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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM S-3

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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### YAHOO! INC.

(Exact Name of Registrant as specified in its charter)

**Delaware**  
(State of incorporation)

**77-0398689**  
(I.R.S. Employer Identification No.)

**701 First Avenue**  
**Sunnyvale, California 94089**  
**(408) 349-3300**  
(Address, including zip code, and telephone number, including  
area code, of registrant's principal executive offices)

**Susan L. Decker**  
**Executive Vice President, Finance and Administration, and**  
**Chief Financial Officer**  
**701 First Avenue**  
**Sunnyvale, California 94089**  
**(408) 349-3300**

(Name, address, including zip code, and telephone number,  
including area code, of agent for service)

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(650) 470-4500

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement for a period lasting one year or until such earlier time that all of the shares registered hereunder have been sold.

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If the only securities being registered on this form are to be offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Securities Act Rule 434, please check the following box.

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#### CALCULATION OF REGISTRATION FEE

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Title of shares  
to be registered

Amount to be  
registered(1)

Proposed maximum  
offering price

Proposed maximum  
aggregate offering

Amount of  
registration fee

		per unit(2)	price(2)	
Common Stock, \$0.001 par value(3)	15,000,000	\$9.63	\$144,450,000	\$13,289.40

- (1) The shares of common stock set forth in the calculation of registration fee table, and which may be offered pursuant to this registration statement, include, pursuant to Rule 416 of the Securities Act of 1933, as amended, such additional number of shares of the registrant's common stock that may become issuable as a result of any stock splits, stock dividends or similar event.
- (2) Estimated solely for the purpose of computing the amount of the registration fee, based on the average of the high and low prices for the registrant's common stock as reported on the Nasdaq National Market on October 1, 2002 in accordance with Rule 457 under the Securities Act of 1933, as amended.
- (3) Including the associated preferred stock purchase rights.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The Information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission becomes effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED OCTOBER 3, 2002**

**PRELIMINARY PROSPECTUS**

**YAHOO! INC.**

**15,000,000 shares of Common Stock**

The shares offered in this prospectus involve a high degree of risk. You should carefully consider the "Risk Factors" referenced on page 1 in determining whether to purchase the Yahoo! Inc. Common Stock.

Acqua Wellington Private Placement Fund Ltd. and Acqua Wellington Opportunity I Limited (taken together, the "Selling Stockholders") are offering these shares of common stock. The Selling Stockholders may sell these shares of common stock being offered hereby on the Nasdaq National Market, or otherwise, at prices and at terms then prevailing or at prices related to the then current market price or in private sales at negotiated prices directly or through a broker or brokers, who may act as agent or as principal or by a combination of such methods of sale. The Selling Stockholders will receive all proceeds from the sale of the 15,000,000 shares of our common stock being registered in this registration statement. For additional information on the methods of sale, you should refer to the section entitled "Plan of Distribution" on page 17. We will not receive any portion of the proceeds from the sale of these shares.

Our common stock is quoted on the Nasdaq National Market under the symbol "YHOO". Our principal executive offices are located at 701 First Avenue, Sunnyvale, California 94089, and our telephone number is (408) 349-3300.

On October 1, 2002, the last sale price of the common stock on the Nasdaq National Market was \$9.70 per share.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is October , 2002.

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We have not authorized any dealer, salesperson or other person to give any information or represent anything not contained in this prospectus. You should not rely on any unauthorized information. This prospectus does not offer to sell or buy any shares in any jurisdiction in which it is unlawful. The information in this prospectus is current as of the date on the cover.

**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! Inc. ("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, except with respect to users of certain of our premium services. 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

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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 one lawsuit 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. We understand that one of these lawsuits was settled and the other was decided in favor of our competitor.

**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. There can be no assurance that the purchasing pattern of 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 June 30, 2002, our goodwill and other intangible assets were \$566.5 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 Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets."

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, 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 advertising 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 Overture Services, Inc. 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.

**Our newly launched access service subjects us to risks.**

We recently launched SBC Yahoo! Dial and SBC Yahoo! DSL, new product offerings within our Internet access service, which operates in a highly competitive market and subjects us to new and different risks than other areas of our business.

In June 2002 and September 2002 we announced the launch of SBC Yahoo! Dial and SBC Yahoo! DSL, our Internet access service provided through an alliance with SBC Communications Inc. Our access service combines customized content and services from Yahoo! and DSL transport and Internet access from SBC Internet Services (an affiliate of SBC Communications Inc.). Our Internet access service will compete with many large companies, some of which may have substantially greater market presence (including an existing user base), financial, technical, marketing or other resources than those committed to our product offerings. Our service will primarily compete directly or indirectly with

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established Internet services, such as America Online and the Microsoft Network; national telecommunications companies and regional Bell operating companies (other than SBC); and broadband internet access providers such as Earthlink, Comcast, AT&T Broadband and other cable broadband providers. As a result of these and other competitive factors, we may not be able to attract, grow or retain a customer base for this service, and accordingly, may not be successful. If our service does not generate significant revenue for us, it could harm our business and lower the trading price of our common stock.

Further, providing Internet access services represents a new business for us. Internet access services, including our service, are susceptible to natural or man-made disasters such as earthquakes, floods, fires, power loss, or sabotage, as well as interruptions from technology malfunctions, computer viruses or hacker attacks. Other potential service interruptions may result from unanticipated demands on network infrastructure, increased traffic or problems in customer service to our access customers. Our ability to control technical and customer service issues is further limited by our dependence on SBC for connectivity, customer service, joint marketing and technical integration of aspects of our access service. Significant disruptions in our access service could harm our goodwill, the Yahoo! brand and ultimately could significantly and negatively impact any potential revenue we may earn from our service.

If we cannot overcome the competitive and other difficulties mentioned above which accompany launching this new service, our business, operating results and financial condition could be harmed.

**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

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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 offerings, 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.

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**We will continue to operate in 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;
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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

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successor obtains the necessary training and experience. In addition, Yahoo!'s president and chief operating officer, Jeff Mallett, departed in April 2002 and Tim Brady, Yahoo!'s chief product officer, recently announced his departure from Yahoo! in August 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, 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. 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 serving numbers of users and delivering daily page views which are beyond previous standards for Internet usage. 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 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

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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.

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**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 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, operators of online networks and leading Websites, software developers and computer manufacturers, and telecommunications companies. 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.

