The following unaudited pro forma information presents a summary of the results of operations of the Company assuming the acquisition of HotJobs occurred on January 1, 2001 (in thousands, except per share amounts):

	Three Months Ended March 31,			
	2002		2001	
Net Revenues	$	203,460	$	213,828
EBITDA (1)		21,714		(3,929)
Net Loss		(63,253)		(22,185)
Basic EPS	$	(0.11)	$	(0.04)
Diluted EPS	$	(0.10)	$	(0.04)

(1) EBITDA is defined as earnings before interest, taxes, depreciation, amortization, transaction-related costs, stock compensation expenses, and restructuring charges.

Note 9—Segment Information

The Company conducts business globally and manages it geographically. The Company's primary areas of measurement and decision-making are the United States and International. The Company's management relies on an internal management reporting process that provides revenue and segment EBITDA information for making financial decisions and allocating resources. Segment EBITDA information includes income from operations before certain unallocated operating costs and expenses, including stock compensation expense, amortization of intangibles, depreciation, restructuring costs and acquisition-related costs. Management believes that segment EBITDA is an appropriate measure of evaluating the operating performance of the Company's segments. However, segment EBITDA should be considered in addition to, not as a substitute for or superior to, operating income, cash flows or other measures of financial performance prepared in accordance with generally accepted accounting principles.

Revenue is attributed to individual countries according to the international online property that generated the revenue. No single foreign country accounted for more than 10% of net revenues during the three months ended March 31, 2002 and 2001. Property and equipment information is based on the physical location of the assets.

Summarized information by segment, as excerpted from the internal management reports, is as follows (in thousands):

	Three Months Ended March 31,			
	2002		2001	
Net revenues:				
United States	$	166,612	$	146,974
International		26,053		33,241
Total net revenues	$	192,665	$	180,215

Segment EBITDA:		
United States	$ 32,450	$ 10,056
International	(8,049)	(9,198)
Total segment EBITDA	24,401	858
Corporate and unallocated operating costs and expenses:		
Stock compensation expense	(5,621)	(3,415)
Amortization of intangibles	(3,422)	(14,897)
Depreciation	(19,533)	(15,314)
Loss from operations	$ (4,175)	$ (32,768)
Capital expenditures, net:		
United States	$ 6,513	$ 37,492
International	774	3,963
Total consolidated capital expenditures, net	$ 7,287	$ 41,455

	March 31, 2002	December 31, 2001
Long-lived assets:		
United States	$ 731,125	$ 297,977
International	135,529	190,756
Total consolidated long-lived assets	$ 866,654	$ 488,733

The following table presents net revenues for groups of similar services (in thousands):

	Three Months Ended March 31,	
	2002	2001
Marketing services	$ 120,995	$ 141,960
Fees and listings	54,990	33,236
Transactions	16,680	5,019
	$ 192,665	$ 180,215

Note 10—Commitments and Contingencies

Operating Leases. During 1999, the Company entered into agreements for the development of an office complex in Sunnyvale, California to serve as the Company's new headquarters. Construction was completed in the third quarter of 2001. Upon substantial completion of the construction, the Company funded the lease facility with deposited funds drawn on the facility by the lessors. The total amount funded was approximately $258.7 million. Approximately $222.4 million of this amount represents an investment in the lease facility resulting from the Company's role as a participant in the master lease facility. The remaining $36.3 million represents collateral for funds provided by the facility's other participants. These amounts have been classified as restricted long-term investments at March 31, 2002.

Rent obligations for the complex bear a direct relationship to the lessor's carrying costs of $258.4 million. The lease provides the Company with the option at the end of the lease term in 2006 to (i) acquire the buildings for an amount equal to the lessor's carrying costs; (ii) re-market the buildings; or (iii) renew the lease for a second, five-year term, upon written consent of the participating parties. The Company has guaranteed the residual value associated with the buildings under the lease to the lessor of approximately 86% of the lessor's carrying costs.

We have entered into various non-cancelable operating lease agreements for our headquarters, sales offices throughout the U.S., and our international subsidiaries with original lease periods ranging from 6 months to 13 years and expiring between 2002 and 2012.

In addition, the Company has entered into various sublease arrangements associated with its excess facilities under the 2001 restructuring programs. Such subleases have terms extending through 2006 and amounts estimated to be received have been included in determining the restructuring accrual.

Net lease commitments as of March 31, 2002 can be summarized as follows (in millions):

	Gross lease commitments	Sublease income	Net lease commitments
Nine months ended December 31, 2002	$ 19.4	$ (10.2)	$ 9.2
Year ended December 31,			
2003	24.4	(11.5)	12.9
2004	21.6	(11.1)	10.5
2005	18.5	(9.6)	8.9

2006	11.3	(4.5)	6.8
2007	5.7	—	5.7
Thereafter	9.6	—	9.6

The Company also entered into an agreement committing to lease two additional buildings adjacent to the Company's headquarters in Sunnyvale, California. Construction began in the fourth quarter of 2001 and the buildings are expected to be ready for occupancy in the third quarter of 2003. Upon completion of the building construction, the Company has committed to a 15 year lease obligation, with annual lease payments under the lease of approximately $5.1 million in year one, approximately $6.7 million in year two, and with incremental increases of 3.5% in each of the following years. After year one of the lease, the Company has the right to (i) purchase the buildings for approximately $68.9 million, plus fees, or (ii) restructure the lease arrangement, or (iii) continue leasing the buildings under the original agreement for the remaining fourteen years. These amounts are not included in the table above.

Other Commitments. In the ordinary course of business the Company enters into various arrangements with vendors and other business partners, principally for marketing, bandwidth and content arrangements. There are no material commitments for these arrangements extending beyond 2002.

Contingencies. From time to time, the Company is subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of trademarks, copyrights and other intellectual property rights, and a variety of claims arising in connection with the Company's email, message boards, auction sites, shopping services, and other communications and community features, such as claims alleging defamation or invasion of privacy. Currently, the Company's subsidiary Launch Media, Inc. ("Launch") is engaged in a lawsuit regarding copyright issues which commenced prior to the Company entering into an agreement to acquire Launch. In addition, from time to time, third parties assert patent infringement claims against the Company in the form of letters, lawsuits and other forms of communication. Currently, the Company is engaged in two lawsuits regarding patent issues and has been notified of a number of other potential patent disputes.

The Company is not currently aware of any legal proceedings or claims that the Company believes are likely to have a material adverse effect on the Company's financial position, results of operations or cash flows. However, the Company may incur substantial expenses in defending against third party claims. In the event of a determination adverse to the Company, the Company may incur substantial monetary liability, and be required to change its business practices. Either of these could have a material adverse effect on the Company's financial position, results of operations and cash flows.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended including, without limitation, statements regarding the Company's expectations, beliefs, intentions or future strategies that are signified by the words "expects," "anticipates," "intends," "believes," or similar language. These forward-looking statements are based upon current expectations and beliefs of the Company's management and are subject to risks and uncertainties that could cause results to differ materially from those indicated in the forward-looking statements. Some, but not all, of the factors, which could cause actual results to differ materially include those set forth in the risks discussed below under the subheading "Risk Factors" and elsewhere in this report. The Company undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements, or to explain why actual results differ. Readers should carefully review the risk factors described in this section below and any subsequently filed SEC reports.

Overview

Yahoo! Inc. ("Yahoo!") is a leading provider of comprehensive online products and services to consumers and businesses worldwide. Yahoo! reaches more than 237 million individuals worldwide each month. Headquartered in Sunnyvale, California, Yahoo!'s global network includes 25 World properties and is available in 13 languages. We have offices in the United States, Europe, Asia, Latin America, Australia and Canada.

We conduct our business globally and manage it geographically. We rely on an internal management reporting process that provides revenue and certain operating cost information for making financial decisions and allocating resources. Our principal areas of measurement and decision-making are the United States and International.

Results of Operations

Net Revenues

Net revenues by groups of similar service were as follows (dollars in thousands):

	Three Months Ended March 31,			
	2002	*	2001	*
Marketing services	$ 120,995	63%	$ 141,960	79%
Fees and listings	54,990	28%	33,236	18%
Transactions	16,680	9%	5,019	3%
	$ 192,665	100%	$ 180,215	100%

* Percent of Net revenues

Marketing Services Revenues. Marketing services revenues are primarily generated from the sale of banner and sponsorship advertisements, including sponsored search services provided through our alliance with Overture Services, Inc. Marketing services in the first quarter of 2002 decreased by $21.0 million, or 15%, as compared to the first quarter of 2001. The decrease is due primarily to the softening of the global economy, which significantly impacted many of our customers' marketing budgets. In addition, Internet companies spent significantly less money in the first quarter of 2002 due to a decrease in the availability of funds from the capital markets as compared to the first quarter of 2001.

Due to our ongoing transition in customer base from Internet companies to companies in more traditional lines of business, as well as the continuing weakness in world-wide economic conditions, we

currently believe that 2002 marketing services revenues will remain comparable in absolute dollars with our 2001 marketing services revenues.

Fees and Listings Revenues. Fees and listings revenues consist of revenues generated from a variety of fee and listings-based services we provide. These services primarily include access to the HotJobs database, Small Business Services, Yahoo! Portal Solutions, broadcasting live and on-demand events, Yahoo! Personals, and certain Search and Directory services. Fees and listings revenues in the first quarter of 2002 increased $21.8 million, or 65%, as compared to the first quarter of 2001. The increase is primarily attributable to the acquisition of HotJobs' during the first quarter of 2002, the monetization of Yahoo! Personals, as well as the increase in number of users for our other fee and listings-based services. For 2002, we currently expect fees and listings revenues to increase in absolute dollars as compared to 2001.

Transactions Revenues. Transaction revenues in the first quarter of 2002 increased by $11.7 million, or 232%, as compared to the first quarter of 2001. The increase is primarily a result of the increasing number of electronic commerce transactions enabled on the Yahoo! network, principally from our commerce and Small Business Services properties. In addition, the increase in transactions is also driven by a shift from some of our marketing service agreements as well as a change in our Yahoo! Store platform, which have historically been fixed-pricing arrangements, towards performance-based agreements. For 2002, transactions revenues are also currently expected to increase in absolute dollars as compared to 2001.

Overall, we currently expect total combined revenues for marketing services, fees and listings and transactions to increase in 2002 as compared to 2001.

Costs and Expenses:

Primary operating costs and expenses were as follows (dollars in thousands):

	Three Months Ended March 31,			
	2002	*	2001	*
Cost of revenues	$ 37,821	20%	$ 38,543	21%
Sales and marketing	96,146	50%	107,228	60%
Product development	32,781	17%	33,121	18%
General and administrative	26,670	14%	19,194	11%

* Percent of Net revenues

Cost of Revenues. Cost of revenues consists of the expenses associated with the production and usage of the Yahoo! network. These costs primarily consist of fees paid to third parties for content included on our online media properties, Internet connection charges, equipment depreciation, live event production costs, license fees and compensation related expenses.

Cost of revenues in the first quarter of 2002 decreased by $0.7 million, or 2%, as compared to the first quarter of 2001. The decrease is primarily a result of achieving more favorable bandwidth pricing as compared to the first quarter of 2001, offset partially by an increase in costs associated with increased network usage during the quarter.

