

Unilateral Resale Price Policy for Yamaha Home Audio Products

Yamaha Corporation of America (“Yamaha”) has determined to introduce, for its Yamaha Home Audio Products line of products, a Unilateral Resale Price Policy (URPP), effective as of May 1, 2019. Because this policy represents an exception to Yamaha’s general marketing strategy, I wanted to provide you with a clear explanation of the new policy, and its rationale.

Because Yamaha Home Audio Products are typically sold via a Distributor to an Indirect Independent Dealer, who sells the product to an end consumer, Yamaha has a special interest in ensuring the product line enjoys the highest possible brand esteem, while also being sold to end users in ways that enhance and protect the proper image of quality and value.

Yamaha also believes it is important for its Indirect Independent Dealers to have a choice of Distributors from which to make purchases of Yamaha Home Audio Products. This will allow Distributors to make their own investments in rich offerings of information and services, and thereby to provide Indirect Independent Dealers the opportunity to choose the suite of sales support and services they want from their Distributors.

We believe that, to develop and maintain the proper reputation for Yamaha Home Audio Products, to provide space for Distributor Partners to innovate in Dealer-facing offerings, and to compete against the many other products available commercially, it is important that Yamaha introduce this new policy. This policy therefore promotes that all Yamaha Home Audio Products be offered for sale, and sold, by a Yamaha Distributor to a Yamaha Indirect Independent Dealer, at particular price points.

By establishing acceptable profit margins for Yamaha Home Audio Products Distributors, Yamaha will also be able to insist that each Yamaha Home Audio Products Distributor provide the necessary levels of pre-sale, point-of-sale and post-sale product and customer support. Although Yamaha can use its Yamaha Home Audio Products Authorized Distributor Agreement to explain how Distributors should market and support Yamaha Home Audio Products, the only way that Yamaha can ensure that Yamaha Home Audio Products develop the correct quality and value image, consistent with the antitrust laws, is to establish a unilateral Resale Price Policy for these products.

Each Distributor will be informed of the designated “to Dealer” prices for Yamaha Home Audio Products via the Yamaha Home Audio Product Price Lists. With this URPP for Home Audio Products, Yamaha has established a “Unilateral Distribution Resale Price” which is a minimum resale price of at least 7% over dealer cost as published by Yamaha inside the current AV Products confidential price list which Yamaha makes available from time to time.

Also under the URPP, Yamaha may, from time to time implement temporary Minimum Advertised Price “MAP” programs used for sales made by indirect dealers to consumers

that may be supported by a sell through credit payable to the distributor. For sales that occur during those temporary “MAP” periods, the distributor can reduce the invoice price to their customers up to the amount of the sell through credit Yamaha is providing and still be in compliance with the URPP.

To be clear, Yamaha cannot require Distributors to sell Yamaha Home Audio products for these Unilateral Distribution Resale Prices, and no aspect of any agreement between Yamaha and any other party contains such a requirement. However, under Yamaha’s Unilateral Resale Price Policy, Yamaha will take the following actions when it observes the following kinds of violations of the Policy:

- When Yamaha observes sales by a Distributor to an Indirect Independent Dealer, or to any other party, at a price less than the “Unilateral Distribution Resale Price” established in the URPP, Yamaha may reduce the Discount from Invoice (“DFI”) offered to that Distributor by 2% of the invoice price on any invoices to the Distributor on future purchases of Yamaha Home Audio Products. For example, if the current DFI is 8%, it may be lowered to 6% on all subsequent invoices after the Distributor violates the URPP. Such sanction may be applied at Yamaha’s discretion for the time period deemed necessary by Yamaha.
- Should Yamaha observe repeated incidents of sales by a Distributor to an Indirect Independent Dealer, or to any other party, at a price less than the “Unilateral Distribution Resale Price,” Yamaha may terminate the Authorized Distributor Agreement with that Distributor.

Under this Policy, Yamaha reserves the unilateral right to request and receive resale reports from the Distributor, and to commission an audit of Distributor’s dealer pricing, as described in Exhibit B to the Authorized Distributor Agreement.

It is critical that each Distributor and Indirect Independent Dealer understands that Yamaha, alone, must enforce this policy. Communications to Yamaha from any party that identify or complain about violations of the policy could complicate Yamaha’s ability to enforce the policy successfully, and therefore, as part of the policy, you are requested to refrain from commenting to Yamaha about any other party’s compliance, or non-compliance, with the policy. Further, any such communications as are sent to Yamaha will be ignored, and no response from Yamaha will be made.

To insure consistent application and enforcement of the URPP, Yamaha has designated Art Serksnas, to be the individual responsible for implementing the URPP. Any questions regarding the URPP should be directed to Mr. Serksnas.

Enclosed you will find a letter of acknowledgement of receipt of this Unilateral Resale Pricing Policy letter. Please sign and return this letter to Yamaha in the enclosed return mailer. Receipt of the acknowledgement letter by Yamaha is a requirement for eligibility to sell Yamaha Home Audio Products after the effective date of May 1, 2019.