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**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. We believe that users of Internet services such as the Yahoo! online properties will increasingly demand high-quality audio and video content. 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. 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, more than 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 operational 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, Ltd. 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 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 acquired 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, consumer protection, 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. 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, 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 six months of 2002, the closing sale prices of our common stock on the Nasdaq ranged from \$20.50 to \$13.72 per share and the closing sale price on October 1, 2002 was \$9.70 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 an affiliated stockholder beneficially own approximately 26.2% 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 America, Inc. ("SOFTBANK America") beneficially owned approximately 26.2% of Yahoo!'s outstanding common stock as of September 27, 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 America. As a result of their ownership and positions, our directors and executive officers and SOFTBANK America 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 America, 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

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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 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.

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## **YAHOO!**

Yahoo! was incorporated on March 5, 1995 under the laws of California. Yahoo! was subsequently reincorporated on May 14, 1999 under the laws of Delaware. Our principal executive offices are located at 701 First Avenue, Sunnyvale, California 94089 and our telephone number is (408) 349-3300. As used in this prospectus, the words "we," "us," "our" and "Yahoo!" refer to Yahoo! Inc., a Delaware corporation, and its subsidiaries.

Yahoo! is a leading provider of comprehensive online products and services to consumers and businesses worldwide. 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.

## **USE OF PROCEEDS**

The proceeds from the sale of the Shares of common stock offered pursuant to this prospectus (the Offering") are solely for the account of the Selling Stockholders. Accordingly, we will not receive any proceeds from the sale of the Shares by the Selling Stockholders.

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## SELLING STOCKHOLDERS

The Selling Stockholders are existing stockholders of the Company. We granted registration rights in a Registration Rights Agreement, dated as of August 28, 2002, by and among the Company and the Selling Stockholders (the "Registration Rights Agreement"), executed in connection with the purchase of 15,000,000 shares of Yahoo! common stock, par value \$0.001 (the "Shares") by the Selling Stockholders.

All of the Shares offered hereby were purchased by the Selling Stockholders in connection with a Purchase Agreement by and between SOFTBANK America and the Selling Stockholders, dated August 28, 2002. Immediately prior to its sale of the Shares, and SOFTBANK America's concurrent sales of Yahoo! common stock, SOFTBANK America, including its consolidated affiliates, held approximately 14.1% of our common stock. After giving effect to these sales, SOFTBANK America's percentage of our common stock declined to approximately 7.4%. We have joint ventures or affiliations with SOFTBANK Corp., SOFTBANK America's parent corporation, in France, Germany, Japan, Korea and the United Kingdom. A Managing Partner of a SOFTBANK America affiliate is also a member of our Board of Directors.

The Shares represent approximately 2.5% of our outstanding capitalization as of the date of this prospectus. The Selling Stockholders may from time to time offer and sell pursuant to this prospectus any or all of the Shares being registered. Since the Selling Stockholders will sell the Shares for their own accounts, we cannot determine the amount of Shares that will be beneficially owned by the Selling Stockholders after the Offering or the percent of Yahoo! common stock that the amount of Shares held after the Offering will represent. The Selling Stockholders do not currently have a material relationship with Yahoo!, any Yahoo! predecessor or any Yahoo! affiliate. The Selling Stockholders have not had a material relationship, in the last three years, with Yahoo!, any Yahoo! predecessor or any Yahoo! affiliate, except that Yahoo! granted registration rights to and registered shares of Yahoo! common stock beneficially owned by affiliates of the Selling Stockholders in June 2000, which relationship may be deemed to be material. None of the Selling Stockholders are broker/dealers or affiliates of broker/dealers.

The following table sets forth certain information known to us with respect to the beneficial ownership of our common stock as of September 27, 2002, by each of the Selling Stockholders. The number of Shares in the column labeled "Shares Offered by This Prospectus" represent all of the Shares that each Selling Stockholder may offer under this prospectus. The table assumes that the Selling Stockholders sell all of the Shares. We are unable to determine the exact number of Shares that actually will be sold. We do not know how long the Selling Stockholders will hold the Shares before selling them and we currently have no agreements, arrangements or understandings with any of the Selling Stockholders regarding the sale of any of the Shares.

Selling Stockholder	Shares Beneficially Owned Prior to the Offering	Shares Offered by This Prospectus
Acqua Wellington Private Placement Fund Ltd.	4,000,000	4,000,000
Acqua Wellington Opportunity I Limited	11,000,000	11,000,000

## PLAN OF DISTRIBUTION

We will not receive any proceeds from the sale the Shares covered by this prospectus. The Shares are being offered on behalf of the Selling Stockholders. The Shares may be sold or distributed from time to time by the Selling Stockholders, or by pledgees, donees or transferees of, or other successors in interest to, the Selling Stockholders, directly to one or more purchasers (including pledgees) or through brokers, dealers or underwriters who may act solely as agents or who may acquire the Shares as principals, at market prices prevailing at the time of sale, at prices related to such prevailing market prices, at negotiated prices, or at fixed prices, which may be changed. Unless otherwise permitted by

law, if the Shares are to be sold by pledgees, donees or transferees of, or other successors in interest to the Selling Stockholders, then we must distribute a prospectus supplement and/or file an amendment to this registration statement under Rule 424(b)(3) or other applicable provision of the Securities Act amending the list of Selling Stockholders to include the pledgee, transferee or other successors in interest as Selling Stockholders under this prospectus.

The sale of the Shares may be effected in one or more of the following methods:

- on any national securities exchange or quotation service on which our common stock may be listed or quoted at the time of sale, including the Nasdaq National Market;
- in the over-the-counter market;
- in transactions otherwise than on such exchanges or services in the over-the-counter market;
- through the writing of options, whether the options are listed on an option exchange or otherwise; or
- through the settlement of short sales.

In addition, any shares that qualify for resale pursuant to Rule 144 of the Securities Act of 1933, as amended (the "Securities Act") may be sold under Rule 144 of the Securities Act rather than pursuant to this prospectus.

These transactions may include crosses or block transactions. Crosses are transactions in which the same broker acts as agent on both sides of the trade.

In addition, the Selling Stockholders or their successors in interest may enter into hedging transactions with broker-dealers who may engage in short sales of the Shares in the course of hedging the positions they assume with the Selling Stockholders. The Selling Stockholders or their successors in interest may also enter into option or other transactions with broker-dealers that require the delivery by such broker-dealers of the Shares which may be resold thereafter pursuant to this prospectus if the Shares are delivered by the Selling Stockholders. However, if the Shares are to be delivered by the Selling Stockholder's successors in

interest, unless permitted by law, we must distribute a prospectus supplement and/or file an amendment to this registration statement under Rule 424(b)(3) or other applicable provision of the Securities Act amending the list of Selling Stockholders to include the successors in interest as Selling Stockholders under this prospectus.