We currently anticipate that cost of revenues will increase modestly in absolute dollars in 2002, as network usage increases and additional content is introduced for new and enhanced services.

Sales and Marketing. Sales and marketing expenses consist primarily of advertising and other marketing related expenses, compensation related expenses, sales commissions and travel costs.

Sales and marketing expenses in the first quarter of 2002 decreased $11.1 million, or 10%, as compared to the first quarter of 2001. This is primarily the result of our overall effort to manage

discretionary costs and our 2001 Restructuring programs described below. We currently anticipate that sales and marketing expenses in absolute dollars will increase in 2002 as compared to 2001.

Product Development. Product development expenses consist primarily of compensation related expenses incurred for enhancements to and maintenance of the Yahoo! network, classification and organization of listings within Yahoo! properties, research and development expenses, and other operating costs.

Product development expenses in the first quarter of 2002 decreased $0.3 million, or 1%, as compared to the first quarter of 2001. The decrease is primarily attributable to savings obtained through our 2001 Restructuring programs described below, offset by increases in the total compensation for engineers that develop and enhance properties and services throughout the Yahoo! Network.

We believe that continued investments in product development are required to remain competitive. Consequently, we currently anticipate that product development costs in absolute dollars will increase in 2002 as compared to 2001.

General and Administrative. General and administrative expenses consist primarily of compensation related expenses and fees for professional services.

General and administrative expenses in the first quarter of 2002 increased $7.5 million, or 39%, as compared to the first quarter of 2001. The increase is primarily attributable to increases in the above areas, partially offset by decreases from cost efficiencies obtained through our 2001 Restructuring programs, described below.

We currently believe that general and administrative expenses in absolute dollars will increase in 2002 as compared to 2001.

Amortization of Intangibles. From time to time we have purchased, and expect to continue purchasing, assets or businesses which may result in the creation of intangible assets.

Amortization of intangibles expense was $3.4 million for the first quarter of 2002, or 2%, of net revenues. For the first quarter of 2001, amortization of intangibles expense was $14.9 million, or 8% of net revenues. The decrease in amortization of intangibles is primarily the result of the discontinuance of goodwill amortization in accordance with the adoption of the provisions of Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets," offset by additional amortizable intangibles acquired in conjunction with acquisitions accounted for under the purchase method of accounting during the first quarter of 2002.

Effective January 1, 2002, we have adopted the provisions of SFAS 142, and as a result, we performed a transitional impairment test of our goodwill and intangibles as of January 1, 2002. Due to the overall softening of the global economy, and the related decline in international advertising, we recorded a transitional impairment loss of $64.1 million which was recorded as a cumulative effect of an accounting change in our Consolidated Statements of Operations. The fair value of the reporting unit giving rise to the transitional impairment loss was estimated using the expected present value of future cash flows.

Restructuring Costs. In 2001, we announced restructuring programs to balance our investment in growth areas with the desire to modify our near-term business plan to reflect the current economic and capital market slowdown. These restructuring programs included worldwide workforce reductions, consolidation of excess facilities and other charges. As a result of these restructuring programs, we recorded restructuring costs of $57.5 million classified as operating expenses in 2001.

The worldwide workforce reductions totaling approximately 660 employees across certain business functions, operating units and geographic regions commenced in the second quarter of 2001 and were substantially completed by December 31, 2001. Amounts related to the net lease expense due to the

consolidation of facilities will be paid over the respective lease terms through December 2012. If facilities rental rates continue to decrease in their respective markets or if it takes longer than expected to sublease these facilities, the actual loss could increase the original total restructuring costs of $57.5 million.

A summary of the restructuring costs during the first quarter of 2002 is as follows (in thousands):

	Restructuring Accrual at December 31, 2001	Cash Payments	Restructuring Accrual at March 31, 2002
Workforce reduction	$ 3,825	$ (3,657)	$ 168
Consolidation of excess facilities and other charges	25,675	(9,696)	15,979
Total	$ 29,500	$ (13,353)	$ 16,147

The restructuring accrual is included on the balance sheet in accrued expenses and other current liabilities. We expect the restructuring programs to result in annual savings of approximately $65 million in operating expenses effective January 2002.

Other Income (Loss), Net. Other income (loss), net was as follows (in thousands):

	Three Months Ended March 31,	
	2002	2001
Interest income	$ 18,333	$ 26,028
Investment losses	(1,893)	(12,620)
Contract termination fees	2,504	9,000
Earnings in equity interests	4,300	614
Other	(575)	254
	$ 22,669	$ 23,276

Other income (loss), net was $22.7 million, and $23.3 million for the quarters ended March 31, 2002 and 2001. The decrease from the first quarter of 2001 to the first quarter of 2002 of $0.6 million is primarily the result of a decrease in interest income related to a larger average investment balance in the first quarter of 2001, larger contract termination fees in 2001, and foreign exchange losses. The decrease was offset by the smaller net investment loss of $1.9 million in the first quarter of 2002 compared to a net investment loss of $12.6 million in the first quarter of 2001, as well as greater earnings in equity interests, primarily due to the cessation of goodwill amortization related to our equity interests in accordance with SFAS 142.

Other income (loss), net in future periods may fluctuate as a result of changes in our average investment balances held, changes in market rates or the sale of investments, and investment impairments.

Minority Interests in Operations of Consolidated Subsidiaries. Minority interests in operations of consolidated subsidiaries represents the minority partners' percentage share of income or losses from such subsidiaries.

Minority interests in income from operations of consolidated subsidiaries was $0.2 million for both the first quarters of 2002 and 2001.

Income Taxes. The provision for income taxes for the quarter ended March 31, 2002 differs from the amount computed by applying the statutory federal rate principally due to foreign losses not benefited and non-deductible stock-based compensation charges. For the quarter ended March 31, 2001, the provision for income taxes differed from the amount computed by applying the statutory

federal rate principally due to foreign losses not benefited, non-deductible amortization costs related to our acquisitions, and non-deductible stock-based compensation charges.

Business Segment Results

We conduct business globally and manage it geographically. Our segments for financial reporting purposes are the United States and International. Management relies on an internal management reporting process that provides segment EBITDA information for making financial decisions and allocating resources. Segment EBITDA information includes income from operations before certain unallocated operating costs and expenses, including stock compensation expense, amortization of intangibles, depreciation, restructuring costs and acquisition-related costs. We believe that segment EBITDA is an appropriate measure of evaluating the operating performance of our segments. However, segment EBITDA should be considered in addition to, not as a substitute for or superior to, operating income, cash flows or other measures of financial performance prepared in accordance with generally accepted accounting principles.

Revenue is attributed to individual countries according to the international online property that generated the revenue. No single foreign country accounted for more than 10% of net revenues in the first quarter of 2002 and 2001.

Summarized information by segment, as excerpted from the internal management reports, is as follows (in thousands):

	Three Months Ended March 31,			
	2002	**(2)**	**2001**	**(2)**
Net revenues:				
United States	166,612	86%	146,974	82%
International	26,053	14%	33,241	18%
Total net revenues	192,665	100%	180,215	100%
Segment EBITDA (1):		(3)		(3)
United States	32,450	19%	$ 10,056	7%
International	(8,049)	(31%)	(9,198)	(28%)
Total segment EBITDA	24,401	13%	858	0%

(1) Segment EBITDA includes income from operations before certain unallocated operating costs and expenses, including stock compensation expense, amortization of intangibles, depreciation, restructuring costs and acquisition-related costs.

(2) Percent of Total Net revenues.

(3) Segment EBITDA Margin.

United States. United States revenues in the first quarter of 2002 increased $19.6 million, or 13%, compared to the first quarter of 2001 primarily as a result of the acquisition of HotJobs during the first quarter of 2002, as well as the monetization of Yahoo! Personals and Search and Directory services, partially offset by a decrease in other marketing services revenues. United States segment EBITDA in the first quarter of 2002 increased $22.4 million, or 223%, compared to the first quarter of 2001 primarily as a result of increased net revenues during the period and cost savings obtained through a reduction in discretionary spending and the 2001 Restructuring programs.

International. International revenues in the first quarter of 2002 decreased $7.2 million, or 22%, primarily due to the decline in international advertising which occurred in international markets during 2001. International segment EBITDA increased $1.1 million, or 12%, primarily as a result of a reduction in discretionary spending and the 2001 Restructuring programs.

Acquisition

In February 2002, we completed the acquisition of HotJobs.com, Ltd. ("HotJobs"), a recruiting solutions company, which became a part of our listings properties and generates revenue primarily through listings and subscription fees for access to HotJobs' database.

The total purchase price of $439.1 million consisted of $191.8 million in Yahoo! Common Stock, representing approximately 12 million shares, $206.6 million in cash consideration, $33.7 million of stock options exchanged and direct transaction costs of $7.0 million. The value of the common stock and stock options was determined based on the average market price of our common stock over the 5-day period surrounding the date the terms of the exchange offer were finalized in February 2002.

The preliminary allocation of the purchase price to the assets acquired and liabilities assumed based on the fair value of HotJobs was as follows (in millions):

Cash acquired	$	53.3
Other tangible assets acquired		47.1
Amortizable intangible assets		98.6
Goodwill		323.9
Liabilities		(48.3)
Deferred income taxes		(39.4)
Deferred compensation		3.9
Total	$	439.1

Amortizable intangible assets acquired have estimated useful lives as follows: Tradename, trademark and domain name—seven years; Customer contracts—five to seven years; Developed technology—three to five years. Goodwill of $323.9 million represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired, and is not deductible for tax purposes. In accordance with SFAS 142, goodwill is not amortized and will be tested for impairment at least annually.

Related Party Transactions

SOFTBANK, including its consolidated affiliates ("SOFTBANK"), was approximately a 16% stockholder of the Company at March 31, 2002. We are party to certain joint ventures with SOFTBANK in France, Germany, Japan, Korea and the United Kingdom. A Managing Partner of a SOFTBANK affiliate is also a member of our Board of Directors. As a result, SOFTBANK is able to significantly influence all matters requiring Yahoo! stockholder approval. Revenues from SOFTBANK accounted for approximately 1% and 3% of net revenues during each of the quarters ended March 31, 2002 and 2001. We believe contracted prices are comparable to those given to our other similarly situated customers.

Recent Accounting Pronouncements

Effective January 1, 2002 the Company adopted Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets." SFAS 142 requires, among other things, the discontinuance of amortization related to goodwill and indefinite lived intangible assets. These assets will then be subject to an impairment test at least annually. In addition, the statement includes provisions upon adoption for the reclassification of certain existing recognized intangibles as goodwill, the identification of reporting units for the purpose of assessing potential future impairments of goodwill, the reassessment of the useful lives of existing recognized intangibles and reclassification of certain intangibles out of previously reported goodwill.

Upon the adoption of SFAS 142, the Company recognized a transitional goodwill impairment loss of $64.1 million as of January 1, 2002, which was recorded as the cumulative effect of a change in

accounting principal in the Company's consolidated Statements of Operations. See also Note—3 Goodwill. Any further impairment losses recorded in the future could have a material adverse impact on our financial conditions and results of operations.

