

TOTO USA 2012 IMAP Policy

TOTO is one of the world's leading high value, premium brands. TOTO USA's strategy for promoting the brand relies heavily on its presentation as a high value, premium brand to distributors, showrooms, tradesmen and other professionals, and consumers. All elements of our corporate marketing, advertising and promotional activities are designed and implemented with this goal in mind.

TOTO is available to consumers via several channels. These include traditional wholesale distribution, kitchen and bath showrooms and the Internet. To maintain and reinforce the high value of our brand, TOTO does not sell its products in the discount retail or home center channels. We do not view these channels' marketing strategies as being consistent with our vision for the brand. We are very enthusiastic about all of the channels in which we participate and our goal is to provide maximum support to our customers while always being true to our marketing principles and strategies.

We recognize that there are sometimes conflicts between the various channels. Those conflicts are often most serious with respect to sales of the TOTO brand via the Internet, specifically and most intensely for our Washlet and Neorest products. The Internet is often used as a high discount/low price channel. These high discount/low price sales strategies can often seriously undermine the brand's high value, premium image. This is something we wish to avoid as much as possible and our customers consistently give us the same message. Therefore, we are implementing this policy to support the image of the brand and our customers' investment in and commitment to our brand.

No policy of this type is perfect. However, for it to be maximally effective, it will require a commitment from both TOTO USA and our direct customers. We intend to be vigilant, serious, and consistent in our implementation and oversight of this policy and we are launching it with the expectation that we will receive a similarly high level of support from our customers.

Please do everything you can to support us in our common interest to present the TOTO brand as nothing less than the high value, premium brand we have all worked so hard to create.

TOTO®

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Internet Minimum Advertised Price Policy TOTO Washlet[®] & Neorest[®] Suite Products

Effective March 1, 2012 the following policy will go into effect. This policy applies to all advertisements on the Internet of any and all TOTO Washlet[®] and Neorest[®] Suite products.

As of March 1, 2012 no TOTO Washlet[®] or Neorest[®] Suite products may be advertised on the Internet at discounts greater than the following:

- **Washlets: 40% off the list price in effect at the time of the advertisement**
- **Neorest Suite Products: 30% off the list price in effect at the time of the advertisement.**

This policy applies to any presentation of the final price to the buyer and includes things such as “shopping cart prices”, “call for pricing”, “click for discount pricing”, or other tactics that would present the price to the buyer at a price below this policy.

TOTO-sanctioned special promotions that specifically state that they are not subject to this policy will not be viewed as violations of the policy.

TOTO USA conducts regular and thorough scans of the Internet to monitor advertised pricing and to identify web sites and retailers that are in violation of this policy. As violators are identified, the following actions will take place.

Violations:

First Violation: TOTO USA, Inc. will notify the violator that they are in violation of this policy. This notification will stipulate that they are expected to conform to the policy within five business days. Should the violator not conform within that time period, the privilege of using any TOTO copyrighted material, including photographs, in any form on the violator’s web site will automatically be revoked. Further use of these materials will be viewed as a violation of TOTO’s proprietary and intellectual property rights. The violator will receive a Cease & Desist letter to this effect and a similar Cease & Desist letter will be sent to the violator’s Internet Service Provider demanding that they remove the copyrighted and proprietary materials from the site. A period of 5 business days will be allowed for the removal of these materials after which TOTO USA, Inc. may, at its discretion, choose to pursue legal action for violation of its copyright and proprietary material rights. The violator will not be permitted to resume use of the copyrighted material and proprietary material until they receive express, written permission from TOTO USA, Inc.

Second Violation: TOTO USA, Inc., will notify the violator that they are again in violation of the policy. TOTO USA, Inc., will refuse any purchase orders and suspend any shipment of the products that have been advertised in violation of this policy for a period of 30 days. The ban on using copyrighted and proprietary materials will continue. Should the violator not be a direct customer of TOTO USA, Inc., TOTO may elect to disallow any warranty claims from consumers who have purchased products via the offending site. TOTO USA, Inc. may also elect to put a



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notification and warning on its web site that identifies the offending site as operating outside of TOTO's approved policies and is therefore not viewed as a TOTO-supported site.

Third Violation: TOTO USA, Inc. will refuse any purchase orders and suspend any shipment of the products that have been advertised in violation of this policy for a period of 60 days. The ban on using copyrighted and proprietary materials will continue and the notices and warnings on TOTO's web site may continue.

Fourth Violation: Upon notification of a fourth violation TOTO USA, Inc., may at its discretion exercise its right to terminate the Master Purchase Agreement with the offending party. The privilege of using TOTO's copyrighted and proprietary materials may also be revoked for additional, indeterminate time periods.

This policy is being implemented to support the brand in a manner consistent with TOTO's brand strategy and to help provide maximum value of the brand to businesses selling our products. With that in mind, we recognize that our direct customers have some responsibility in this area too. Therefore, TOTO USA, Inc. customers must inform all of their customers who are resellers of TOTO products on the Internet of this policy and of TOTO's expectation that they will conform to it. All TOTO USA, Inc. customers will be viewed in violation of this policy if they sell to third parties who are themselves in violation of this policy.

From time to time, when TOTO is investigating compliance issues with third-parties, we may request information from our direct customers regarding their Washlet and Neorest sales to these non-compliant third parties. In those cases, in order to be compliant with this policy, the TOTO direct customer must provide us with information pertinent to the enquiry. Under no circumstances will this policy require that our direct customers provide information that is not strictly limited to policy compliance issues.

This is a unilateral, non-negotiable policy. No employee or representative of TOTO USA, Inc. is authorized to change or modify the policy in any way. Each TOTO customer or reseller is free to decide whether they will adhere to the policy and they are free to advertise or sell TOTO products at any price they choose. TOTO USA, Inc. is solely responsible for the implementation and enforcement of the policy. TOTO USA, Inc. may at any time amend, modify or discontinue this policy at which time notices such as this one will be issued.

Please take steps to assure that all relevant employees, customers, representatives, agents or others to whom this policy would apply are made aware of its provisions and its effective date.

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