The Selling Stockholders or their successors in interest may from time to time pledge or grant a security interest in some or all of the Shares and, if the Selling Stockholders default in the performance of their secured obligation, the pledgees or secured parties may offer and sell the Shares from time to time under this prospectus; however, in the event of a pledge or the default on the performance of a secured obligation by the Selling Stockholders, in order for the Shares to be sold under cover of this registration statement, unless permitted by law, we must distribute a prospectus supplement and/or an amendment to this registration statement under Rule 424(b)(3) or other applicable provision of the Securities Act amending the list of Selling Stockholders to include the pledgee, transferee, secured party or other successors in interest as Selling Stockholders under this prospectus.

Brokers, dealers, underwriters or agents participating in the distribution of the Shares as agents may receive compensation in the form of commissions, discounts or concessions from the Selling Stockholders and/or purchasers of the Shares for whom such broker-dealers may act as agent, or to whom they may sell as principal, or both (which compensation as to a particular broker-dealer may be less than or in excess of customary commissions).

The Selling Stockholders and any broker-dealers who act in connection with the sale of Shares hereunder may be deemed to be "underwriters" within the meaning of the Securities Act, and any commissions they receive and proceeds of any sale of Shares may be deemed to be underwriting

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discounts and commissions under the Securities Act. Neither we nor any selling stockholder can presently estimate the amount of such compensation. We know of no existing arrangements between any Selling Stockholder, any other stockholder, broker, dealer, underwriter or agent relating to the sale or distribution of the Shares. We have agreed to indemnify the Selling Stockholders against certain liabilities arising under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), federal and/or state law.

The anti-manipulation rules under the Exchange Act may apply to sales of Shares in the market and to the activities of the Selling Stockholders and their affiliates. Pursuant to the Registration Rights Agreement, the Selling Stockholders may not effect any sale or distribution of the Shares until after the prospectus has been appropriately amended or supplemented, if required.

The Selling Stockholders may indemnify any broker-dealer that participates in transactions involving the sale of the Shares against certain liabilities, including liabilities arising under the Securities Act, as amended. Any commissions paid or any discounts or concessions allowed to any such broker-dealers, and any profits received on the resale of such Shares, may be deemed to be underwriting discounts and commissions under the Securities Act, as amended if any such broker-dealers purchase Shares as principal.

We have agreed to use our best efforts to maintain the effectiveness of this registration statement with respect to the Shares until the earlier of the sale of all the Shares or one year following the effective date of this registration statement. No sales may be made pursuant to this prospectus after such date unless we amend or supplement this prospectus to indicate that we have agreed to extend such period of effectiveness. There can be no assurance that the Selling Stockholders will sell all or any of the Shares offered hereunder.

We are required to pay all fees and expenses incident to the registration of the Shares.

## LEGAL MATTERS

The validity of the Shares offered hereby will be passed upon by Michael J. Callahan, our Deputy General Counsel and Assistant Corporate Secretary.

## EXPERTS

The financial statements incorporated in this Prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2001, have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

## WHERE YOU CAN FIND MORE INFORMATION

This prospectus is part of a Registration Statement on Form S-3 that we filed with the Securities and Exchange Commission ("SEC"). Certain information in the registration statement has been omitted from this prospectus in accordance with the rules of the SEC. We file our annual, quarterly and special reports, proxy statements and other information with the SEC. You can inspect and copy the registration statement as well as reports, proxy statements and other information we have filed with the SEC at the public reference room maintained by the SEC at 450 Fifth Street, NW, Washington, D.C. 20549, and at the following Regional Offices of the SEC: 233 Broadway, New York, New York 10279, and Northwest Atrium Center, 500 West Madison Street, Chicago, Illinois 60661. You can obtain copies from the public reference room of the SEC at 450 Fifth Street, NW, Washington, D.C. 20549 upon payment of certain fees. You can call the SEC at 1-800-732-0330 for further information about the public reference room. We are also required to file electronic versions of these documents with the SEC, which may be accessed through the SEC's World Wide Web site at <http://www.sec.gov>. Our

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common stock is quoted on the Nasdaq National Market. Reports, proxy and information statements and other information concerning Yahoo! Inc. may be inspected at the Nasdaq Stock Market at 1735 K Street, NW, Washington, D.C. 20006. You may also obtain information about Yahoo! at our World Wide Web site at <http://www.yahoo.com>.

The SEC allows us to incorporate by reference into this prospectus certain of our publicly-filed documents, which means that information included in these documents is considered part of this prospectus. Information that we file with the SEC subsequent to the date of this prospectus will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, until the Selling Stockholders have sold all the Shares.

The following documents filed with the SEC are incorporated by reference in this prospectus:

1. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (File No. 000-28018).
2. Our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2002 (File No. 000-28018) and June 30, 2002 (File No. 000-28018).
3. Our Current Reports on Form 8-K, filed on April 17, 2002 (File No. 000-28018), June 11, 2002 (File No. 000-28018) and July 12, 2002 (File No. 000-28028).
4. Our Proxy Statement dated March 22, 2002, filed on March 15, 2002 in connection with our April 26, 2002 Annual Meeting of Stockholders (File No. 000-28018).
5. The description of our common stock set forth in our Registration Statement on Form 8-A, filed on March 12, 1996, (File No. 000-28028) as updated by our Current Report on Form 8-K filed on August 11, 2000 (File No. 812-11976).
6. The description of our Preferred Stock Purchase Rights contained in our Registration Statement on Form 8-A, filed on March 19, 2001 (File No. 000-28018).

All documents subsequently filed by Yahoo! pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this registration statement and prior to the effectiveness of this registration statement, shall be deemed to be incorporated herein by reference.

We will furnish without charge to you, on written or oral request, a copy of any or all of the documents incorporated by reference herein, other than exhibits to such documents that are not specifically incorporated by reference therein. You should direct any requests for documents to Paul Hollerbach, Investor Relations, Yahoo! Inc., 701 First Avenue, Sunnyvale, California 94089, telephone: (408) 349-3300.

## FORWARD-LOOKING STATEMENTS

This prospectus contains or incorporates by reference certain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, including those identified by the words "believes," "expects," "may," "will," "should," "seeks," "pro forma," "anticipates" and similar expressions. These forward-looking statements include, among others, statements regarding:

- the trends we see in our business and the markets in which we operate;
- the features, functionality and market acceptance of our products (including newly launched products and services); and
- our expectations for our future operating results and cash flows.