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 144 ("SFAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement addresses financial accounting and reporting for the impairment of long-lived assets. The adoption of this statement did not have a significant impact on the Company's results of operations or financial position.

Liquidity and Capital Resources

	Three Months Ended March 31,			
	2002		2001	
Cash provided by operating activities	$	47,443	$	71,053
Cash used in investing activities		(138,584)		(167,632)
Cash provided by financing activities		15,694		16,495

Yahoo! invests excess cash predominantly in debt instruments that are highly liquid, of high-quality investment grade, and predominantly have maturities of less than two years with the intent to make such funds readily available for operating purposes. We had cash and cash equivalents and investments in marketable debt securities totaling approximately $1.3 billion at March 31, 2002.

Cash provided by operating activities primarily consists of net loss adjusted for certain non-cash items including depreciation, amortization, tax benefits from stock options, net investment losses, the cumulative effect of an accounting change, other non-cash items, and the effect of changes in working capital and other activities. For the three months ended March 31, 2002, cash provided by operating activities of $47.4 million consisted primarily of a net loss of $53.6 million adjusted for non-cash items of $96.8 million and $4.2 million provided by working capital and other activities. For the three months ended March 31, 2001, cash provided by operating activities of $71.1 million consisted primarily of a net loss of $11.5 million adjusted for non-cash items of $50.5 million and $32.1 million provided by working capital and other activities.

Cash used in investing activities in the first quarter of 2002 of $138.6 million was primarily attributable to proceeds from sales and maturities (net of purchases) of investments in marketable securities during the period of $57.2 million, offset by an increase in capital expenditures totaling $7.3 million and cash used in acquisitions and purchases of other investments, net of $188.5 million. Cash used in investing activities in the first quarter of 2001 of $167.6 million was primarily attributable to proceeds from sales and maturities (net of purchases) of investments in marketable securities during the period of $79.2 million, offset by an increase in restricted investments of $193.1 million, capital expenditures totaling $41.5 million, and cash used in acquisitions and purchases of other investments, net of $12.3 million.

For the three months ended March 31, 2002 and 2001, cash provided by financing activities of $15.7 million and $16.5 million, was primarily from the issuance of Common Stock pursuant to the exercise of stock options.

Operating Leases

During 1999, we entered into agreements for the development of an office complex in Sunnyvale, California to serve as our headquarters. Construction was completed in the third quarter of 2001. Upon substantial completion of the construction, we funded the lease facility with deposited funds drawn on the facility by the lessors. The total amount funded was approximately $258.7 million. Approximately

$222.4 million of this amount represents an investment in the lease facility resulting from our role as a participant in the master lease facility. The remaining $36.3 million represents collateral for funds provided by the facility's other participants. These amounts are classified as restricted long-term investments at March 31, 2002. Rent obligations for the complex bear a direct relationship to the lessor's carrying costs of $258.4 million. The lease provides us with the option at the end of the lease term in 2006 to (i) acquire the buildings for an amount equal to the lessor's carrying costs; (ii) re-market the buildings; or (iii) renew the lease for a second, five-year term, upon written consent of the participating parties. We have guaranteed the residual value associated with the buildings under the lease to the lessor of approximately 86% of the lessor's carrying costs.

We have entered into various non-cancelable operating lease agreements for our Sunnyvale headquarters, sales offices throughout the U.S., and our international subsidiaries for original lease periods ranging from 6 months to 13 years and expiring between 2002 and 2012.

In addition, we have entered into various sublease arrangements associated with our excess facilities under the 2001 Restructuring programs. Such subleases have terms extending through 2006 and amounts estimated to be received have been included in determining the restructuring accrual.

Net lease commitments as of March 31, 2002 can be summarized as follows (in millions):

	Gross lease commitments	Sublease income	Net lease commitments
Nine months ended December 31, 2002	$ 19.4	$ (10.2)	$ 9.2
Year ended December 31,			
2003	24.4	(11.5)	12.9
2004	21.6	(11.1)	10.5
2005	18.5	(9.6)	8.9
2006	11.3	(4.5)	6.8
2007	5.7	—	5.7
Thereafter	9.6	—	9.6

We also have an agreement committing to lease two additional buildings adjacent to our headquarters in Sunnyvale, California. Construction began in the fourth quarter of 2001 and the buildings are expected to be ready for occupancy in the third quarter of 2003. Upon completion of the building construction, we have committed to a 15 year lease obligation, with annual lease payments under the lease of approximately $5.1 million in year one, approximately $6.7 million in year two, and with incremental increases of 3.5% in each of the following years. After year one of the lease, we have the right to (i) purchase the buildings for approximately $68.9 million, plus fees, (ii) restructure the lease arrangement, or (iii) continue leasing the buildings under the original agreement for the remaining fourteen years. These amounts are not included in the table above.

Other Commitments

In the ordinary course of business we enter into various arrangements with vendors and other business partners principally for marketing, bandwidth and content arrangements. There are no material commitments for these arrangements extending beyond 2002.

During 2001, we announced that the Board of Directors had authorized a repurchase of up to $500 million of our outstanding shares of Common Stock from time to time over the next two years, depending on market conditions, share price and other factors. We may utilize equity instrument contracts to facilitate the repurchase of Common Stock. Pursuant to this repurchase program, we have repurchased a total of 5.4 million shares for approximately $60.0 million through March 31, 2002 and may continue to repurchase shares in future periods. We did not repurchase any shares of Common Stock during the first quarter of 2002.

We have experienced a substantial increase in capital expenditures and operating lease arrangements since our inception, which is consistent with our increased staffing and operational expansion, and we anticipate that this will continue in the future as business conditions merit. Additionally, we will continue to evaluate possible acquisitions of, or investments in businesses, products, and technologies that are complementary to our business, which may require the use of cash. Management believes existing cash and investments will be sufficient to meet operating requirements for at least the next twelve months; however, we may sell additional equity or debt securities or obtain credit facilities to further enhance our liquidity position. The sale of additional securities could result in additional dilution to our stockholders.

RISK FACTORS

We are in a highly competitive industry and some of our competitors may be more successful in attracting and retaining customers.

The market for Internet products and services is highly competitive, and we expect that competition will continue to intensify. Negative competitive developments could have a material adverse effect on our business and the trading price of our stock.

We compete with many other providers of online navigation, information, entertainment, business, community, electronic commerce and broadcast services. As we expand the scope of our Internet offerings, we will compete directly with a greater number of Internet sites, media companies, and companies providing business services across a wide range of different online services, including:

- companies offering communications, information and entertainment services either on a stand alone basis or integrated into other products and media properties;
- vertical markets where competitors may have advantages in expertise, brand recognition, and other factors;
- manufacturers of personal computers or software who may develop their own Internet portals to which they would direct their customers;
- online employment recruiting companies;
- online merchant hosting services; and
- online broadcasting of business events.

In particular, we face significant competition from AOL Time Warner and Microsoft (MSN). The combination of America Online and Time Warner provides America Online with content from Time Warner's movie and television, music, books and periodicals, news, sports and other media holdings; access to a network of cable and other broadband delivery technologies; and considerable resources for future growth and expansion. The America Online/Time Warner combination also provides America Online with access to a broad potential customer base consisting of Time Warner's current customers and subscribers of its various media properties. To a less significant extent, we also face competition from other companies that have combined a variety of services under one brand in a manner similar to Yahoo!. In certain of these cases, most notably AOL Time Warner and MSN, our competition has a direct billing relationship with the user, which we generally lack. This relationship permits our competitors to have several potential advantages including the potential to be more effective than us in targeting services and advertisements to the specific taste of their users. We also face competition from Websites focused on vertical markets where expertise in a particular segment of the market may provide a competitive advantage. On an international level, we compete directly with local providers; they may have several advantages, including greater knowledge about the particular country or local market and access to significant financial or strategic resources in such local markets. We must continue to obtain more knowledge about our users and their preferences, deepen our relationships with our users as well as increase our branding and other marketing activities in order to remain competitive and strengthen our market position.

A large number of these Websites and online services as well as high-traffic e-commerce merchants such as Amazon.com, also offer or are expected to offer informational and community features that may be competitive with the services that we offer. In order to compete effectively, we may need to expend significant internal engineering resources or acquire other technologies and companies to provide or enhance such capabilities. Any of these efforts could have a material adverse effect on our business, operating results and financial condition and be dilutive to our stockholders.

Our intellectual property rights are costly and difficult to protect.

We regard our copyrights, patents, trademarks, trade dress, trade secrets, and similar intellectual property, including our rights to certain domain names, as critical to Yahoo!'s success. We rely upon trademark, patent and copyright law, trade secret protection and confidentiality or license agreements with our employees, customers, partners and others to protect our proprietary rights. For example, we have obtained the registration for certain of our trademarks, including "Yahoo!" and "Yahooligans!." Effective trademark, patent, copyright, and trade secret protection may not be available in every country in which our products and media properties are distributed or made available through the Internet, and while we attempt to ensure that the quality of our brand is maintained by our licensees, our licensees may take actions that could materially and adversely affect the value of our proprietary rights or the reputation of our products and media properties. We are aware that third parties have, from time to time, copied significant portions of Yahoo! directory listings for use in competitive Internet navigational tools and services. Protection of the distinctive elements of Yahoo! may not be available under copyright law. We cannot guarantee that the steps we have taken to protect our proprietary rights will be adequate.

We may be subject to intellectual property infringement claims, which are costly to defend and could limit our ability to use certain technologies in the future.

Many parties are actively developing search, indexing, e-commerce and other Web-related technologies, as well as a variety of online business models and methods. We believe that these parties will continue to take steps to protect these technologies, including, but not limited to, seeking patent protection. As a result, disputes regarding the ownership of these technologies and rights associated with online business are likely to arise in the future. In addition to existing patents and intellectual property rights, we anticipate that additional third-party patents related to our services will be issued in the future. From time to time, parties assert patent infringement claims against us in the form of letters, lawsuits and other forms of communications. Currently, we are engaged in two lawsuits regarding patent issues and have been notified of a number of other potential disputes.

In addition to patent claims, third parties have asserted and most likely will continue to assert claims against us alleging infringement of copyrights, trademark rights, trade secret rights or other proprietary rights, or alleging unfair competition or violations of privacy rights. In the event that we determine that licensing patents or other proprietary rights is appropriate, we cannot guarantee that we will be able to license such proprietary rights on reasonable terms or at all. We may incur substantial expenses in defending against third-party infringement claims regardless of the merit of such claims. In the event that there is a determination that we have infringed third-party proprietary rights such as patents, copyrights, trademark rights, trade secret rights or other third party rights such as publicity and privacy rights, we could incur substantial monetary liability or be prevented from using the rights, which could require us to change our business practices in the future.

We are aware of lawsuits filed against two of our competitors regarding the presentment of advertisements in response to search requests on "keywords" that may be trademarks of third parties. Initial rulings in these lawsuits were in favor of our competitors, but the plaintiffs in these lawsuits have appealed these initial rulings.

Financial results for any particular period will not predict results for future periods.