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These statements are subject to risks and uncertainties, including those set forth in the "Risk Factors" section beginning on page 1, and actual results could differ materially from those expressed or implied in these statements. All forward-looking statements included in this prospectus are made as of the date hereof. We assume no obligation to update any such forward-looking statement or reason why actual results might differ except as required by the Exchange Act. Investors should carefully review the risk factors and any subsequently filed SEC reports.

## PART II

### INFORMATION NOT REQUIRED IN THE PROSPECTUS

#### Item 14. Other Expenses of Issuance and Distribution.

The registrant will bear no expenses in connection with any sale or other distribution by the Selling Stockholders of the Shares being registered other than the expenses of preparation and distribution of this registration statement and the prospectus included in this registration statement. Such expenses are set forth in the following table. All of the amounts shown are estimates except the SEC registration fee.

SEC registration fee	\$	14,000
Accountants' fees and expenses	\$	5,000
Legal fees and expenses	\$	10,000
Miscellaneous expenses	\$	5,000
Total	\$	34,000

#### Item 15. Indemnification of Directors and Officers.

Our Amended Bylaws provide generally for indemnification of our officers, directors, agents and employees to the extent authorized by the General Corporation Law of the State of Delaware ("DGCL"). Pursuant to Section 145 of the DGCL, a corporation generally has the power to indemnify its present and former directors, officers, employees and agents against expenses incurred by them in connection with any suit to which they are, or are threatened to be made, a party by reason of their serving in such positions so long as they acted in good faith and in a manner they reasonably believed to be in, or not opposed to, the best interests of a corporation, and with respect to any criminal action, they had no reasonable cause to believe their conduct was unlawful. With respect to suits by or

in the right of a corporation, however, indemnification is not available if such person is adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless the court determines that indemnification is appropriate. In addition, a corporation has the power to purchase and maintain insurance for such person. The statute also expressly provides that the power to indemnify that it authorizes is not exclusive of any rights granted under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

As permitted by Section 102 of the DGCL, our stockholders have approved and incorporated provisions into Article XII of our Amended and Restated Certificate of Incorporation and Article VI of our Amended Bylaws eliminating a director's personal liability for monetary damages to us and our stockholders arising from a breach of a director's fiduciary duty, except for liability under Section 174 of the DGCL or liability for any breach of the director's duty of loyalty to us or its stockholders, for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law or for any transaction in which the director derived an improper personal benefit. Yahoo! has also entered into agreements with its directors and certain of its officers that will require Yahoo!, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors to the fullest extent not prohibited by law.

The above discussion of our Amended Bylaws, Amended and Restated Certificate of Incorporation, indemnification agreements and of Section 145 of the DGCL is not intended to be exhaustive and is qualified in its entirety by such Amended Bylaws, Amended and Restated Certificate of Incorporation, indemnification agreements and statute.

In connection with this Offering, the Selling Stockholders have agreed to indemnify Yahoo!, its directors and officers and each such person who controls Yahoo!, against any and all liability arising from inaccurate information provided to Yahoo! by the Selling Stockholders and contained herein up to a maximum of the net proceeds received by the Selling Stockholders from the sale of their Shares hereunder.

#### Item 16. Exhibits.

Exhibit Number	Description
4.1	Registration Rights Agreement, dated as of August 28, 2002, by and among Yahoo! Inc., Acqua Wellington Private Placement Fund Ltd. and Acqua Wellington Opportunity I Limited
5.1	Opinion regarding legality by Michael J. Callahan, dated October 2, 2002
23.1	Consent of PricewaterhouseCoopers LLP
23.2	Consent of Michael J. Callahan (see Exhibit 5.1)
24.1	Power of Attorney (see Signature Page)

#### Item 17. Undertakings

A. The undersigned Registrant hereby undertakes:

- To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:
  - include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended;
  - To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement.

Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high and of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

- To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

*provided, however*, that paragraphs (A)(1)(i) and (A)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Securities and Exchange Commission by the registrant pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, that are incorporated by reference in the registration statement.

- That, for the purpose of determining any liability under the Securities Act of 1933, as amended, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time to be the bona fide offering thereof.
- To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

4. The registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, as amended, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934, as amended) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the bona fide offering thereof.
5. Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the undersigned registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the undersigned registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the undersigned registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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### SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Yahoo! Inc. certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Sunnyvale, State of California, on October 2, 2002.

YAHOO! INC.

By: /s/ SUSAN L. DECKER

Susan L. Decker  
Executive Vice President,  
Finance and Administration and  
Chief Financial Officer

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### POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Terry S. Semel and Susan L. Decker, jointly and severally, his or her true and lawful attorneys-in-fact, each with full power of substitution, for him or her in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done or by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ TERRY S. SEMEL</u> Terry S. Semel	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	October 2, 2002
<u>/s/ SUSAN L. DECKER</u> Susan L. Decker	Executive Vice President, Finance and Administration and Chief Financial Officer (Principal Financial Officer)	October 2, 2002
<u>/s/ WILLIAM E. LOSCH</u> William E. Losch	Vice President, Finance (Principal Accounting Officer)	October 2, 2002
<u>/s/ TIMOTHY KOOGLE</u> Timothy Koogle	Director	October 1, 2002
<u>/s/ RONALD BURKLE</u> Ronald Burkle	Director	October 1, 2002
<u>/s/ ERIC HIPPEAU</u> Eric Hippeau	Director	October 2, 2002

/s/ ARTHUR H. KERN	Director	October 2, 2002
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Arthur H. Kern		
/s/ EDWARD KOZEL	Director	October 2, 2002
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Edward Kozel		
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	Director	October , 2002
Michael Moritz		
/s/ GARY WILSON	Director	October 2, 2002
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Gary Wilson		
/s/ JERRY YANG	Director	October 2, 2002
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Jerry Yang		

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### Exhibit Index

Exhibit Number	Description
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## REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (the "*Agreement*") is entered into as of August 28, 2002 by and between Yahoo! Inc, a Delaware corporation (the "*Company*"), and Acqua Wellington Private Placement Fund Ltd. and Acqua Wellington Opportunity I Limited (the "*Stockholders*").

### RECITALS

1. The Stockholders have entered into an agreement (the "*Stock Purchase Agreement*") with SOFTBANK America, Inc. ("SOFTBANK") pursuant to which SOFTBANK has agreed to sell to the Stockholders shares of the Company's Common Stock (together with the associated preferred share purchase rights) held by SOFTBANK during the period beginning on the effective date of the Stock Purchase Agreement and ending on August 21, 2002 (the "*Shares*").
2. The Company has had no involvement in the sale of the Shares; however, in order to facilitate an orderly trading market for its Common Stock, the Company has agreed to grant certain registration rights to the Stockholders with respect to the Shares.
3. The Company wishes to execute this Agreement and grant the Stockholders the rights contained herein.