Because of the uncertain nature of the rapidly changing market we serve, period-to-period comparisons of operating results are not likely to be meaningful. In addition, you should not rely on the results for any period as an indication of future performance. In particular, although we experienced strong revenue growth through the year 2000, revenues in the year 2001 were substantially lower than revenues in the prior year. There can be no assurance that the purchasing pattern of

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customers advertising on the Yahoo! network will not continue to fluctuate, that advertisers will not make smaller and shorter-term purchases, or that market prices for online advertising will not decrease due to competitive or other factors. In addition, Yahoo! currently expects that its operating expenses will continue to increase as we expand our sales and marketing operations in areas of expected growth, continue to develop and extend the Yahoo! brand, fund greater levels of product development, develop and commercialize additional media properties, and acquire complementary businesses and technologies. Additionally, we are required under generally accepted accounting principles to review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. We have experienced a decline in our stock price and market capitalization and our industry is experiencing a slower growth rate than historically realized. If such factors continue, we may be required to record a significant charge to earnings in our financial statements in the period any impairment of our goodwill or amortizable intangible assets is determined. At March 31, 2002, our goodwill and other intangible assets were $578.2 million. In the first quarter of 2002, we recorded a transitional impairment charge of $64.1 million as a cumulative effect of an accounting change, resulting from the adoption of SFAS 142. For more information on this transitional impairment charge, see Note 2—Recent Accounting Pronouncements and Amortization of Intangibles as discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations.

We also hold investments in securities of technology companies. Due to the recent volatility in the stock market in general, and the market prices of securities of technology companies in particular, we have realized decreases in the market value of such investments of $5.9 million in the first quarter of 2002 which have been recorded in our consolidated statement of operations. We may realize further decreases in the market value of certain investments in future periods.

Further, we are subject to employer payroll taxes when our employees exercise their non-qualified stock options. The employer payroll taxes are assessed on each employee's gain, which is the difference between the price of our common stock on the date of exercise and the exercise price. During a particular period, these payroll taxes could be material. Depending on the number of shares of our common stock for which options are exercised and the fair market value of shares of our common stock during such period, these employer payroll taxes would be recorded as a charge to operations in the period such options are exercised based on actual gains realized by employees. In addition to the net proceeds we would receive upon the exercise of stock options, we would receive tax deductions for gains realized by employees on the exercise of non-qualified stock options for which the benefit is recorded as additional paid-in capital. However, because we are unable to predict our future stock price and the number of optionees who may exercise during any particular period, we cannot predict what, if any, expense will be recorded in a future period and the impact on our future financial results.

We rely heavily on revenues derived from Internet advertising, which are subject to uncertain demand from our current and potential clients and are difficult to forecast accurately.

Currently, the majority of our revenues come from advertisements displayed on our online properties. Our ability to continue to achieve substantial advertising revenue depends upon:

- growth of our user base;
- our user base being attractive to advertisers;
- our ability to derive better demographic and other information from our users;
- acceptance by advertisers of the Web as an advertising medium; and
- our ability to transition and expand into other forms of advertising.

In addition, we are experiencing a shift in the source of our advertising revenues from Internet companies to companies in more traditional lines of business. These advertisers often have substantially different requirements and expectations than Internet companies with respect to advertising programs. If we are unsuccessful in adapting to the needs of our changing mix of advertisers, it could have a material adverse effect on our business, operating results and financial condition. In addition, Internet companies are ceasing to spend money on advertising at a faster pace than we anticipated, and companies in more traditional lines of business are not spending money on advertising as quickly as we anticipated. These conditions could have a material adverse effect on our business, operating results and financial condition.

Most of our revenues are currently derived from agreements with advertisers or sponsorship arrangements. Our agreements with advertisers and sponsors generally have terms of three years or less and, in many cases, the terms are much shorter. In cases where the advertiser is providing services, the agreements often have payments contingent on usage levels. Many of our advertisers are Internet companies which, in certain cases, may lack financial resources to fulfill their commitments. Accordingly, it is difficult to forecast these revenues accurately. However, our expense levels are based in part on expectations of future revenues and are fixed over the short-term with respect to certain categories. We may be unable to adjust spending quickly enough to compensate for any unexpected revenue shortfall. Accordingly, the cancellation or deferral of advertising or sponsorship contracts could have a material adverse effect on our financial results.

We also generate revenue from our search and directory capabilities through an advertiser's purchase of an enhanced placement in our results. Yahoo! Sponsor Matches, offered through keyword search-driven inquiries, is currently provided through an alliance with a third party. If we are unable to continue to secure an arrangement with a third party provider on terms which are acceptable to us, or we are unable to develop our own ability to provide this service, our revenue could be adversely affected.

General economic downturns could harm our ability to generate advertising revenue.

Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions as well as budgeting and buying patterns. The overall market for advertising, including Internet advertising, has been generally characterized in recent quarters by softness of demand and the reduction of marketing and advertising budgets or the delay in spending of budgeted resources. As a result, advertising spending across traditional media, as well as the Internet, has decreased.

In addition, the September 11, 2001 terrorist attacks and the United States' military response, may contribute to continued general economic weakness and, accordingly, further reductions in advertising spending. Acts of war and terrorism against the United States, and the United States' response to such acts, may also exacerbate or prolong a general slowdown in the U.S. advertising market and the economy, which could cause our advertising or other revenues to decrease or fail to grow.

In addition, if economic conditions do improve, marketing budgets and advertising spending may not increase from current levels.

The rate structure of some of our sponsorship arrangements subjects us to financial risk.

A key element of our strategy is to generate advertising revenues through sponsored services and placements by third parties in our online media properties in addition to banner advertising. We typically receive sponsorship fees or a portion of transaction revenues in return for minimum levels of user impressions to be provided by us. These arrangements expose us to potentially significant financial risks in the event our usage levels decrease, including the following:

- the fees we are entitled to receive may be adjusted downwards;

- we may be required to "make good" on our obligations by providing alternative services;
- the sponsors may not renew the agreements or may renew at lower rates; and
- the arrangements may not generate anticipated levels of shared transaction revenues, or sponsors may default on the payment commitments in such agreements as has occurred in the past.

Accordingly, any leveling off or decrease of our user base or the failure to generate anticipated levels of shared transaction revenues could result in a significant decrease in our revenue levels.

We have spent considerable amounts of money and resources to provide a variety of communications services, but such services may not prove to be successful in generating significant revenue for us.

Currently, a substantial portion of the traffic on our online properties is directed at our communications services, such as email, instant messaging, calendaring and chat rooms, and we expect this trend to continue for the foreseeable future. We provide these and other basic communications services free of charge to users, as is the case with most of our competitors, and have not yet determined an effective means of generating revenues directly from providing such services. Alternative revenue models for our communications and electronic commerce services, such as subscription fees and commissions, are relatively unproven and may not generate sufficient revenues to be meaningful to us. Currently, we are dependent upon the use of other Yahoo! services to generate revenues from our communications services, and there is a risk that this relationship will not be sustained. As communications services become an increasingly important part of our total offering, we must continue to provide new communications applications that are compelling to users and utilize more sophisticated communications technologies to provide such applications to many types of access devices in addition to the personal computer, while continuing to develop an effective method for generating revenues for such services. In addition, the development of these technologies requires long development cycles and a more significant investment by us. If we were unable to develop such applications or use such technologies, the size and rate of growth in our user base would be adversely affected. If we cannot develop a direct or indirect means by which we generate revenues from our communications services that are greater than the cost of providing such services, our business, operating results and financial condition would be materially adversely affected.

We may not be successful in expanding the number of users of our electronic commerce services and our ability to effectively provide these services is limited because to date, we have not had a direct billing relationship with our users.

We have focused, and intend to continue to focus, significant resources on the development and enhancement of our electronic commerce properties. These properties, such as Yahoo! Shopping, link users with a network of retailers with whom we have relationships. We do not establish a direct billing relationship with our users as a result of any purchases they may make with the retailers. In addition, a large number of our users currently utilize Yahoo!'s online shopping services simply to gather information for future offline purchases. We will need to effectively induce information gatherers to make purchases in order for our electronic commerce properties to be successful. Finally, the success of our electronic commerce properties will also depend on, among other things, our ability to attract and retain well-known brands among our network of retailers. The revenue that we derive from our electronic commerce services is typically in the form of a commission paid by the retailer from whom our user purchased a product. Users who had a favorable buying experience with a particular retailer may contact that retailer directly for future purchases rather than through our service. If our users bypass our electronic commerce properties, such as Yahoo! Shopping, and contact retailers directly, we will not receive any revenue for purchases made through such direct contact. Competing providers of online shopping, including merchants with whom we have relationships, may provide a more convenient

and comprehensive online shopping experience due to their singular focus on electronic commerce. As a result, we may have difficulty competing with those merchants for users of electronic commerce services. The inability of our electronic commerce properties to generate significant revenues could have a material adverse effect on our business.

Our business and enterprise services, while costly to develop, may fail to gain market acceptance.

We have invested a significant amount of money and resources in the creation of our Yahoo! Enterprise Solutions business, which is composed of our Portals, Broadcast and Small Business Groups. Many of these services are unproven and may fail to gain market acceptance. Because the market for these business and enterprise services is new and evolving, it is difficult to predict the size of this market and its rate of growth, if any. In addition, it is uncertain whether businesses and other organizations will utilize the Internet to any significant degree as a means of broadcasting business conferences and other events. Potential business services customers must accept audio and video broadcast services over the Internet as a viable alternative to face-to-face meetings, television or audio, audio teleconferences and video conferencing. We cannot assure you that the market for business and enterprise services will continue to develop or be sustainable. If the market fails to develop, develops more slowly than expected or becomes more competitive than is currently expected, our operating results could be adversely affected.

We will continue to expand our operations into international markets in which we have limited experience, are faced with relatively higher costs and are exposed to greater risks.

A key part of our strategy is to develop Yahoo!-branded online properties in international markets. We have developed, through joint ventures, subsidiaries and branch offices, Yahoo! properties localized for over 20 other countries. To date, we have only limited experience in developing localized versions of our products and marketing and operating our products and services internationally, and we rely on the efforts and abilities of our foreign business partners in such activities.

We believe that in light of substantial anticipated competition, we need to expand our operations in international markets quickly in order to obtain market share effectively. However, in a number of international markets, especially those in Europe, we face substantial competition from Internet Service Providers (ISPs) that offer or may offer their own navigational services. Many of these ISPs have a dominant market share in their territories. Further, foreign providers of competing online services may have a substantial advantage over us in attracting users in their country due to more established branding in that country, greater knowledge with respect to the tastes and preferences of users residing in that country and/or their focus on a single market. We have experienced and expect to continue to experience higher costs as a percentage of revenues in connection with the development and maintenance of international online properties. We have selected international markets that may not develop at a rate that supports our level of investment. In particular, international markets typically have been slower than domestic markets in adopting the Internet as an advertising and commerce medium.