### AGREEMENT

The parties hereby agree as follows:

#### 1. Registration Rights.

##### 1.1 Definitions. For purposes of this Section 1:

- (a) The terms "*register*," "*registered*," and "*registration*" refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act of 1933, as amended (the "*Securities Act*"), and the subsequent declaration or ordering of the effectiveness of such registration statement or document by the Securities and Exchange Commission ("*SEC*").
- (b) The term "*Registrable Securities*" means:
  - (i) the Shares; and
  - (ii) any other shares of Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in connection with a stock split, or in exchange for or in replacement of, the Shares, excluding in all cases, however, any securities (x) sold by a person in a transaction in which his or her rights under this Agreement are not assigned in accordance with the terms hereof; or (y) sold or otherwise transferred (except in a transaction or series of transactions "not including any public offering" as that phrase is used in Section 4(2) of the Securities Act).
- (c) The term "*Holder*" means any holder of outstanding Registrable Securities who, subject to the limitations set forth in Section 1.8 below, acquired such Registrable Securities in a transaction or series of transactions not involving any public offering and excludes, without limitation, any holder who acquired such shares pursuant to an effective registration statement or Rule 144 promulgated under the Securities Act.
- (d) The term "*Form S-3*" means such form under the Securities Act as in effect on the date hereof or any registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

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1.2 **Form S-3 Registration.** If the Company shall receive from any Holder or Holder(s) owning in the aggregate at least fifty percent (50%) of the then-outstanding Registrable Securities a written request or requests that the Company effect a registration on Form S-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holder(s), the Company will:

- (a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holder(s); and
- (b) as soon as practicable, effect such registration and all such qualifications and compliances as may be reasonably so requested and as would permit and facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder(s) joining in such request as are specified in a written request given within twenty (20) days after receipt of such written notice from the Company; *provided, however*, that the Company shall not be obligated to cause any such registration, qualification or compliance, pursuant to this Section 1.2 to become effective:
  - (i) if Form S-3 is not available for such offering by the Holder(s);
  - (ii) if the Holder(s), together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities at an aggregate price to the public (net of any underwriters' discounts or commissions) of less than \$20,000,000;
  - (iii) if the Company shall furnish to the Holder(s) a certificate signed by the Chief Executive Officer or Chief Financial Officer of the Company stating that in the good faith judgment of the such officer, it would be seriously detrimental to the Company and its Stockholders

for such Form S-3 registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than ninety (90) days after receipt of the request of the Holder or Holder(s) under this Section 1.2;

(iv) if the Company has already effected one (1) registration on Form S-3 for any Holder pursuant to this Section 1.2; or

(vi) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

(c) Subject to the foregoing, the Company shall file a registration statement on Form S-3 covering the Registrable Securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holder(s) (but no later than thirty (30) days following the Company's receipt of such request). All expenses incurred in connection with a registration requested pursuant to this Section 1.2, including (without limitation) all registration, filing, qualification, printer and accounting fees, shall be borne by the Company; provided, however, that the Company shall not be required to pay for any expenses of any registration begun pursuant to this Section 1.2 if the registration request is subsequently withdrawn at the request of the Holder, unless, at the time of such withdrawal, the Holder has learned of a material adverse change in the condition of the Company from that known to the Holder at the time of its request and has withdrawn the request with reasonable promptness upon obtaining knowledge of such material adverse change. The Company shall not be required to pay any underwriters' or brokers' fees, discounts or commissions relating to the Registrable Securities, or the fees or expenses of separate counsel to the Holder(s).

(d) If a Holder intends to sell Registrable Securities pursuant to this Section 1.2, such Holder shall submit written notice to the Company (a "Notice of Sale") by facsimile transmission of such intention which shall include the name of the Holder, the number of

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shares of Registrable Securities that such Holder intends to sell and the Holder's telephone and facsimile numbers. The Company agrees not to disclose or permit disclosure of a Notice of Sale to third parties, other than to directors, officers, employees, consultants and agents of the Company, including the Company's counsel and transfer agent, who have the need to know of the existence of the Notice of Sale. (If the Notice of Sale is actually received in a day other than a business day, it will be deemed received on the next business day; the date on which the Notice of Sale is received is referred to as the "Notice Date," the time on which the Notice of Sale is received is referred to as the "Notice Time".) Upon receiving a Notice of Sale from a Holder, the Company will notify the Holder as soon as reasonably practicable (but in no event later than the same time as the Notice Time on the next business day following the Notice Date) whether (i) the Company believes that the prospectus contained in the Registration Statement, as then amended or supplemented, is available for immediate use, whereupon the Company shall so notify the Holder(s) and the Holder(s) will have a period of five (5) days following such notification in which to sell its Registrable Securities or (ii) the Company believes that it is necessary or appropriate to file a supplement or file a post-effective amendment to the registration statement or the prospectus or any document incorporated therein by reference or file any other report or document so that, as thereafter delivered to the purchasers of the Registrable Securities, the prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading (a "Prospectus Update"). If the Company notifies the Holder(s) that it believes it may be necessary or appropriate to effectuate a Prospectus Update and the Company is not exercising any right it may have under Section 1.2(e) to postpone the Prospectus Update, the Company will thereupon use all reasonable efforts to effectuate such Prospectus Update as soon as reasonably possible, and not later than three (3) business days after the Notice of Sale is received by the Company, except that the Company will have up to an additional two (2) business days to effectuate such Prospectus Update if, because of the particular circumstances involved, the Company could not effectuate the Prospectus Update earlier, despite all reasonable diligence. As soon as the Prospectus Update has been effectuated, the Company will notify each Holder who has submitted a Notice of Sale that the prospectus is available for use, whereupon each such Holder will have a period of five (5) days in which to sell its Registrable Securities.

(e) The Company will be entitled to postpone, for the minimum period provided below, the filing of any Prospectus Update otherwise required to be prepared and filed by it pursuant hereto if, at the time it receives a Notice of Sale, the Company determines in its reasonable judgment, after consultation with counsel, that (i) the Company would be required to prepare and file any financial statements (other than those it customarily prepares or before it customarily files such financial statements), (ii) the Company would be required to file an amendment to the registration statement to describe facts or events which individually or in the aggregate represent a fundamental change in the information contained in the registration statement within the meaning of Item 512 of Regulation S-K promulgated under the Securities Act, or (iii) the filing would require the premature announcement of any financing, acquisition, corporate reorganization, contract or other material corporate transaction or development involving the Company such as the Company reasonably determines would be materially detrimental to the interests of the Company and its Stockholders. The postponement will be for the minimum period reasonably required for the Company to prepare and file the necessary documents, in the case of a postponement pursuant to (i) or (ii) above, or the minimum period reasonably required to avoid such premature disclosure, in the case of (iii) above, and which period will not be in excess of thirty (30) days unless, because of the unusual nature of the particular circumstances, it is necessary that the period extend beyond thirty (30) days.