In addition to uncertainty about our ability to continue to generate revenues from our foreign operations and expand our international presence, there are certain risks inherent in doing business on an international level, including:

- trade barriers and unexpected changes in regulatory requirements;
- difficulties in developing, staffing and simultaneously managing a large number of unique foreign operations as a result of distance, language and cultural differences;
- higher costs of doing business in foreign countries;
- longer payment cycles;

- currency exchange rate fluctuations;
- political and economic instability and export restrictions;
- seasonal reductions in business activity;
- risks related to government regulation including those more fully described below; and
- potentially adverse tax consequences.

One or more of these factors could have a material adverse effect on our future international operations and, consequently, on our business, operating results, and financial condition.

We depend on key personnel who may not continue to work for us.

We are substantially dependent on the continued services of our key personnel, including our two founders, our chief executive officer, chief operating officer, chief financial officer, chief technical officer, executive and senior vice presidents, and vice presidents. These individuals have acquired specialized knowledge and skills with respect to Yahoo! and its operations or, in the cases of our newly appointed chief operating officer, Dan Rosensweig, and certain new senior vice presidents, only recently joined us. If any of these individuals were to leave Yahoo! unexpectedly, we could face substantial difficulty in hiring qualified successors and could experience a loss in productivity while any such successor obtains the necessary training and experience. In addition, Yahoo!'s president and chief operating officer, Jeff Mallett, departed in April 2002. We may experience similar departures from our domestic or international business units in the future. Many of our management personnel have reached or will soon reach the four-year anniversary of their Yahoo! hiring date and, as a result, will have become or will shortly become fully vested in their initial stock option grants. While management personnel are typically granted additional stock options, which will usually vest over a period of four years subsequent to their hire date to provide additional incentive to remain at Yahoo!, the initial option grant is typically the largest, and an employee may be more likely to leave Yahoo!'s employ upon completion of the vesting period for the initial option grant.

We expect that we will need to hire additional personnel in designated growth areas. The competition for qualified personnel is intense, particularly in the San Francisco Bay Area, where our corporate headquarters are located. At times, we have experienced difficulties in hiring personnel with the right training or experience, particularly in technical areas. We do not maintain key person life insurance for any of our personnel. If we do not succeed in attracting new personnel, or retaining and motivating existing personnel, our business will be adversely affected.

We may have difficulty scaling and adapting our existing architecture to accommodate increased traffic and technology advances.

Yahoo! is one of the most highly trafficked Websites on the Internet and is regularly exceeding previous standards for numbers of simultaneous users, unique users and daily page views delivered. In addition, the services offered by Yahoo! and popular with users have changed significantly in the past and are expected to change rapidly in the future. Much of the architecture that we employ was not originally designed to accommodate levels or types of use that we currently experience on our online properties, and it is unclear whether current or future anticipated levels of traffic or use of services will result in delays or interruptions in our service. In particular, the architecture utilized for our email and certain other communication services was not primarily designed for this purpose. The architecture is highly complex and may not provide satisfactory service in the future, especially as email and certain other communications services become an increasingly important service offering. In the future, we may be required to make significant changes to our architecture, including moving to a completely new architecture. If we are required to switch architectures, we may incur substantial costs and experience delays or interruptions in our service. If we experience delays or interruptions in our service due to

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inadequacies in our current architecture or as a result of a change in architectures, users may become dissatisfied with our service and move to competing providers of online services. Further, to the extent that demand for our broadcast services content and other rich media offerings increases, we will need to expand our infrastructure, including the capacity of our hardware servers and the sophistication of our software. This expansion is likely to be expensive and complex, and require additional technical expertise. If we fail to successfully scale our broadcasts to large audiences of simultaneous users, such failure could adversely affect that portion of our business. Also, as we acquire users who rely upon us for a wide variety of services, it becomes more technologically complex and costly to retrieve, store and integrate data that will enable us to track each user's preferences. An unanticipated loss of traffic, increased costs, inefficiencies or failures to adapt to new technologies and the associated adjustments to our architecture may have a material adverse effect on our business, operating results and financial condition.

Our competitors often provide Internet access or computer hardware to our users, and our competitors could make it difficult for our users to access our services.

Our users must access our services through an Internet service provider, or ISP, with which the user establishes a direct billing relationship using a personal computer or other access device. To the extent that an access provider, such as AOL Time Warner or MSN, or a computer or computing device manufacturer offers online services or properties that are competitive with those of Yahoo!, the user may find it more convenient to use the services or properties of that access provider or manufacturer. In addition, the access provider or manufacturer may make it difficult to access our services by not listing them in the access provider's or manufacturer's own directory. Also, because an access provider gathers information from the user in connection with the establishment of the billing relationship, an access provider may be more effective than us in tailoring services and advertisements to the specific tastes of the user. To the extent that a user opts to use the services offered by his or her access provider or those offered by computer or computing device manufacturers rather than the services provided by us, our business, operating results and financial condition will be materially adversely affected.

More individuals are utilizing non-PC devices to access the Internet, and we may not be successful in developing a version of our service that will gain widespread adoption by users of such devices.

In the coming years, the number of individuals who access the Internet through devices other than a personal computer, such as personal digital assistants, cellular telephones and television set-top devices, is expected to increase dramatically. Our services are designed for rich, graphical environments such as those available on personal and laptop computers. The lower resolution, functionality and memory associated with alternative devices may make the use of our services through such devices difficult, and we may be unsuccessful in our efforts to modify our online properties to provide a compelling service for users of alternative devices. As we have limited experience to date in operating versions of our service developed or optimized for users of alternative devices, it is difficult to predict the problems we may encounter in doing so, and we may need to devote significant resources to the creation, support and maintenance of such versions. If we are unable to attract and retain a substantial number of alternative device users to our online services, we will fail to capture a sufficient share of an increasingly important portion of the market for online services.

As the majority of our revenues are derived through the sale of banner and other advertising optimized for a personal computer screen, we may not be successful at developing a viable strategy for deriving substantial revenues from online properties that are directed at the users of alternative devices. Any failure to develop revenue-generating online properties that are adopted by a significant number of alternative device users could have a material adverse effect on our business, operating results and financial condition.

We rely on the value of the Yahoo! brand, and the costs of maintaining and enhancing our brand awareness are increasing.

We believe that maintaining and expanding the Yahoo! brand is an important aspect of our efforts to attract and expand our user and advertiser base. We also believe that the importance of brand recognition will increase due to the growing number of Internet sites and the relatively low barriers to entry. We have spent considerable money and resources to date on the establishment and maintenance of the Yahoo! brand. We will spend increasing amounts of money on, and devote greater resources to, advertising, marketing and other brand-building efforts to preserve and enhance consumer awareness of the Yahoo! brand during 2002 and beyond. We may not be able to successfully maintain or enhance consumer awareness of the Yahoo! brand and, even if we are successful in our branding efforts, such efforts may not be cost-effective. If we are unable to maintain or enhance consumer awareness of the Yahoo! brand in a cost-effective manner, our business, operating results and financial condition would be materially and adversely affected.

The successful operation of our business depends upon the supply of critical elements from other companies.

We depend upon third parties, to a substantial extent, for several critical elements of our business, including various technology, infrastructure, content development, software and distribution components.

Technology and Infrastructure. We rely on private third-party providers, including Exodus, a Cable & Wireless Service and its affiliates and Level 3 Communications, for our principal Internet connections, co-location of a significant portion of our data servers and network access. We also rely on Network Appliance for key components of our email service. Any disruption in the Internet or network access or co-location services provided by these third-party providers or any failure of these third-party providers to handle current or higher volumes of use could have a material adverse effect on our business, operating results, and financial condition. For example, Exodus was recently acquired out of bankruptcy proceedings by Cable & Wireless. Any continued financial difficulties for Exodus may have negative effects on our business, the nature and extent of which we cannot predict. We license technology and related databases from third parties for certain elements of our properties, including, among others, technology underlying the delivery of news, stock quotes and current financial information, chat services, street mapping and telephone listings, streaming capabilities and similar services. We have experienced and expect to continue to experience interruptions and delays in service and availability for such elements. Furthermore, we depend on hardware suppliers for prompt delivery, installation and service of servers and other equipment to deliver our products and services. Any errors, failures, interruptions, or delays experienced in connection with these third-party technologies and information services could negatively impact our relationship with users and adversely affect our brand and our business and could expose us to liabilities to third parties.

Distribution Relationships. To increase traffic for our online properties and services and make them more available and attractive to advertisers and consumers, we have certain distribution agreements and informal relationships with leading Web browser providers, such as Microsoft, operators of online networks and leading Websites, software developers and computer manufacturers, such as Sony, and telecommunications companies, such as Sprint PCS. These distribution arrangements typically are not exclusive and do not extend over a significant amount of time. Further, some of our distributors are competitors or potential competitors who may not renew their distribution contracts with us. Potential distributors may not offer distribution of our properties and services on reasonable terms, or at all. In addition, as new methods for accessing the Web become available, including through alternative devices, we may need to enter into additional distribution relationships. Any failure to obtain distribution or to obtain distribution on terms that are reasonable, could have a material adverse effect on our business, results of operations, and financial condition.

Streaming Media Software. We rely on the two leading providers of streaming media products, RealNetworks and Microsoft, to license the software necessary to broadcast streaming audio and video content to our users. There can be no assurance that these providers will continue to license these products to us on reasonable terms, or at all. Our users are currently able to electronically download copies of the software to play streaming media free of charge, but providers of streaming media products may begin charging users for copies of their player software or otherwise change their business model in a manner that slows the widespread acceptance of these products. In order for our broadcast services to be successful, there must be a large base of users of these streaming media products. We have limited or no control over the availability or acceptance of streaming media software, and to the extent that any of these circumstances occur, the broadcast services portion of our business will be materially adversely affected.

Our dependence on third party content and service providers subjects us to risks.

Our future success depends upon our ability to aggregate compelling content and deliver that content through our online properties. We license much of the content that attracts users to our online properties, such as news items, stock quotes, weather reports, maps and audio and video content from third parties such as Reuters. We also obtain important elements of our search service from our relationship with Google. In particular, Yahoo! Broadcast and our music and entertainment properties rely on major sports organizations, radio and television stations, record labels, cable networks, businesses, colleges and universities, film producers and distributors, and other organizations for a large portion of the content available on our properties. Our ability to maintain and build relationships with third-party content providers will be critical to our success. We may be unable to enter into or preserve relationships with the third parties whose content we seek to obtain. Many of our current licenses for third-party content extend for a period of less than two years and there can be no guarantee that they will be renewed upon their expiration. In addition, as competition for compelling content increases both locally and abroad, our content providers may increase the prices at which they offer their content to us and potential content providers may not offer their content on terms agreeable to us. An increase in the prices charged to us by third-party content providers could have a material adverse effect on our business, operating results and financial condition. Further, many of our content licenses with third parties are non-exclusive. Accordingly, other webcasters may be able to offer similar or identical content. Likewise, most sports and entertainment content available on our online properties are also available on other media like radio or television. These media are currently, and for the foreseeable future will be, much more widely adopted for listening or viewing such content than the Web. These factors also increase the importance of our ability to deliver compelling editorial content and personalization of this content for users in order to differentiate Yahoo! from other businesses. If we are unable to license or acquire compelling content, if other companies broadcast content that is similar to or the same as that provided by Yahoo!, or if we do not develop compelling editorial content or personalization services, the number of users on our online properties may not grow at all or at a slower rate than anticipated, which would decrease our advertising revenue.