The Company will promptly give each Holder who has submitted a Notice of Sale notice of any postponement exercised pursuant to this Section 1.2(e). As soon as the Prospectus Update has been effectuated following a postponement effected pursuant to this

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Section 1.2(e), the Company will notify each Holder who has submitted a Notice of Sale that the prospectus is available for use, whereupon each such Holder will have a period of five (5) days in which to sell its Registrable Securities.

(f) The Holder(s) may not sell shares of Registrable Securities under this Section 1.2 without first (i) complying with the Notice of Sale requirements of Section 1.2(d) and (ii) allowing the Company to prepare Prospectus Updates (including any permitted postponements thereof) as set forth in Sections 1.2(d) and (e). A Holder will submit a Notice of Sale only if in good faith it actually intends to sell the Registrable Securities within such five (5) day period and with the understanding that a Notice of Sale is to be made only on the occasion that the sale of Registrable Securities is actually contemplated and not on a continual basis. A Holder will notify the Company by facsimile transmission promptly after it has completed or otherwise ceased sales following submission of a Notice of Sale. The Holder(s) will provide to the Company all information in the Holder(s)' possession or control, and will take all actions, as may be required in order to permit the Company to comply with all applicable requirements of the Securities Act and any applicable state securities laws.

(g) Under no circumstances shall the Company be required to keep a registration statement effective and available pursuant to this Section 1.2 for greater than one (1) year (which period includes any periods of delay permitted under Sections 1.2(d) and (e) above).

### 1.3 Third Party S-3 Registration.

(a) The Company may, in its sole discretion and in lieu of its obligation to effect a registration for the Holder(s) pursuant to Section 1.2 above, permit the Holder(s) to include all of its Registrable Securities in an S-3 registration filed by the Company pursuant to the request of a third party holder of Company securities by submitting written notice thereof to the Holder(s), whereupon the Holder(s) shall have the option to include all of its Registrable Securities in such S-3 registration. The Holder(s) that elect to include Registrable Securities in such an S-3 registration shall forfeit its rights under Section 1.2 of this Agreement.

(b) Subject to the foregoing, the Company shall include in such S-3 registration the Registrable Securities requested to be registered therein by the Holder(s). All expenses incurred in connection with a registration requested pursuant to Section 1.3, including (without limitation) all registration, filing, qualification, printer and accounting fees, shall be borne by the Company. The Company shall not be required to pay any underwriters' or brokers' fees, discounts or commissions relating to the Registrable Securities, or the fees or expenses of separate counsel to the selling Holder(s).

(c) If a Holder intends to sell Registrable Securities pursuant to this Section 1.3, such Holder shall submit a Notice of Sale by facsimile transmission which shall include the name of the Holder, the number of shares of Registrable Securities that such Holder intends to sell and the Holder's telephone and facsimile numbers. Upon receiving a Notice of Sale from a Holder, the Company will notify the Holder as soon as reasonably practicable (but in no event later than the same time as the Notice Time on the next business day following the Notice Date) whether (i) the Company believes that the prospectus contained in the Registration Statement, as then amended or supplemented, is available for immediate use, whereupon the Company shall so notify the Holder(s) and the Holder(s) will have a period of five (5) days in which to sell its Registrable Securities or (ii) the Company believes that it is necessary or appropriate to file a Prospectus Update. If the Company notifies the Holder(s) that it believes it may be necessary or appropriate to effectuate a Prospectus Update and the Company is not exercising any right it may have under Section 1.3(d) to postpone the Prospectus Update, the Company will thereupon use all reasonable efforts to effectuate such Prospectus Update as soon as reasonably possible, and not later than three (3) business days after the Notice of Sale is received by the Company, except that the Company will have up to an additional two (2) business days to effectuate such Prospectus Update if, because of the particular circumstances involved, the Company could not effectuate the Prospectus Update earlier,

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despite all reasonable diligence. As soon as the Prospectus Update has been effectuated, the Company will notify each Holder who has submitted a Notice of Sale that the prospectus is available for use, whereupon each such Holder will have a period of five (5) days in which to sell its Registrable Securities.

(d) The Company will be entitled to postpone, for the minimum period provided below, the filing of any Prospectus Update otherwise required to be prepared and filed by it pursuant hereto if, at the time it receives a Notice of Sale, the Company determines in its reasonable judgment, after consultation with counsel, that (i) the Company would be required to prepare and file any financial statements (other than those it customarily prepares or before it customarily files such financial statements), (ii) the Company would be required to file an amendment to the registration statement to describe facts or events which individually or in the aggregate represent a fundamental change in the information contained in the registration statement within the meaning of Item 512 of Regulation S-K promulgated under the Securities Act, or (iii) the filing would require the premature announcement of any financing, acquisition, corporate reorganization, contract or other material corporate transaction or development involving the Company such as the Company reasonably determines would be materially detrimental to the interests of the Company and its Stockholders. The postponement will be for the minimum period reasonably required for the Company to prepare and file the necessary documents, in the case of a postponement pursuant to (i) or (ii) above, or the minimum period reasonably required to avoid such premature disclosure, in the case of (iii) above, and which period will not be in excess of thirty (30) days unless, because of the unusual nature of the particular circumstances, it is necessary that the period extend beyond thirty (30) days. The Company will promptly give each Holder who has submitted a Notice of Sale notice of any postponement exercised pursuant to this Section 1.3(d). As soon as the Prospectus Update has been effectuated following a postponement effected pursuant to this Section 1.3(d), the Company will notify each Holder who has submitted a Notice of Sale that the prospectus is available for use, whereupon each such Holder will have a period of five (5) days in which to sell its Registrable Securities.

(e) The Holder(s) may not sell shares of Registrable Securities under this Section 1.3 without first (i) complying with the Notice of Sale requirements of Section 1.3(c) and (ii) allowing the Company to prepare Prospectus Updates (including any permitted postponements thereof) as set forth in Sections 1.3(c) and (d). A Holder will submit a Notice of Sale only if in good faith it actually intends to sell the Registrable Securities covered thereby within such five (5) day period and with the understanding that a Notice of Sale is to be made only on the occasion that the sale of Registrable Securities is actually contemplated and not on a continual basis. A Holder will notify the Company by facsimile transmission promptly after it has completed or otherwise ceased sales following submission of a Notice of Sale. The Holder(s) will provide to the Company all information in the Holder(s)' possession or control, and will take all actions, as may be required in order to permit the Company to comply with all applicable requirements of the Securities Act and any applicable state securities laws.

(f) Under no circumstances shall the Company be required to keep a registration statement effective and available pursuant to this Section 1.3 for greater than one (1) year (after taking into account any periods of delay permitted under Sections 1.3(c) and (d) above); *provided, however*, that, in the event that the Company keeps the registration statement effective in excess of one (1) year (which period includes any periods of delay permitted under Sections 1.3(c) and (d) above) for the benefit of the third party that requested the S-3 registration, the Holder(s) shall be entitled to submit a Notice of Sale pursuant to Section 1.3(c) until the Company provides notification to the Holder(s) that the Company intends to withdraw the registration statement in five (5) days following the date of such notification, whereupon the Holder(s) shall have a period of five (5) days following the date

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of such notice in which to sell its Registrable Securities (subject to postponement in accordance with Sections 1.3(c) and (d) above).

1.4 **Obligations of the Company.** Whenever required under this Section 1 to effect the registration of any Registrable Securities, the Company shall, as soon as reasonably possible:

(a) Prepare and file with the SEC a registration statement on Form S-3 with respect to such Registrable Securities and use its reasonable efforts to cause such registration statement to become effective, and keep such registration statement effective for a period of one (1) year or such shorter period during which the Holder(s) complete the distribution described in the registration statement relating thereto, whichever first occurs.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of such Registrable Securities pursuant to the terms and subject to the conditions of this Agreement.

(c) Furnish to the Holder(s) such numbers of copies of a prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them and registered hereunder.

(d) Use its best efforts to register and qualify the securities covered by such registration statement under such securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) Provide a transfer agent and registrar for all Registrable Securities registered hereunder not later than the effective date of such registration.

(f) Use best efforts to cause the transfer agent to remove restrictive legends on certificates representing the Registrable Securities covered by a registration statement hereunder, as the Company determines to be appropriate, upon advice of counsel. The stockholders acknowledge that until so removed the Shares will bear the following legend:

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"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR YAHOO! INC. (THE "COMPANY") SHALL HAVE RECEIVED AN OPINION, IN FORM, SCOPE AND SUBSTANCE REASONABLY ACCEPTABLE TO THE COMPANY, OF COUNSEL WHO IS REASONABLY ACCEPTABLE TO THE COMPANY THAT REGISTRATION OF SUCH SECURITIES UNDER THE SECURITIES ACT AND UNDER THE PROVISIONS OF APPLICABLE FEDERAL AND STATE SECURITIES LAWS IS NOT REQUIRED."

(g) Use its best efforts to furnish, at the request of any Holder requesting registration of Registrable Securities pursuant to this Agreement, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Agreement, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities and (ii) a letter dated such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities.

(h) In the event of any underwritten public offering hereunder, enter into and perform its obligations under an underwriting agreement, to be agreed upon with the managing underwriter of such offering. The Holder shall also enter into and perform its obligations under such an agreement.

1.5 **Furnish Information.** It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 1 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the registration of such Holder's Registrable Securities.

1.6 **Indemnification.** In the event any Registrable Securities are included in a registration statement under this Section 1:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each selling Holder against any losses, claims, damages, or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Securities Act, the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "*Violation*"): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law; and the Company will pay, as incurred, any legal or other expenses reasonably incurred by any person intended to be indemnified pursuant to this subsection 1.6(a), in connection with investigating or defending any such loss, claim, damage, liability, or action; *provided, however*, that the indemnity agreement contained in this subsection 1.6(a) shall not apply to amounts paid in settlement of

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any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable in any such case for any such loss, claim, damage, liability, or action to the extent that it arises out of or is based upon a *Violation* which occurs (i) in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by a Holder or (ii) as a result of any use or delivery by a Holder of a prospectus other than the most current prospectus made available to such Holder by the Company.

(b) To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act, and any other Holder selling securities in such registration statement, against any losses, claims, damages, or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs (i) in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration or (ii) as a result of any use or delivery by such Holder of a prospectus other than the most current prospectus made available to such Holder by the Company; and each such Holder will pay, as incurred, any legal or other expenses reasonably incurred by any person intended to be indemnified pursuant to this subsection 1.6(b), in connection with investigating or defending any such loss, claim, damage, liability, or action; *provided, however*, that the indemnity agreement contained in this subsection 1.6(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of such Holder, which consent shall not be unreasonably withheld. The liability of a selling Holder under this paragraph (b) and under paragraph (d) below shall be limited to an amount equal to the net proceeds to such selling Holder from the sale of such Holder's Registrable Shares hereunder, unless such liability arises out of or is based on the willful conduct of the Holder.

(c) Promptly after receipt by an indemnified party under this Section 1.6 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 1.6, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would not be permitted by law or under the ethical rules applicable to such counsel. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 1.6, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 1.6.

(d) If the indemnification provided in this Section 1.6 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or

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omissions that resulted in such loss, liability, claim, damage or expense as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

(e) The obligations of the Company and Holder(s) under this Section 1.6 shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 1, and otherwise.

**1.7 Reports Under Securities Exchange Act of 1934.** With a view to making available to the Holder(s) the benefits of Rule 144 promulgated under the Securities Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration, the Company agrees to its best efforts to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144, at all times;

(b) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(c) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144, the Securities Act and the Exchange Act, (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC which permits the selling of any such securities without registration.

**1.8 Assignment of Registration Rights.** The rights to cause the Company to register Registrable Securities pursuant to this Section 1 may be assigned by any Holder to a transferee or assignee of at least 50% of such Holder's Registrable Securities, provided the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; and provided, further, that such assignment shall be effective only if immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Securities Act.

**1.9 Termination of Registration Rights.** The rights granted under this Section 1, including the rights to utilize any previously filed registration statements, shall terminate upon the earlier of (a) two years following the date of this Agreement or (b) at such time as the Holder(s) may sell all of its Registrable Securities in any single three month period pursuant to Rule 144 (or such successor rule as may be adopted).