As we provide more audio and video content, particularly music, we may be required to spend significant amounts of money on content acquisition and content broadcasts.

Until recently, the majority of the content that we provided to our users was in print, picture or graphical format and was either created internally or licensed to us by third parties for little or no charge. However, we have been providing recently and intend to continue to provide increasing amounts of audio and video content to our users, such as the broadcast of music, film content, speeches, news footage, concerts and other special events, through our broadcast services and other media and entertainment properties, and such content may require us to make substantial payments to third parties from whom we license or acquire such content. For example, in order to broadcast music through our online properties, we are currently required to pay royalties both on the copyright in the musical compositions and the copyright in the actual sound recordings of the music to be broadcast. We currently have obtained rights from ASCAP, BMI and SESAC that permit Yahoo! to engage in the public performance of musical compositions for which they control the rights. These rights have been obtained pursuant to short-term agreements or are under negotiation. With respect to the copyrights in the specific sound recordings that we broadcast, the Digital Millennium Copyright Act (DMCA) includes statutory licenses for the performance of such sound recordings and for the making of recordings to facilitate transmissions. Under these statutory licenses, we will be required to pay licensing fees for the public performance of sound recordings delivered through retransmissions of radio broadcasts and Internet-only programming. The DMCA does not specify the rate and terms of the licenses, which were recently recommended by a copyright arbitration royalty panel (CARP) supervised by the United States Copyright Office and which are anticipated to be finally determined in June 2002. If the royalty rates under negotiation or determined in the arbitration are altered in the future to be above our expectations, if the royalty rates charged by the various performance rights societies increase or if any of these or other parties with music licensing rights impose terms that make it difficult or impossible to broadcast music through our properties, we may be unable to provide music content to our users in a cost-effective manner. We believe that users of Internet services such as the Yahoo! online properties will increasingly demand high-quality audio and video content. The revenue we receive as a result of our audio and video broadcasts may not justify the costs of providing such broadcasts. Our inability to cost-effectively provide high-quality audio and/or video content to our users could have a material adverse effect on our business, operating results and financial condition.

We must manage our growth and consolidation successfully, including the integration of recently-acquired companies, in order to achieve our desired results.

We have experienced dramatic growth in personnel in recent years and expect to continue to hire additional personnel in selected areas. We also reduced our workforce in 2001 to decrease our costs and create greater operational efficiency. This growth and consolidation requires significant time and resource commitments from us and our senior management. Further, as a result of recent acquisitions and international expansion, approximately one-half of our employees are based outside of our Sunnyvale, California headquarters. If we are unable to effectively manage a large and geographically dispersed group of employees, anticipate our future growth or manage our consolidations effectively, our business will be adversely affected.

As part of our business strategy, we have completed several acquisitions (including the acquisition of HotJobs.com in February 2002) and expect to enter into additional business combinations and acquisitions. Acquisition transactions are accompanied by a number of risks, including:

- the difficulty of assimilating the operations and personnel of the acquired companies which may be geographically dispersed;
- the potential disruption of our ongoing business and distraction of management;
- the difficulty of incorporating acquired technology or content and rights into our products and media properties and unanticipated expenses related to such integration;
- the negative impact on reported earnings if any of our previously completed transactions that are expected to continue to qualify for pooling of interest accounting treatment for financial reporting purposes fail to continue to so qualify;
- the correct assessment of the relative percentages of in-process research and development expense that can be immediately written off as compared to the amount which must be amortized over the appropriate life of the asset;

- the failure to successfully develop an acquired in-process technology resulting in the impairment of amounts currently capitalized as intangible assets;
- the impairment of relationships with employees and customers of either an acquired company or our own business as a result of any integration of new management personnel; and
- the potential unknown liabilities associated with acquired businesses.

We may not be successful in addressing these risks or any other problems encountered in connection with such acquisitions and the failure to do so could have a material adverse effect on our business, operating results and financial condition.

We are subject to U.S. and foreign government regulation of the Internet, the impact of which is difficult to predict.

There are currently few laws or regulations directly applicable to the Internet. The application of existing laws and regulations to Yahoo! relating to issues such as user privacy, defamation, pricing, advertising, taxation, gambling, sweepstakes, promotions, financial market regulation, content regulation, quality of products and services, and intellectual property ownership and infringement can be unclear. In addition, we will also be subject to new laws and regulations directly applicable to our activities. Any existing or new legislation applicable to us could expose us to substantial liability, including significant expenses necessary to comply with such laws and regulations, and dampen the growth in use of the Web.

Several federal laws could have an impact on our business. The Digital Millennium Copyright Act is intended to reduce the liability of online service providers for listing or linking to third-party Websites that include materials that infringe copyrights or other rights of others. The Children's Online Protection Act and the Children's Online Privacy Protection Act are intended to restrict the distribution of certain materials deemed harmful to children and impose additional restrictions on the ability of online services to collect user information from minors. In addition, the Protection of Children From Sexual Predators Act of 1998 requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances. Such legislation may impose significant additional costs on our business or subject us to additional liabilities.

We post our privacy policy and practices concerning the use and disclosure of user data. In addition, GeoCities, a company we acquired in 1999, is required to comply with a consent order between it and the Federal Trade Commission (the "FTC"), which imposes certain obligations and restrictions with respect to information collected from users. Any failure by us to comply with our posted privacy policy, the consent order, FTC requirements or other privacy-related laws and regulations could result in proceedings by the FTC or others which could potentially have an adverse effect on our business, results of operations and financial condition. In this regard, there are a large number of legislative proposals before the United States Congress and various state legislative bodies regarding privacy issues related to our business. It is not possible to predict whether or when such legislation may be adopted, and certain proposals, if adopted, could materially and adversely affect our business through a decrease in user registrations and revenues. This could be caused by, among other possible provisions, the required use of disclaimers or other requirements before users can utilize our services.

Due to the global nature of the Web, it is possible that the governments of other states and foreign countries might attempt to regulate Web transmissions or prosecute us for violations of their laws. We might unintentionally violate such laws, such laws may be modified and new laws may be enacted in the future. Any such developments (or developments stemming from enactment or modification of other laws) could have a material adverse effect on our business, operating results and financial condition.

We may be subject to legal liability for online services.

We host a wide variety of services that enable individuals to exchange information, generate content, conduct business and engage in various online activities on an international basis, including public message posting and services relating to online auctions and homesteading. The law relating to the liability of providers of these online services for activities of their users is currently unsettled both within the United States and abroad. Claims have been threatened and have been brought against us for defamation, negligence, copyright or trademark infringement, unlawful activity, tort, including personal injury, fraud, or other theories based on the nature and content of information that we provide links to or that may be posted online or generated by our users or with respect to auctioned materials. For example, Yahoo! was recently the subject of a claim brought by certain entities in a French court regarding, among other things, the availability of certain content within our services which was alleged to violate French law. Due to the unsettled nature of the law in this area, we may be subject to similar actions in domestic or other international jurisdictions in the future. Our defense of any such actions could be costly and involve significant distraction of our management and other resources. In addition, we are aware that governmental agencies are currently investigating the conduct of online auctions.

We also periodically enter into arrangements to offer third-party products, services, or content under the Yahoo! brand or via distribution on various Yahoo! properties, including stock quotes and trading information. We may be subject to claims concerning these products, services or content by virtue of our involvement in marketing, branding, broadcasting or providing access to them, even if we do not ourselves host, operate, provide, or provide access to these products, services or content. While our agreements with these parties often provide that we will be indemnified against such liabilities, such indemnification may not be adequate.

It is also possible that, if any information provided directly by us contains errors or is otherwise negligently provided to users, third parties could make claims against us. For example, we offer Web-based email services, which expose us to potential risks, such as liabilities or claims resulting from unsolicited email, lost or misdirected messages, illegal or fraudulent use of email, or interruptions or delays in email service. Investigating and defending any of these types of claims is expensive, even to the extent that the claims do not ultimately result in liability.

Our stock price has been volatile historically, which may make it more difficult for you to resell shares when you want at prices you find attractive.

The trading price of our common stock has been and may continue to be subject to wide fluctuations. During the first quarter of 2002, the closing sale prices of our common stock on the Nasdaq ranged from $20.50 to $14.44 per share and the closing sale price of our common stock on May 8, 2002 was $16.32 per share. Our stock price may fluctuate in response to a number of events and factors, such as quarterly variations in operating results, announcements of technological innovations or new products and media properties by us or our competitors, changes in financial estimates and recommendations by securities analysts, the operating and stock price performance of other companies that investors may deem comparable to us, and news reports relating to trends in our markets. In addition, the stock market in general, and the market prices for Internet-related companies in particular, have experienced extreme volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance. Additionally, volatility or a lack of positive performance in our stock price may adversely affect our ability to retain key employees, all of whom have been granted stock options.

Management and one large stockholder beneficially own approximately 30.6% of our stock; their interests could conflict with yours; significant sales of stock held by them could have a negative effect on our stock price.

Yahoo!'s directors and executive officers and SOFTBANK beneficially owned approximately 30.6% of Yahoo!'s outstanding common stock as of April 30, 2002. Eric Hippeau is a member of our board of directors and is also a Managing Partner of SOFTBANK Capital Partners, an affiliate of SOFTBANK. As a result of their ownership and positions, our directors and executive officers and SOFTBANK collectively are able to significantly influence all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. Such concentration of ownership may also have the effect of delaying or preventing a change in control of Yahoo!. In addition, sales of significant amounts of shares held by Yahoo!'s directors and executive officers and SOFTBANK, or the prospect of these sales, could adversely affect the market price of our common stock.

Our operations could be significantly hindered by the occurrence of a natural disaster or other catastrophic event.

Our operations are susceptible to outages due to fire, floods, power loss, telecommunications failures, break-ins and similar events. In addition, the majority of our network infrastructure is located in Northern California, an area susceptible to earthquakes. In the recent past, the western United States (and California in particular) has experienced repeated episodes of diminished electrical power supply. As a result of these episodes, certain of our operations or facilities may be subject to "rolling blackouts" or other unscheduled interruptions of electrical power. The prospect of such unscheduled interruptions may continue for the foreseeable future and we are unable to predict either their occurrence, duration or cessation. We do not have multiple site capacity for all of our services in the event of any such occurrence. Despite our implementation of network security measures, our servers are vulnerable to computer viruses, physical and electronic break-ins, and similar disruptions from unauthorized tampering with our computer systems. In addition, we are vulnerable to coordinated attempts to overload our systems with data, resulting in denial or reduction of service to some or all of our users for a period of time. We have experienced a coordinated denial of service attack in the past, and may experience such attempts in the future. We do not carry sufficient business interruption insurance to compensate us for losses that may occur as a result of any of these events. Any such event could have a material adverse effect on our business, operating results, and financial condition.

Anti-takeover provisions could make it more difficult for a third party to acquire us.

We have adopted a stockholder rights plan and declared a dividend distribution of one right for each outstanding share of common stock to stockholders of record as of March 20, 2001. Each right entitles the holder to purchase one unit consisting of one one-thousandth of a share of our Series A Junior Participating Preferred Stock for $250 per unit. Under certain circumstances, if a person or group acquires 15% or more of our outstanding common stock, holders of the rights (other than the person or group triggering their exercise) will be able to purchase, in exchange for the $250 exercise price, shares of our common stock or of any company into which we are merged having a value of $500. The rights expire on March 1, 2011 unless extended by our board of directors. Because the rights may substantially dilute the stock ownership of a person or group attempting to take us over without the approval of our board of directors, our rights plan could make it more difficult for a third party to acquire us (or a significant percentage of our outstanding capital stock) without first negotiating with our board of directors regarding such acquisition.

In addition, our board of directors has the authority to issue up to 10,000,000 shares of preferred stock (of which 2,000,000 shares have been designated as Series A Junior Participating Preferred Stock) and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of

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those shares without any further vote or action by the stockholders. The rights of the holders of our common stock may be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock may have the effect of delaying, deterring or preventing a change of control of Yahoo! without further action by the stockholders and may adversely affect the voting and other rights of the holders of our common stock. Further, certain provisions of our charter documents, including provisions eliminating the ability of stockholders to take action by written consent and limiting the ability of stockholders to raise matters at a meeting of stockholders without giving advance notice, may have the effect of delaying or preventing changes in control or management of Yahoo!, which could have an adverse effect on the market price of our stock. In addition, our charter documents do not permit cumulative voting, which may make it more difficult for a third party to gain control of our Board of Directors. Further, we are subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which will prohibit us from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, even if such combination is favored by a majority of stockholders, unless the business combination is approved in a prescribed manner. The application of Section 203 also could have the effect of delaying or preventing a change of control or management.

Terrorist attacks have contributed to economic instability in the United States; continued terrorist attacks, war or other civil disturbances could lead to further economic instability and depress our stock price or adversely affect our business.

On September 11, 2001, the United States was the target of terrorist attacks of unprecedented scope. These attacks have caused instability in the global financial markets, and have contributed to volatility in the stock prices of United States publicly traded companies, such as Yahoo!. These attacks have and may continue to lead to armed hostilities or may lead to further acts of terrorism and civil disturbances in the United States or elsewhere, which may further contribute to economic instability in the United States and could have a material adverse effect on our business, financial condition and operating results.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to the impact of interest rate changes, foreign currency fluctuations, and change in the market values of our investments.

Interest Rate Risk. Our exposure to market rate risk for changes in interest rates relates primarily to the our investment portfolio and our lease obligation pertaining to our headquarter facility in Sunnyvale, California. We have not used derivative financial instruments to hedge our investment portfolio. We invest excess cash in debt instruments of the U.S. Government and its agencies, and in high-quality corporate issuers and, by policy, limit the amount of credit exposure to any one issuer. We protect and preserve invested funds by limiting default, market and reinvestment risk.

Investments in both fixed rate and floating rate interest earning instruments carries a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if forced to sell securities which have declined in market value due to changes in interest rates. As of March 31, 2002, investments in debt securities with maturities less than one year of $511.1 million had a weighted average yield of approximately 4.61%. Investments in debt securities with maturities between one and five years of $528.6 million had a weighted average yield of approximately 4.65%.

Rent obligations for our Sunnyvale, California office complex bear a direct relationship to the lessor's carrying costs of $258.4 million. Our rent expense is based on a floating LIBOR interest rate, which is reset periodically and can be locked in for a maximum of six months. As a result, our rent expense is subject to fluctuations as the LIBOR interest rate changes. See "Liquidity and Capital Resources—Operating leases" for further discussion of our rent obligations.

Foreign Currency Risk. International revenues from our foreign subsidiaries accounted for approximately 14% of total revenues during the quarter ended March 31, 2002. International sales are made mostly from our foreign sales subsidiaries in their respective countries and are typically denominated in the local currency of each country. These subsidiaries also incur most of their expenses in the local currency. Accordingly, all foreign subsidiaries use the local currency as their functional currency.

Our international business is subject to risks, including, but not limited to differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility when compared to the United States. Accordingly, our future results could be materially adversely impacted by changes in these or other factors.

Our exposure to foreign exchange rate fluctuations arises in part from intercompany accounts in which costs incurred in the United States are charged to our foreign sales subsidiaries. These intercompany accounts are typically denominated in the functional currency of the foreign subsidiary. We are also exposed to foreign exchange rate fluctuations as the financial statements of foreign subsidiaries are translated into U.S. dollars in consolidation. As exchange rates vary, this may adversely impact overall expected profitability. The effect of foreign exchange rate fluctuations for the first quarter of 2002 was not material.

Investment Risk. We invest in equity instruments of privately-held companies for business and strategic purposes. These investments are included in other long-term assets and are accounted for under the cost method when ownership is less than 20% and we do not have the ability to exercise significant influence over operations. Since our initial investment, certain of these investments in privately-held companies have become marketable equity securities upon the investees completing initial public offerings. Such investments, most of which are in the Internet industry, are subject to significant fluctuations in fair market value due to the volatility of the stock market, and are recorded as long-term investments. For these investments in public and privately-held companies, our policy is to monitor these investments for impairment by considering current factors including economic environment, market conditions and operational performance and other specific factors relating to the business underlying the investment, and reductions in carrying value when necessary.

The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we maintain our portfolio of cash equivalents, short-term and long-term investments in a variety of securities, including both government and corporate obligations and money market funds. As of March 31, 2002, the net unrealized losses of $19.8 million on these investments have been recorded net of deferred taxes of $7.9 million as a separate component of stockholders' equity.

We are exposed to market risk as it relates to changes in the market value of our investments. We invest in equity instruments of public companies, certain of which may be classified as derivatives, for business and strategic purposes and have classified these securities as available-for-sale. These available-for-sale equity investments, primarily in Internet and technology companies, are subject to significant fluctuations in fair value due to the volatility of the stock market and the industries in which these companies participate. We have realized gains and losses from both the sale of investments, as well as mergers and acquisitions of companies in which we have invested. As of March 31, 2002, we had available-for-sale equity investments with a fair value of $21.3 million and a cost basis of $12.4 million. The net unrealized gains of $8.9 million have been recorded net of deferred taxes of

$3.6 million as a separate component of stockholders' equity. Our objective in managing exposure to stock market fluctuations is to minimize the impact of stock market declines to earnings and cash flows. However, continued market volatility, as well as mergers and acquisitions, have the potential to have a material non-cash impact on our operating results in future periods.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of trademarks, copyrights and other intellectual property rights, and a variety of claims arising in connection with our email, message boards, auction sites, shopping services, and other communications and community features, such as claims alleging defamation or invasion of privacy. Currently, our subsidiary Launch Media, Inc. ("Launch") is engaged in a lawsuit regarding copyright issues which commenced prior to our entering into an agreement to acquire Launch. In addition, from time to time, third parties assert patent infringement claims against Yahoo! in the form of letters, lawsuits and other forms of communication. Currently, we are engaged in two lawsuits regarding patent issues and have been notified of a number of other potential patent disputes.

We are not currently aware of any legal proceedings or claims that we believe are likely to have a material adverse effect on our financial position, results of operations or cash flows. However, we may incur substantial expenses in defending against third party claims. In the event of a determination adverse to Yahoo!, we may incur substantial monetary liability, and be required to change our business practices. Either of these could have a material adverse effect on our financial position, results of operations and cash flows.

Item 2. Changes in Securities and Use of Proceeds

None.

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

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Registrant (Filed as Exhibit 3.1 to the June 30, 2000 10-Q and incorporated herein by reference).
3.2	Amended Bylaws of Registrant (Filed as Exhibit 4.9 to the Registrant's Registration Statement on Form S-8 filed on March 5, 2002 and incorporated herein by reference).
4.1	Form of Senior Indenture (Filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-3, Registration No. 333-46458, filed September 22, 2000 [the September 22, 2000 Form S-3] and incorporated herein by reference).
4.2	Form of Subordinated Indenture (Filed as Exhibit 4.2 to the September 22, 2000 Form S-3 and incorporated herein by reference).
4.3**	Form of Senior Note.
4.4**	Form of Subordinated Note.
4.5**	Form of Certificate of Designation for preferred stock (together with preferred stock certificate).
4.6	Form of Deposit Agreement (together with Depository Receipt) (Filed as Exhibit 4.6 to the September 22, 2000 Form S-3 and incorporated herein by reference).
4.7**	Form of Warrant Agreement (together with form of Warrant Certificate).
4.8	Rights Agreement, dated as of March 15, 2001, between the Registrant and Equiserve Trust Company, N.A., as Rights Agent, including the form of Rights Certificate as Exhibit B and the summary of Rights to Purchase Preferred Stock as Exhibit C (Filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed March 19, 2001 and incorporated herein by reference).
10.40*	Consent and Resale Agreement dated as of March 25, 2002, between the Registrant and SOFTBANK Corp.

* Filed herewith.

** To be filed by a report on Form 8-K pursuant to Item 601 of Regulation S-K or, where applicable, incorporated herein by reference from a subsequent filing in accordance with Section 305(b)(2) of the Trust Indenture Act of 1939.

b. Reports on Form 8-K:

On January 11, 2002 the Company filed a report on Form 8-K announcing the commencement of the exchange offer for HotJobs.com, Ltd. common stock. A copy of the press release was attached and incorporated by reference therein.

On January 18, 2002, the Company filed a report on Form 8-K which announced Yahoo's financial results for the quarter and year ended December 31, 2001. A copy of Yahoo's press release announcing the results was attached and incorporated by reference therein.

On January 29, 2002, the Company filed a report on Form 8-K announcing that the Department of Justice and the Federal Trade Commission granted early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, in connection with the Company's proposed acquisition of HotJobs.com, Ltd. A copy of the press release was attached and incorporated by reference therein.

On February 7, 2002, the Company filed a report on Form 8-K announcing the exchange ratio for the exchange offer relating to the Company's proposed acquisition of HotJobs.com, Ltd. and announcing that the Securities and Exchange Commission had declared effective Yahoo!'s registration statement relating to the exchange offer. A copy of the press release was attached and incorporated by reference therein.

On February 14, 2002, the Company filed a report on Form 8-K which announced the completion of its acquisition of HotJobs.com, Ltd. A copy of Yahoo!'s press release announcing the completion of the acquisition was attached and incorporated by reference therein.

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: May 10, 2002	By:	/s/ SUSAN L. DECKER
		Susan L. Decker *Executive Vice President, Finance and Administration, and Chief Financial Officer (Principal Financial Officer)*
Dated: May 10, 2002	By:	/s/ WILLIAM E. LOSCH
		William E. Losch *Vice President, Finance* *(Principal Accounting Officer)*

YAHOO! INC.
Index to Exhibits

Title	Exhibit No.
Consent and Resale Agreement dated as of March 25, 2002, between the Registrant and SOFTBANK Corp.	10.40

QuickLinks

EXHIBIT 10.40

CONSENT AND RESALE AGREEMENT

This Consent and Resale Agreement (the "Agreement") is entered into as of March 25, 2002, by and among Yahoo! Inc., a Delaware corporation ("Yahoo!") and SOFTBANK Corp., a corporation organized under the laws of Japan ("SOFTBANK").