## **2. Representations and Warranties of the Stockholders and Holders.**

**2.1 Representations and Warranties of the Stockholders and the Holders.** The Shares will be acquired for investment for each Stockholder's own account and not with a view to the distribution of any part thereof, and each Stockholder has no present intention of selling, granting any participation in, or otherwise distributing the same except in each case, in a manner permitted pursuant to the Securities Act of 1933 (the "Securities Act"). Each Stockholder and each other Holder has not and will not enter into any transaction with respect to the Company's common stock or any other derivative transaction designed to eliminate or reduce the economic risk associated with ownership of the Shares, unless such transaction (i) occurs a

sufficient period of time following the purchase of the Shares from SOFTBANK such that such transaction does not cause the purchase of the Shares to violate the Securities Act and (ii) is not in anticipation of the

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sale of the Shares pursuant to an effective registration statement under the Securities Act. Each Stockholder understands that (a) the Shares have not been registered under the Securities Act and (b) the Shares will be sold to each Stockholder in reliance on an exemption from registration under the Securities Act and, therefore, cannot be sold or transferred except in a transaction registered under the Securities Act or pursuant to an exemption from such registration. The transaction in which such Stockholder or Holder acquired Shares did not constitute a "distribution" as that term is defined by Rule 100 of Regulation M promulgated under the Exchange Act.

### 3. Miscellaneous.

3.1 **Amendments and Waivers.** Any term of this Agreement may be amended or waived with the written consent of the Company and the holders of a majority of the Shares then held by all Holders. Any amendment or waiver effected in accordance with this Section 3.1 shall be binding upon the parties and their respective successors and assigns.

3.2 **Successors and Assigns.** Subject to the provisions of Section 1.8, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns, any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

3.3 **Governing Law.** All questions concerning the construction, validity, enforcement and interpretation of this Agreement and all acts and transactions pursuant hereto shall be governed by and construed in accordance with the laws of the State of California, without regard to principles of conflicts of law.

3.4 **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

3.5 **Titles and Subtitles.** The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

3.6 **Notices.** Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient upon receipt, when delivered personally or by courier, overnight delivery service or confirmed facsimile, or 48 hours after being deposited in the regular mail as certified or registered mail (airmail if sent internationally) with postage prepaid, if such notice is addressed to

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the party to be notified at such party's address or facsimile number as set forth below (or as subsequently modified by written notice):

To the Company:                      Yahoo! Inc.  
701 First Avenue  
Sunnyvale, CA 94089  
Attn: Senior Vice President, Corporate Development  
Facsimile: (408) 349-7721

With a copy at the same address to the attention of the General Counsel, facsimile (408) 349-6208, and a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP  
525 University Avenue  
Palo Alto, CA 94301  
Attn: Kenton J. King  
Thomas J. Ivey  
Tel. No.: (650) 470-4500  
Fax No.: (650) 470-4570

To the Holders:                      Acqua Wellington Private Placement Fund Ltd.  
c/o Fortis Fund Services (Bahamas) Ltd.  
Montague Sterling Centre  
East Bay Street, P.O. Box SS-6238  
Nassau, Bahamas  
Tel. No.: (212) 398-0666  
Fax No.: (212) 398-9260

Acqua Wellington Opportunity I Limited.  
Shirlaw House  
87 Shirley Street  
P.O. Box SS-19084  
Nassau, Bahamas  
Tel. No.: (212) 398-0666  
Fax No.: (212) 398-9260

With a copy to:                      Jenkins & Gilchrist Parker Chapin LLP  
The Chrysler Building  
405 Lexington Avenue



Yahoo! Inc.  
701 First Avenue  
Sunnyvale, California 94089

October 2, 2002

Yahoo! Inc.  
701 First Avenue  
Sunnyvale, California 94089

Re: *Yahoo! Inc. Registration Statement on Form S-3*

Ladies and Gentlemen:

I am the Deputy General Counsel and Assistant Corporate Secretary of Yahoo! Inc., a Delaware corporation (the "Company"), and I am acting as counsel to the Company in connection with the filing of a registration statement on Form S-3 ("Registration Statement") filed by the Company with the Securities and Exchange Commission (the "Commission") on October 2, 2002 pursuant to the Securities Act of 1933, as amended (the "Securities Act").

The Registration Statement relates to the registration of 15,000,000 currently issued and outstanding shares (the "Shares") of the Company's common stock, par value \$0.001 per share ("Common Stock") held by Acqua Wellington Private Placement Fund Ltd. and Acqua Wellington Opportunity I Limited (taken together, the "Selling Stockholders"), which shares were issued upon the conversion of preferred stock held by Softbank America, Inc. ("Preferred Stock") into Common Stock upon the Company's initial public offering and subsequently sold to the Selling Stockholders.

This opinion is being furnished in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act.

In connection with this opinion, I have examined originals or copies, certified or otherwise identified to my satisfaction, of: (i) the Registration Statement; (ii) a specimen certificate evidencing the Common Stock; (iii) the Company's applicable Certificate of Incorporation; (iv) the Company's applicable Bylaws; and (v) certain resolutions of the Board of Directors of the Company, relating to the issuance and sale of the Preferred Stock and related matters. I have also examined originals or copies, certified or otherwise identified to my satisfaction, of such records of the Company and such agreements, certificates of public officials, certificates of officers or other representatives of the Company and others, and such documents, certificates and records as I have deemed necessary or appropriate as a basis for the opinion set forth herein.

In my examination, I have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to me as originals, the conformity to original documents of documents submitted to me as certified or photostatic copies, and the authenticity of the originals of such copies. As to any facts material to the opinion expressed herein which I did not independently establish or verify, I have relied on statements and representations of officers and other representatives of the Company and others.

I am admitted to the bar of California, and I express no opinion as to any laws other than the General Corporation Law of the State of Delaware, in effect as of the date hereof, which laws are subject to change with possible retroactive effect.

Based upon the foregoing and subject to the limitations, qualifications, exceptions and assumptions set forth herein, I am of the opinion that the Shares are validly issued, fully paid and non-assessable.

I hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement. I also consent to the use of my name under the heading "Legal Matters" in the Registration Statement and in any amendment to the Registration Statement. In giving this opinion, I do not thereby admit that I am included in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission.

Very truly yours,

/s/ MICHAEL CALLAHAN

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QuickLinks

[Exhibit 5.1](#)

[QuickLinks](#) -- Click here to rapidly navigate through this document

**Exhibit 23.1**

### **CONSENT OF INDEPENDENT ACCOUNTANTS**

We hereby consent to the incorporation by reference in this Registration Statement on Form S-3 of our report dated January 16, 2002, except for Note 12, which is as of February 12, 2002, relating to the financial statements and financial statement schedule, which appears in Yahoo! Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001. We also consent to the references to us under the heading "Experts" in such Registration Statement.

/s/ PRICEWATERHOUSECOOPERS LLP

San Jose, California

October 2, 2002

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QuickLinks

[Exhibit 23.1](#)

[CONSENT OF INDEPENDENT ACCOUNTANTS](#)