Recitals

WHEREAS, SOFTBANK may desire to have Yahoo! Japan list the shares of common stock (the "Shares") of Yahoo! Japan Corporation, a corporation formed under the laws of Japan ("Yahoo! Japan"), on the Tokyo Stock Exchange;

WHEREAS, certain actions necessary for the listing of the Shares on the Tokyo Stock Exchange require the consent of Yahoo! in connection with the Joint Venture Agreement between SOFTBANK and Yahoo! dated April 1, 1996 (the "Joint Venture Agreement");

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises hereinafter set forth, the parties hereto agree as follows:

Agreement

1. *Consent to List Shares*. Yahoo!, in its capacity as a shareholder of Yahoo! Japan, hereby agrees, if and when requested by SOFTBANK, to consent to the stock issuance (by stock split, stock dividend or other means) necessary for and in connection with the listing of Yahoo! Japan stock on the Tokyo Stock Exchange.

2. *Resale Restrictions*.

2.1 *Transfer Restrictions.* SOFTBANK shall not, and shall not permit its direct or indirect subsidiaries of which SOFTBANK directly or indirectly owns 80% or more of the outstanding shares of capital stock which ordinarily has voting power for the election of directors (or persons performing similar functions) to, sell, transfer, assign, pledge, hypothecate or otherwise dispose of shares of Yahoo! Common Stock (or all or part of the related voting rights thereof) to a third party before March 25, 2004 ("Third Party Transfer") without Yahoo!'s prior written consent unless such Third Party Transfer is a Permitted Transfer (as defined in Section 2.2 hereof). "Yahoo! Common Stock" shall mean common stock of Yahoo!, par value $0.001 per share.

2.2 *Permitted Transfers.* Yahoo! acknowledges and agrees that SOFTBANK and its direct and indirect subsidiaries may transfer shares of Yahoo! Common Stock at any time in a Permitted Transfer. As used herein, "Permitted Transfer" shall mean:

(A) any transfer to SOFTBANK or any of its direct or indirect wholly-owned subsidiaries;

(B) any transfer (including, without limitation, any transaction in which some or all of the economic risks or benefits associated with the ownership of Yahoo! Common Stock are transferred, whether through the purchase or sale of one or more put or call options, forward sales, equity swaps, other derivative transactions or otherwise) to a broker, dealer, bank, investment company, hedge fund or other financial institution (each, a "Financial Institution") if the transferee has agreed in writing in connection with such transfer (which writing states that such agreement is expressly for the benefit of Yahoo! and which writing is furnished to Yahoo! at or before the time of such transfer) (i) to be bound by the transfer restrictions and other provisions contained in Sections 2, 3, 4, 5, 6, 7, 8 and 9 of this Agreement (except that references to SOFTBANK and its direct and indirect subsidiaries, except in clause (F) of this Section 2.2, shall be changed to references to such transferee and such transferee's direct and indirect subsidiaries, respectively), (ii) to use reasonable efforts to resell such number of such shares of Yahoo! Common Stock so transferred to such transferee during the 90-day period following the date (the "Effective Date")

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on which a resale registration statement filed under the Securities Act covering such shares is declared effective, so that, on the 90th day after the Effective Date, such shares of Yahoo! Common Stock beneficially owned (as that term is used in Rule 13d-3 under the Exchange Act of 1934, as amended ("Rule 13d-3")) by such transferee do not exceed 3% of the then-outstanding shares of Yahoo! Common Stock, and (iii) to beneficially own (as that term is used in Rule 13d-3) such number of such shares of Yahoo! Common Stock as shall constitute no more than 3% of the then-outstanding shares of Yahoo! Common Stock on the 180th day following the Effective Date (provided, that the "90-day period", the "90th day", and the "180th day" in this Section 2.2(B) shall be extended by one day for each day after the Effective Date that such registration statement is not effective and available for resales by such transferee);

(C) any bona fide pledge or hypothecation of shares of Yahoo! Common Stock to a Financial Institution (and any transfer to or by the pledgee or holder of the security interest upon any default by the borrower) if the transferee has agreed in writing in connection with such transfer (which writing states that such agreement is expressly for the benefit of Yahoo! and which writing is furnished to Yahoo! at or before the time of such transfer) to be bound by the transfer restrictions and other provisions contained in Sections 2, 3, 4, 5, 6, 7, 8 and 9 of this Agreement (except that references to SOFTBANK and its direct and indirect subsidiaries, except in clause (F) of this Section 2.2, shall be changed to references to such transferee and such transferee's direct and indirect subsidiaries, respectively) and *provided* that (i) the number of such shares pledged or hypothecated to any single Financial Institution (together with its affiliates) shall not constitute more than 3% of the then-outstanding shares of Yahoo! Common Stock and (ii) the borrower shall, prior to a default in respect of one or more of the obligations secured by such pledge, retain sole voting control over all such pledged shares of Yahoo! Common Stock;

(D) any transfer pursuant to Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"), provided that such transfer complies with the manner of sale requirements of Rule 144(f);

(E) any transfer made in a Broadly-Distributed Public Offering (as defined below);

(F) any sale, transfer, assignment, pledge, hypothecation or other disposition if, after giving effect thereto, SOFTBANK and its direct and indirect wholly-owned subsidiaries collectively have beneficial ownership of and voting control over at least sixty million (60,000,000) shares of Yahoo! Common Stock (subject to appropriate adjustments for stock splits, reverse stock splits, stock dividends and other similar events); and

(G) any transfer deemed to occur by operation of law pursuant to any merger to which Yahoo! is a party or any transfer to any third party pursuant to the terms of any tender offer or exchange offer, provided that such tender offer or exchange offer is made for any and all shares of Yahoo! Common Stock.

As used herein, "Broadly-Distributed Public Offering" shall mean any offering and sale of Yahoo! Common Stock in a public offering pursuant to an effective registration statement under the Securities Act if, to SOFTBANK's knowledge (after inquiry of the managing underwriters, if any, of such offering), no person or entity, other than the underwriters (if any), purchases in such offering more than 2% of the then outstanding shares of Yahoo! Common Stock. In connection with any transfer of shares of Yahoo! Common Stock permitted pursuant to clause (B) or (C) of this Section 2.2 otherwise than pursuant to Rule 144 under the Securities Act or in an offering pursuant to an effective registration statement under the Securities Act, Yahoo! agrees to use its commercially reasonable efforts, pursuant to a registration rights agreement mutually acceptable to Yahoo! and SOFTBANK and containing customary terms and conditions, to effect the registration pursuant to the Securities Act of the resale by the transferee of such shares. Except as provided in the immediately preceding sentence,

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Yahoo! shall have no obligation hereunder to effect the registration of any securities pursuant to the Securities Act.

2.3 *Prohibited Transfers.* Any sale, transfer, assignment, pledge, hypothecation or other encumbrance or disposition of the Yahoo! Common Stock not made in conformance with this Agreement shall be null and void, shall not be recorded on the books of Yahoo! and shall not be recognized by Yahoo!.

2.4 *Restrictive Legend.* Each certificate for shares of Yahoo! Common Stock subject to this Agreement shall be stamped or otherwise imprinted with a legend in substantially the following form (in addition to any other restricted securities legends which may be set forth on such certificates):

> **"The shares represented by this certificate are subject to restrictions on transferability and resale. They may not be transferred or resold except as permitted under the terms of that certain Consent and Resale Agreement, dated March 25, 2002, by and between Yahoo! Inc. and SOFTBANK Corp."**

Yahoo! shall cause new certificates not containing such legend to be issued with respect to any shares of Yahoo! Common Stock transferred in any transaction referred to in clause (D), (E)or (F) of Section 2.2 or upon any foreclosure or sale by a pledgee or holder of a security interest after default by the borrower, in the case of a pledge or hypothecation referred to in clause (C) of Section 2.2 or upon any transaction described in clause (G) of Section 2.2 in which the beneficial owners of Yahoo! common stock immediately before such transaction cease to beneficially own at least a majority of the voting securities of the surviving entity immediately after such transaction, in each case in a timely manner so as to permit the prompt settlement of such transaction, foreclosure or sale.

3. *Remedies.* Each of SOFTBANK and Yahoo! agrees that the remedies at law available to the other in the event of any default or threatened default by the other in the performance of or compliance with any of the terms of this Agreement are not and will not be adequate and that, to the fullest extent permitted by law, such terms may be specifically enforced by a decree for the specific performance of this Agreement or by an injunction against a violation of any of the terms hereof or otherwise.

4. *Notices.* All notices and other communications under this Agreement shall be in writing and shall be delivered, or mailed by registered or certified mail, return receipt requested, by a nationally recognized overnight courier, postage prepaid, addressed to:

If to Yahoo!:

Yahoo! Inc.
701 First Avenue
Sunnyvale, California 94809
ATTN: Chief Executive Officer
Fax: 408.349.2201
ATTN: General Counsel
Fax: 408.349.6208

With a copy to:

Kenton J. King
Skadden, Arps, Slate, Meagher and Flom LLP
525 University Avenue
Suite 1100
Palo Alto, California 94301
Fax: 650.470.4570

If to SOFTBANK:

Steven J. Murray
SOFTBANK Inc.
1188 Centre Street

Newton Center, Massachusetts 02459
Fax: 617 928 9301

With a copy to:

John L. Savva
Sullivan & Cromwell
1870 Embarcadero Road
Palo Alto, California 94303
Fax: 650 461 5700

5. *Amendment or Waiver.* Any term of this Agreement may be amended or waived with the written consent of the parties hereto.

6. *Assignment of Rights; No Third Party Beneficiaries.* Neither party hereto may assign any rights or delegate any obligations hereunder to any other person or entity without the prior written consent of the other, except that, (i) in connection with any transfer of shares of Yahoo! Common Stock permitted under clause (B) or (C) of Section 2.2, SOFTBANK (and its successors and permitted assigns) shall transfer the rights and delegate the obligations hereunder with respect to such shares to such transferee (and upon the assumption of such obligations by the transferee in writing for the benefit of Yahoo! SOFTBANK shall thereupon automatically be released from its obligations hereunder with respect to such shares) and (ii) either party may transfer its rights and delegate its obligations hereunder to the surviving entity in a merger or consolidation of such party with or into any other entity. Any purported assignment except as permitted by the immediately preceding sentence shall be void. This agreement is not enforceable by or for the benefit of, and shall create no obligation to, any person or entity other than the parties hereto and their permitted successors, assigns and legal representatives.

7. *Descriptive Headings.* The headings in this Agreement are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

8. *Severability.* In the event that one or more of the provisions of this Agreement should for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

9. *Governing Law.* This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the state of Delaware, without regard to principles of conflict of laws.

IN WITNESS WHEREOF, the parties hereto have executed the Consent and Resale Agreement as of the date set forth in the first paragraph hereof.

YAHOO! INC.

By: /s/ Jerry Yang

Name: Jerry Yang

Title: Co-Founder—Chief Yahoo!

SOFTBANK CORP.

By: /s/ Masayoshi Son

Name:

Title:
