

Nineteenth Intercollegiate Negotiation Competition Problem

(~~October 9 version~~September 14)

1. Negoland is a constitutional monarchy with a land area of 900,000 square kilometers and a population of 30 million. Its capital is Nego Nego. The country has made great progress in science and technology, and it has a considerable number of leading global companies in industrial, IT and other fields. E-commerce using the Internet is also active. The country is rich in nature and historical heritage and other tourist attractions, and thus tourism is also a major industry. GDP per capita is around 50,000 USD. The currency of Negoland is the Nego-Lira. The official language is Nego-language. Negoland is also known for its excellent social security system. Healthcare and welfare services for the elderly are covered by taxes, and it has a great income protection system. Due partly to these excellent social security systems, the level of trust and satisfaction by its citizens toward the government is high. The approval rating for the government in recent years has been at the 70% level.
2. In Negoland, each citizen is given a National ID Number. This National ID Number is public information. Various types of information are integrated by linking them to this National ID Number, and the National ID Numbers are utilized in a wide range of areas including public services, commercial transactions, financial transactions, education, medical services and tax payments. A large segment of the public is showing a favorable reaction to the utilization of personal information by public and private sectors. Banks in Negoland have developed an identification system called Nego-ID to prove that an individual is the person to whom a particular National ID Number has been assigned. Based on this number, verifying personal identification can be easily done in person or on-line using a smart phone, ID card, PC or other means.
3. In 2017, the Negoland government declared that it would promote a “Smart City Concept” based on a collection of the best IT technologies. As the first step, the government designated Negotown, the third largest city in Negoland with a population of 1 million, as a Smart City Special District. In this district, regulations have been relaxed and large scale adoption of IT has been promoted in both the private and public sectors, such as commercialization of autonomous cars, promotion of cashless systems, promotion of energy-efficient buildings, implementation of 5G communication networks and promotion of solar power generation systems. By 2019, the cashless system had been implemented in all areas in the city, and in 2020, the actual use of autonomous cars on public roads and the use of 5G were realized.

4. Arbitria is a constitutional monarchy with a land area of 500,000 square kilometers and a population of 50 million. Its capital is Abu Abu. As in the case of Negoland, industries are flourishing, and it has made great progress in science and technology. Although Arbitria leads the world in electronic parts and automobile industries, it somewhat falls behind the world's highest level in information technology and aerospace industries. In recent years, it is also focusing on becoming a tourism destination, and the number of foreign tourists is showing an increasing trend. GDP per capita is around 50,000 USD. The currency of Arbitria is the Abu dollar. The official language is Abu-language.
5. Arbitria is currently facing changing demographics characterized by a declining birthrate and aging population, and its population is on a declining trend. As a result, a shortage of young people in the labor force is now a social problem. In particular, a shortage of labor in transportation, construction, nursing care and restaurant industries has become obvious. For example, people are talking about the increasing burden on transportation companies, which have the role of transporting goods as on-line shopping and e-commerce grow. To deal with the labor shortage in these industries, the need for the utilization of robot and automation technology has been pointed out and various efforts have been made. However, they are still at an experimental stage and practical application is still far away.
6. In Arbitria, issues concerning the protection of personal information have been drawing increasing attention. In May 2017, the General Data Protection Act, which is equivalent to the General Data Protection Regulation (GDPR) implemented by the EU, was enacted. The Act came into force in January 1, 2019. The General Data Protection Act is under the jurisdiction of a governmental body, the Personal Information Protection Commission. With respect to the General Data Protection Act, the Personal Information Protection Commission has published a Guideline on consent under the Act and a Guideline on the territorial scope of the Act. The content of these guidelines is basically the same as those of relevant guidelines for the GDPR in the EU. When the General Data Protection Act came into force, tThe Personal Information Protection Commission declared that the General Data Protection Act would be strictly applied for the protection of personal data. In fact, in May 2019, there was a case where a fine of 1 million Abu dollars was imposed on a large-scale retail store for causing the leakage of personal information of over 500,000 customers.
7. The relationship between Negoland and Arbitria is good, and the exchange of people, goods and services has been active. It is said that Negoland and Arbitria are relatively similar in terms of, for example, economic level and people's preferences. They entered into an economic

partnership agreement in 2007, and customs duties were eliminated for trading of goods. Both Negoland and Arbitria are signatories to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, [the](#) Convention for the Unification of Certain Rules Relating to International Carriage by Air ([the Montreal Convention](#)) and [the](#) United Nations Convention on Contracts for the International Sale of Goods. Changes in exchange rates of both the Nego-Lira of Negoland and the Abu dollar of Arbitria to the US dollar are as shown in Exhibit 1. There is a three-hour time difference between Negoland and Arbitria, and Negoland is ahead of Arbitria. The distance between Negoland and Arbitria is about 7 hours by plane.

8. In both Negoland and Arbitria, freight and passenger transportation business (whether domestic or international) cannot be performed without a governmental license. Among them, businesses that carry domestic freight are subject to foreign investment restrictions. Corporations whose representatives are foreigners, corporations in which foreigners account for more than one-third of officers or in which foreigners have voting rights of more than one-third cannot obtain a license to carry out domestic freight business. (There is no foreign investment regulation for international freight business.)
9. Red Corporation (“Red”) is a major transportation business operator in Negoland. Red was established as a transportation company in Negoland in 1950. Since around 2000, e-commerce has become increasingly popular in Negoland, and as trading volume of freight transportation for on-line shopping increased, Red’s business expanded. The core of Red's freight transportation business is its courier service business (business of delivering and picking up parcels by visiting individual homes and offices). The courier services of Red in Negoland handle around 40 million parcels per month, the most of any courier in Negoland, and 90% of the courier services in Negoland are handled by Red and two other companies: Purple Corp., the second-ranked company (which handles around 30 million parcels); and Green Corp., the third-ranked company (which handles around 20 million parcels).
10. Since 2008, Red also expanded its business into international air cargo transportation between Negoland and Arbitria. For this air cargo transportation business, Red itself owns two cargo-only aircraft and carries out the actual transport, and also operates as a forwarder in Negoland and Arbitria. As a result of the signing of the Economic Partnership Agreement between Negoland and Arbitria in 2007, trade between Negoland and Arbitria became more active than ever before. This is the reason why Red acquired a small international air cargo transportation company and added it to its business. Red also provides Negoland companies with logistics consulting and support services, utilizing its resources for and experience as an operator of

courier and air freight transportation services. In relation to the logistics business, Red possesses large warehouses in major cities in Negoland, which its customers may use, and Red utilizes its experience to propose solutions for various customers' needs relating to logistics. In 2010, Red purchased a tour bus company in Negoland, and entered into the domestic tour bus business. As foreign tourists to Negoland started to grow also around 2010, Red started to put efforts into chartered tour bus and regular tour bus businesses for foreigners, and these businesses have been successful.

11. Since 2015, Red has been working with Yellow Corp., the largest automobile company in Negoland, to realize freight transportation using autonomous cars and drones. The development went smoothly, and since 2017, as part of the Smart City Concept at Negotown, they have been conducting experiments to deliver cargos to consumers' homes using autonomous cars or drones. From May 2019, the delivery using autonomous cars and drones for small products has been put to practical use in Negotown. An outline of Red is provided in Exhibit 2.
12. Blue Inc. ("Blue") is an online retailer in Arbitria. Blue was established in 1990 as an Internet shopping site selling stationery and fashion goods for young people. As the use of the Internet by people in Arbitria increased, the products and business of Blue also expanded. Blue is now operating the largest on-line shopping site in Arbitria, and there is so much variety in the goods it offers that people say that they can buy everything at Blue's site. Blue operates two shopping sites. One of them is called "Blue Store," for which a wide variety of goods are purchased by Blue from vendors in Arbitria and Blue itself keeps them in inventory until they are sold. Blue has huge warehouses in Arbitria, which allows Blue to offer next day delivery. This convenience is very well received by its customers. Most of the customers of Blue Store are consumers in Arbitria.
13. The other shopping site is called "Blue Global Mall," which is a collection of well-rated stores selected by Blue from all over the world, not just from vendors in Arbitria. Blue Global Mall is a super large shopping mall on the Internet. This Mall covers a wide range of categories and people can buy not only electronic goods, furniture, clothing, jewelry, food and other goods, but also entertainment services, educational services, tourism services and other services. Any order placed at Blue Global Mall is conveyed to each store in the Mall, and ordered goods or services are shipped or provided by each store. What is popular about this Mall is that the site design and user interface are so innovative that users feel as if they were actually strolling down a mall when they are browsing products of well-rated stores of the world at the site. The site of

each store may be managed by Blue or may be managed by the store. Blue Global Mall aims to enable customers to have various experiences on the Internet, and in cooperation with each store that opens stores on the Mall, Blue is trying to realize virtual experiences in the Mall, such as virtual trying on of clothing, virtual test drive of cars, and virtual viewing of real estate. In developing such a mechanism, Blue provides the VR technology developed by its staff to the store owners, and is working with the owners to develop attractive virtual stores.

14. The only language used in ~~both Blue Store and Blue Global Mall~~ is the Abu-language, and the payment currency is only the Abu dollar. Although it is possible to use ~~both Blue Store and Blue Global Mall~~ from outside Arbitria, there are not many users from abroad because they use only the Abu-language and the delivery fee to overseas is more than 50 Abu dollars. In Blue Global Mall, the language used in the parts other than the sites operated by stores, such as the parts operated by Blue itself including the introduction of stores, is the Abu-language. The language of each store's website is determined by the store owner. Blue Global Mall, however, has a sophisticated automatic translation function, so even if a site of a store is in English or some other language, it can be translated into the Abu-language by using this function. The accuracy of the translation is world-class level, and is perfectly acceptable for shopping at the Mall. The currency for payment in each store is also determined by the store owner. However, Blue Global Mall provides a function that allows users to make payments in Abu dollars using credit cards and cashless payment tools that are popular in Arbitria. With this function, customers may pay in Abu dollars even if the payment currency of a store is the US dollar or some other currency. (Blue converts the Abu dollars paid by customers into the settlement currency of the site and delivers the amount in such currency to the store owner.) Although it is possible to use Blue Global Mall from outside of Arbitria, there are not many users from abroad because the delivery fee to overseas is more than 50 Abu dollars.
15. Blue provides its customers with system development services for on-line marketing and sales management using its resources for its own on-line shopping sites as well as cloud storage services (services that maintain its customers' data in the server owned and managed by Blue). These services are great revenue sources as they use Blue's surplus resources. The servers that Blue uses for the cloud storage services are located mainly in Arbitria, as well as in other countries such as Negoland. An outline of Blue is provided in Exhibit 3.
16. Blue started Blue Store services in Negoland as well on October 1, 2009. This was because Blue Store had been a great success in Arbitria and thus Blue thought that this business model could be used for other countries. Since Negoland had close ties to Arbitria and their economic

situation was similar to that of Arbitria, Negoland was thought to be the best option. As a result, services called “Blue Store Negoland,” for short “BSN”, were started for consumers in Negoland. Upon starting BSN, in May 2009, Blue established a 100% subsidiary called Blue Negoland Company (“Blue Negoland”) in Negoland.

17. BSN is offered in Nego-language only, and the payment currency is only the Nego-Lira. Blue Store and BSN are operated as separate sites, and customer accounts are also managed independently by Blue Store and BSN. When a customer purchases a product through BSN, the seller is not Blue Negoland, but Blue. Blue Negoland is responsible for the procurement, storage and arrangement for delivery of goods in Negoland. When a customer of BSN places an order, Blue reports the details of the transaction to Blue Negoland, and, in accordance with the report, Blue Negoland ships products from ~~athe~~ warehouse it owns in Negoland. ~~BSN~~Blue Negoland deals with products of Arbitria which are sold at Blue Store in Arbitria and are especially popular, in addition to products of Negoland. Consumers’ orders for products of Arbitria are handled as follows: certain quantities of products of Arbitria are transferred from Arbitria to Negoland in advance and stored in ~~athe~~ warehouse in Negoland, and products that are not in stock are transported by air from Arbitria.
18. When starting BSN, Blue selected Red as a vendor for the transportation and delivery of products. The reasons Blue selected Red were that Red was the leading courier company in Negoland and it was capable of transporting products of Arbitria sold by BSN by air from Arbitria to Negoland. For Red, having a major customer like Blue as a stable user of its air freight transportation services was something it had wished for, since its air freight transportation services between Negoland and Arbitria, which started in 2008, had been unexpectedly slow.
19. In February 2009, Red and Blue entered into a master agreement concerning: ① courier services to deliver products purchased by customers in Negoland from BSN to the customers; and ② air transportation to Negoland of products of Arbitria to be sold by BSN. The portion of this agreement which is relevant to this issue is attached as Exhibit 4. The master agreement sets forth basic terms and conditions for ① and ② between Red and Blue. For each transportation in ①, Blue Negoland makes a delivery request form describing the cargo, receiver of the cargo, and delivery dates for each transportation, etc., and requests the delivery to Red. Attached as Exhibit 5 are the minutes of the meeting between Red and Blue to enter into the master agreement.
20. BSN was well received by consumers in Negoland, and its trading volume grew steadily. There were no specific problems with the air transportation and courier services by Red. The ratio of

the amount of products of Negoland and Arbitria handled by BSN is approximately 3:1. However, one of BSN's sales points is that consumers can get superior products of Arbitria quickly using the Nego-language and Nego-Lira without paying the overseas delivery fee. The delivery fee of BSN in Negoland is free for orders that are 30 Nego-Lira or higher and is 4 Nego-Lira for orders that are less than 30 Nego-Lira. BSN can also be used by consumers outside of Negoland, and around 10% of BSN users are consumers in Arbitria who purchase products of Negoland through BSN. Changes in BSN's sales are as shown in Exhibit 6.

21. In March 2018, Red decided to renew its customer management system and database for its courier business and sightseeing business in Negoland. Red requested Blue to undertake this renewal work, as Red had been dealing with Blue for transportation services and Blue had a good reputation in the field of customer management systems. A portion of the agreement concerning this system development which is relevant to this issue is attached as Exhibit 7. (There is no other contract related to the development of the system nor to the relationship between Red and Blue after the development.) After the agreement was signed, Crane, who is in charge of this matter at Red, and Ruby, who is in charge of this matter at Blue, had the exchanges set forth below. Ruby has a lot of experience in system development, and when Red asked Blue to put a particularly good person in charge of this case, Blue chose Ruby because Ruby had not received a complaint from customers and there had never been any major problems with the systems Ruby developed.

Crane: We decided to ask Blue to renew our system because we trust your excellent technology.

Ruby: Thank you. We will do our best.

Crane: We often hear about hacking and data leakage in various countries. There were such cases also in Negoland. Please pay special attention to hacking prevention and strict data management.

Ruby: Of course. We will check that point particularly carefully. I have never had such a case in the systems in which I've been involved. Please be assured.

Crane: I trust you and rely on you.

22. The system was completed in December 2018, and Red started to use it in January 2019. Through this renewal of this customer management system (it is called "Red Customer Management System" or "R-CMS"), it became possible for Red to manage the data of all customers who have had business with Red in the past and to use such data for its marketing activities. Furthermore, by using the cloud storage service offered by Blue, it also became possible for Red to manage a large volume of data without the need to manage the server itself.

23. Furthermore, with the increase of tourists from Arbitria to Negoland, ~~on~~ January 15, 2019 Red ~~started the online tourist service, opened~~ “Red Travel”, ~~and opened it~~ on Blue’s Blue Global Mall, ~~as well. (From the beginning, Red planned to open “Red Travel” not only on its own website, but also on Blue Global Mall.)~~ Red Travel handles reservations for tourists from foreign countries to Negoland, including reservations for package tours, custom-made tours, accommodations, transportation, and events. Red Travel is not a site dedicated only for Arbitria, but it aims at attracting tourists from various foreign countries and is written in English. The server ~~for~~ Red Travel was located in Negoland. After customers entered the Red Travel store in Blue Global Mall, they entered into transactions using Red Travel’s website recorded on the server in Negoland. On the website, the following message was displayed: “From now, you will be redirected to Red's website.” Red requested Blue to undertake the development of the website for Red Travel. The portion of the agreement concerning the outsourcing of website development which is relevant to this issue is attached as Exhibit 8. In 2019, the total number of tourists who contracted through Red Travel was about 200,000, and 30% of the tourists were those who traveled from Arbitria to Negoland.

<Round A>

24. In January 2019, Blue decided to hold a special sale, as BSN was preparing to celebrate its 10th anniversary in October 2019. This event was named “BSN-Super 10<sup>th</sup> Anniversary”. This special sale by BSN was only the second time for such an event; the first such event was held on its 5th anniversary in 2014. At the time of its 5th anniversary, ~~Blue~~Red offered 20% to 50% discounts on all products for five days, and the average daily sales amounted to 50 million Nego-Lira. For the 10th anniversary, it was decided to offer 20% to 50% discounts for all products for 7 days from October 1 to October 7, 2019. Along with this, Blue decided that Blue Store in Arbitria will also have a sale of the same content at the same time, and it was named "Blue Ultra Sale".

25. To celebrate its 10th anniversary, Blue decided to sell two signature products of Arbitria at the BSN-Super 10<sup>th</sup> Anniversary, which were not normally dealt with in BSN. They were ① “Abu Propolis,” which is propolis obtained from beehives of Arbitria bees only living in Arbitria; and ② “Abu Watch,” which is a high functional watch produced by a world-famous IT company in Arbitria. ① is said to be good for health, to boost the immune system and to attack germs and viruses. Abu Propolis is exceedingly rare and is difficult to get, even in Arbitria. At Blue Store, a 50cc bottle is sold for 100 Abu dollars but only when a shipment comes in. Blue succeeded to purchase 50,000 bottles for 40 Abu dollars per bottle for this sale. Blue planned



to sell this Abu Propolis for 50 Nego-Lila per bottle during the BSN-Super 10<sup>th</sup> Anniversary. ② is a watch that not only tells you time, but also allows users to make phone calls, manage their health, perform searches via voice commands, manage schedules, and do cashless payments. They are also very fashionable and normally cost 1,000 Abu dollars at Blue Store. This watch is also extremely popular and hard to get and is constantly back-ordered at Blue Store. Blue succeeded to purchase 10,000 watches for 400 Abu dollars per watch for this sale. Blue planned to sell this watch for 500 Nego-Lila per watch during the BSN-Super 10<sup>th</sup> Anniversary. However, the advertisement of the BSN-Super 10<sup>th</sup> Anniversary only announced that “Abu Propolis” and “Abu Watch” will be sold “at a special price”, and the specific selling price would be announced at the start of the sale.

26. Blue's announcement of the BSN-Super 10<sup>th</sup> Anniversary in July 2019 drew consumers' attention in Negoland. It was expected that with this special sale, air transportation by Blue from Arbitria to Negoland and courier services in Negoland would surge temporarily. Moreover, since the Blue Ultra Sale would be held at the same time, it was expected that the amount handled in Arbitria would also increase sharply. Usually, the goods that are shipped from Arbitria to Negoland for sale at BSN are handled as follows: (1) Blue itself packages the goods for air transportation in a warehouse in Arbitria, and then Blue hands over the packed products to Red in a warehouse in Arbitria; (2) Red carries out customs clearance procedures, loads the containers, carries them, and delivers them to the warehouse of Blue Negoland located in Negoland; (3) In accordance with the delivery requests from Blue Negoland, Red uses its domestic transportation network to deliver the goods to consumers. However, this time, in addition to the overlapping of the two major events of BSN-Super 10<sup>th</sup> Anniversary and Blue Ultra Sale, from July 2019 members of the staff of the warehouse of Blue who were dissatisfied with the working environment had been leaving. That has made it difficult for Blue to secure enough manpower to successfully handle the two events. Therefore, Blue requested Red to enhance the transportation system from mid-September to early October 2019, and also had discussions to request Red Co. to cooperate in the work of (1). A record of this discussion is attached as Exhibit 9. The agreement reached by Red and Blue after this discussion is attached as Exhibit 10.
27. On September 10, 2019 Blue started to acquire products of Arbitria to be transported from Arbitria to Negoland for the BSN-Super 10<sup>th</sup> Anniversary, and to ship them to Negoland. On September 17, Red sent 2 of its staff members to perform the work of (1) requested by Blue.
28. When Blue carries out the packaging work for air transportation in the work of (1), it usually

packs the product in a cardboard box after packing it with cushioning material for air transportation. Initially, Red was using the cushioning material that it had prepared for packing. However, there were not enough cushioning materials for air transportation prepared by Red, as the number of products was way more than expected. As a result, on September 22, Red requested that Blue procure cushioning materials urgently, and Blue delivered cushioning materials to Red on September 23. Written statements submitted by Red's and Blue's staff in charge concerning the communications between them that took place at that time are attached as Exhibit 11.

29. Abu Propolis and Abu Watch were delivered to Blue in Arbitria on September 20, 2019. On September 24, 2019, Red's staff in charge performed the work of packaging with the cushioning materials delivered on September 23 and loading the goods onto the aircraft. (At that time, the only available cushioning materials were those delivered by Blue.) –Abu Propolis and Abu Watch arrived in Negoland on September 25, 2019, and were transported to Blue's warehouse in Negoland on September 26, 2019. The total weight of Abu Propolis was 3500 kilograms and the total weight of Abu Watch was 600 kilograms. The air way-bills issued by Red showed that the total value of Abu Propolis is 2 million Abu dollars and the total value of Abu Watch is 4 million Abu dollars.
30. On September 27, 2019, the staff of Blue Negoland inspected the Abu Propolis and Abu Watch at Blue's warehouse and discovered that the containers of 40,000 bottles of Abu Propolis, out of the total 50,000 bottles, were damaged and liquid inside had leaked. The 40,000 leaking bottles were unsalable, and thus unavoidably had to be thrown out. As a result, only 10,000 bottles of Abu Propolis were sold at the BSN-Super 10th Anniversary. No apparent problem was found with the Abu Watch.
31. Blue immediately notified Red in writing of the damage and leakage of Abu Propolis and requested experts to the investigation of the cause. As a result, it was found that ① the cargo room was constantly pressurized to about 0.8 atm during flight; ② the cushioning material used was not dedicated for air transportation, and the quality was not good enough; ③ 30% of the air in the cushioning materials came out in the cargo room, as the air pressure decreased to 0.8 atm during the flight (both parties do not dispute that such leak of air would not have occurred if cushioning materials for air transportation had been used), and, as a result, the cushioning materials did not function; ④ during the flight, the aircraft encountered clear-air turbulence so severe that it happens only once every few years and the aircraft shook very badly; ⑤ the containers in which were stored the cardboard boxes containing Abu Propolis and Abu Watch

~~were violently vibrated~~ violently (both parties do not dispute that there was no problem with the storage of the cardboard boxes in the containers or the loading and installation of the containers in the aircraft) or collided inside the containers as a result of the cushioning material not functioning; ⑥ as a result of the 30% leak of air from the cushioning materials, the violent vibration of the containers caused the violent vibration of Abu Propolis and Abu Watches inside the cardboard boxes (both parties do not dispute that Abu Propolis and Abu Watches would not have vibrated in the cardboard boxes if no leakage of air from cushioning materials had occurred) therefore, the cardboard boxes also were damaged; ⑦ as a result, 40,000 bottles of Abu Propolis were damaged; and ⑧ there was no particular problem in operating the airplane, and there was no malfunction in the aircraft. Most of the time Blue insured the full value of its cargo for international air transportation. However, this time, the person in charge forgot to obtain insurance for the transportation of Abu Propolis and Abu Watch.

32. On September 24, 2019, media in Arbitria reported that an article claiming that Abu Propolis is good for dieting and that people who take it are also less likely to get a cold or the flu (the likelihood of getting a cold or the flu will be reduced by around 20%, compared to the case when Abu Propolis is not taken) had been published in an international science magazine. Due to this media report, suppliers were flooded with orders for Abu Propolis, and by September 26, the market price for Abu Propolis in Arbitria doubled. With this change in the market price, on September 27, Blue changed the original selling price for ~~10,000 bottles of~~ Abu Propolis at the BSN-Super 10th Anniversary from 50 Nego-Lira per bottle to 150 Nego-Lira per bottle. (The person in charge who decided the change of the sales price did not know that 40,000 bottles of Abu Propolis had been damaged.) 10,000 bottles of Abu Propolis, at 150 Nego-Lira per bottle, were sold out. Currently, there are almost no new shipments of Abu Propolis coming in, but if Abu Propolis becomes available, Blue Store will sell it for 200 Abu dollars per bottle. (Abu Propolis is not sold by BSN.)
33. The 10,000 items of Abu Watch were sold at 500 Nego-Lira as originally planned and also sold out within three days. However, from October 4, Blue started to receive complaints from customers who purchased the watch, claiming that it was broken and did not work. When Blue Negoland investigated the situation, it was found that they were actually broken, and thus it had to accept the return of the watch and to refund the money to 5000 of the customers in accordance with BSN's rules. As a result of their investigation, on October 12 it was found that, for the same reason as in the case of Abu Propolis, there was more impact on the watches than expected and that caused the breakage. On October 7, Blue notified Red by email that Blue had started to receive complaints from customers that the Abu Watch was broken, and on October 12 Blue

also notified Red by email that it had been found that about half of the Abu Watches had been broken due to the impact during the air transportation. On October 10, a watch with functions and quality similar to those of Abu Watch was launched by a watchmaker called Nego Watch in Negoland for 200 Nego-Lira per watch. Due to this launch, the market price of Abu Watch dropped. Currently, Blue Store is selling “Abu Watch” for 200 Abu dollars per watch. Blue repaired the 5000 returned Abu Watches at a cost of 50 Nego-Lira per watch, and sold them for 200 Nego-Lira each at BSN, and they were all sold out. The repair took a month; there is no dispute between the parties that the amount of time required for the repair was reasonable and that the selling price of 200 Nego-Lira was reasonable.

34. Blue instituted a claim against Red for damages on the grounds that: ① Blue was forced to dispose of 40,000 bottles of Abu Propolis; and ② Blue was forced to refund money for 5,000 Abu Watches that had been sold and to spend the cost to repair them. For ①, Blue argues that it could have sold the bottles of Abu Propolis for 150 Nego-Lira per bottle if they had not been broken and thus the total amount of damages is ~~6,000,000~~~~4,400,000~~ Abu dollars (obtained by multiplying, which is the multiple of difference between its unit purchase price of 40 Abu dollars and the aforementioned 150 Nego-Lira, multiplied by 40,000 bottles). For ②, Blue argues that although the watch could have been sold for 500 Nego-Lira per watch, it was forced to sell them for 200 Nego-Lira per watch due to a loss of opportunity to sell, and the lost profit is 300 Nego-Lira times 5,000 watches, amounting to 1,500,000 Nego-Lira, and that the total amount of damage is 1,750,000 Nego-Lira, that is, 1,500,000 Nego-Lira plus 250,000 Nego-Lira as the repair cost.

35. In response, Red argues that the damage to Abu Propolis and Abu Watch were caused by Blue. Red further argues that even if Red were found liable, according to the Montreal Convention and the Terms and Conditions of Air Transportation printed on the back of the air waybill issued by Red, Blue is not allowed to claim damages or Red is exempted from its liability, or the amount of damages is limited even if they are liable for damages. There is no special agreement between Red and Blue regarding Red's liability for the transportation of Abu Propolis and Abu Watch. The portion of Red’s Terms and Conditions of Air Transportation which is relevant to this issue is attached as Exhibit 12.

The above dispute is referred to as the “Transportation Case.”

36. There is another dispute between Red and Blue. That dispute is regarding an issue concerning a fine of 2 million Abu dollars imposed on Red by the Personal Information Protection Commission of Arbitria in October 2019 for Red’s breach of the General Data Protection Act of

Arbitria. The fine was imposed on the ground that Red breached Arbitria's General Data Protection Act in terms of two points. The portion of the Order issued which is relevant to this issue is as attached as Exhibit 13.

37. The first point ~~is regarding concerns~~ Red Travel, operated by Red in Blue's Blue Global Mall. When collecting personal information from a customer necessary for providing services to that customer ~~from a customer~~, Red Travel requests the customer's consent to Red's use of collected personal information for the provision of Red's services as well as solicitation of other services. The method Red used to obtain this consent was to have a customer click on the button on their website saying, "I enter into transactions with Red upon consenting to Red's policy on the use of personal information." The Personal Information Protection Commission found that the method for obtaining consent used by Red Travel is not sufficient. According to the General Data Protection Act, "consent" of the data subject means "any freely given, specific, informed and unambiguous indication of the data subject's wishes by which he or she, by a statement or by a clear affirmative action, signifies agreement to the processing of personal data relating to him or her." According to the "Guidelines concerning Consent" published by the Personal Information Protection Commission, however, "if consent is bundled up as a non-negotiable part of terms and conditions it is presumed not to have been freely given." Therefore, a fine of 500,000 Abu dollars was imposed on Red. The terms and conditions on the Red Travel website state that the laws of Negoland apply to transactions on Red Travel. It is the general view that under the laws of Negoland, the method of obtaining consent described above would not raise any legal issues. The Red Travel website requires customers to scroll through the terms and conditions before making a contract, and no contract is made without customers' clicking on a statement stipulating "I have read and agreed to the terms and conditions." Before moving to the Red Travel site at Blue Global Mall, there is a notice saying "From here on, you will be in the Red Travel site operated by Red. For transactions on Red Travel, please read the terms and conditions of Red Travel carefully." However, no measures were taken to prevent customers from moving to the Red Travel website without reading and understanding this notice and the terms and conditions.
38. The second point is regarding the fact that the customer management system of Red was hacked on January 25, 2019, and the personal information of 50,000 people, including 5,000 customers in Arbitria, who used Red Travel or BSN was leaked. ~~On June 10, 2019,~~ the Personal Information Protection Commission of Arbitria imposed a fine of 1.5 million Abu dollars on Red for this leakage of personal information. Through the investigation, it was found that this hacking was caused by bugs in the R-CMS and that the bugs allowed someone to steal the encryption needed to access part of the R-CMS customer data. (Red's security management

system is as good as that for other companies in the same industry in Negoland and Arbitria.) When this leakage of information occurred, Red paid as a solatium 100 Nego-Lira per customer to each customer whose personal information was leaked. In the same level of personal information leakage in Negoland in the past, the level of solatium per person was from 10 to 50 Nego-Lira. However, consumer groups and researchers in Negoland have criticized that level as being too low. Also, affected by the increased attention to the protection of personal information in Europe, etc., there is growing interest in personal information protection also in Negoland. In light of these circumstances, the board of directors of Red, in consultation with lawyers, decided to pay the solatium of 100 Nego-Lira to protect Red's corporate image and prevent future lawsuits due to this information leakage.

39. Under the laws of Negoland, business operators have a duty of care not to disclose customers' personal information to any third party without justifiable grounds and if any customer suffers from damages due to breach of this duty of care, the business operation is liable to compensate customers for their losses. However, no legal action has been instituted based on this leakage of information. If personal information of consumers is leaked, the Consumer Protection Commission in Negoland may impose a fine. However, as for this case, as Red promptly took necessary action, no fine has been imposed by the Negoland authority.
40. Red made the decision that rather than making this case a big issue by fighting against the Personal Information Protection Commission on legal issues, it would be better to pay the fine promptly. Therefore, on December 16, 2019, it paid 2 million Abu dollars. As to the first point, Red argues that Red outsourced the work to Blue including the duty for such legal compliance, and despite that fact, Red was forced to pay a fine, and thus Blue is liable for it. In response, Blue argues that Blue has never agreed to be liable for legal compliance with Arbitria's General Data Protection Act.
41. Blue also argues that applying Arbitria's General Data Protection Act to the services provided by a Negoland corporation through a Negoland server under Negoland law is excessive extraterritorial application of law, and Red should have contested the fine based on that issue, instead of paying the fine. Despite that, Red paid the fine without consulting with Blue, and therefore, Red should bear the cost. Both parties do not dispute that, in the event the General Data Protection Act does apply, the amount of penalties and sanctions imposed on Red by the Personal Information Protection Commission would not be against the law. ~~On~~ January 6, September 2020, in a case where a foreign business operator who was accused of violating the General Data Protection Law disputed the application of the General Data Protection Law, the

Arbitria Supreme Court decided that the General Data Protection Act does not apply to cases where the residents of Arbitria voluntarily accessed ~~the~~ websites operated by foreign businesses rather than visiting a website as a result of being solicited by a foreign operator or visiting a website targeting a residents of Arbitria. In July 2019, the court of first instance in that case had rendered a judgment along the same lines as the Supreme Court decision, and Red was aware of that fact.

42. As for the second point, Red argues that since leakage of information occurred due to bugs in the R-CMS developed by Blue, Blue should pay compensation for the fine and the solatium which Red was forced to pay because of the bugs. In response, Blue argues that Blue is not liable for damages caused by bugs in the system. With regard to this point, Red argues that in this case, Blue failed to respond to Red's repeated requests to fix the bugs. Communications between Red and Blue regarding Red's requests to fix the bugs were made via e-mail, and these communications via e-mail are as shown in Exhibit 14. Red took measures to temporarily suspend the relevant part of R-CMS, as was recommended by email from Blue on January 26, but at that time the personal information for 50,000 people had already been leaked. When it made the temporary suspension of R-CMS, Red used the backup system which it owned; and there was no financial damages to Red caused by this suspension. This case is referred to as the "Information Case."
43. ~~In February 2020,~~ Red and Blue had repeated discussions concerning the Transportation Case and the Information Case. However, the positions on both sides remained far apart, and the parties agreed to resolve these two cases together by arbitration. On March 16, 2020, the arbitration proceeding commenced. The claimant in the Transportation Case is Blue, and the claimant in the Information Case is Red. The venue of arbitration is Japan.
44. After the arbitral proceedings started, the attorneys of Red, the attorneys of Blue and the arbitrators had a discussion about the examination of witnesses of Red's person in charge, RubySapphire, and Blue's person in charge, CraneHawk, who were involved in the exchange of e-mails attached as Exhibit 14. However, in the process of arranging the schedule for the witness examination, due to the novel coronavirus pandemic, the attorneys of Red insisted that the witness examination hearing be conducted on-line. In response, the attorneys of Blue objected to conducting the examination of witnesses on-line, arguing that on-line witness examination could cause problems from the viewpoint of procedural fairness and due process. The attorneys of Red also insisted that the arbitral tribunal may conduct an examination of witnesses on-line, even if the parties do not agree, but the attorneys of Blue insisted that an

examination of witnesses on-line cannot be permitted unless the parties agree to it. It has been decided that Zoom would be used in the event the on-line examination of witnesses is conducted.

45. After discussions between the arbitrator and the representatives of both parties, it was decided to conduct an on-line hearing on November 14 on the issues set forth in Exhibit 15.



<Round B>

Round B takes place under the assumption that the facts set forth in Paragraphs 1~23 apply but the facts set forth in Paragraphs 24~45 have not occurred.

46. Amid the spread of the novel coronavirus pandemic throughout the world since February 2020, cases of novel coronavirus infection have increased in Negoland and Arbitria as well. In March 2020, Negoland's national government issued an order to its citizens to stay home and for businesses to restrict operations for one month. Arbitria's national government also issued a declaration requesting its citizens to stay home and for businesses to restrict operations. Due to these measures, the number of cases in both countries decreased substantially in May and June, but in July, after the governments lifted the above measures, the number of cases started to rise again. The current number of coronavirus cases and deaths in both countries are shown in Exhibit 16. GDP growth rate in the last few years prior to the spread of coronavirus infection in Negoland was around 2%, and that in Arbitria was around 1%. However, since March 2020, when the coronavirus infection started to spread in both countries, economic activities in both countries were seriously affected. GDP from January to March 2020 in both Negoland and Arbitria was -2% from the previous period, and GDP from April to June 2020 in both countries was -10% from the previous period. Both countries are struggling to find a way to balance preventing the spread of coronavirus and returning to normal economic activities.
47. In the coronavirus pandemic situation, as many people avoided going out, and instead started to use on-line shopping sites on the Internet, the trading volumes of Blue Store, Blue Global Mall and BSN in March all increased by around 20% compared to the same month in 2019. There had been a growing demand for courier service operators even before the spread of coronavirus infection, due to a growing use of on-line shopping and courier services. However, with the growing use of on-line shopping after the spread of the coronavirus, such demand increased even more, and overwork and delivery delays had become a problem. According to media reports, the business volume of courier companies in Arbitria, including Brown Corp., which Blue uses for the delivery of products of Blue Store, is on the rise, and they are troubled by a shortage of workers.
48. For BSN, in the past, the seller of goods to customers in Negoland was Blue, and Blue Negoland was in charge of the procurement, storage and arrangement for delivery of goods. As such, income earned through the sale of goods was not treated as business income of Blue Negoland. Regarding this point, tax authorities in Negoland were of the opinion that Blue Negoland

constitutes a permanent establishment (PE). In March 2020, Blue announced that from 2021, it plans to change its business model to have Blue Negoland become the seller in contracts for BSN. (With this change, the income from the sale of products at BSN will be declared as business income of Blue Negoland in Negoland.)-

49. With the spread of coronavirus infections, the volume of on-line shopping also increased in Negoland, and the business volume of Red in Negoland increased by around 20%. As Red holds the view that the party that controls logistics would control the economy in future society, from three years ago it has been hiring more employees and strengthening its courier service section and logistics and consulting sections. Red's courier service section and logistics and consulting service sections have been showing a steady growth in business, and the increased manpower is yielding results, giving Red sufficient capacity to deal with the current increase in business volume. Red is planning to further increase its capacity to handle a large volume by using autonomous cars, which already have been put to practical use for certain cargo, and drones for delivery.
50. On the other hand, Red's tourism business section, which had been steadily growing since 2018 due to an increase in the number of tourists to Negoland, has been suffering since March as demand for domestic and overseas tourism has decreased by 90% compared to the same period in 2019 due to the spread of coronavirus infection. The Negoland government stands on the position that it will be difficult to accept tourists from overseas in the immediate future, and maintains a cautious stance for domestic sightseeing trips due to fears of the spread of infection to its people. The general view of the industry is that rapid recovery of demand for tourism cannot be expected.
51. Amid this situation, both Red and Blue are trying to assess what is needed to improve the value of their companies in society in the coronavirus era and the post-coronavirus era. As part of these efforts, Red and Blue decided to have a discussion to find out if there was anything Red and Blue could do to work together. The record of the meeting between Red's president, Peacock, and Blue's president, Diamond, held in August 2020, is attached as Exhibit 17.
52. Based on the meeting in August 2020, it was decided to hold an on-line meeting on November 15, 2020 to discuss the following matters:
  - (1) review of BSN's delivery service fees in Negoland;
  - (2) possibility of cooperation between Red and Blue in relation to Red's international cargo transportation business;

- (3) possibility of cooperation between Red and Blue in relation to Red’s tourism business;
- (4) possibility of cooperation between Red and Blue in relation to courier services by autonomous cars and drones; and
- (5) possibility of future collaboration and cooperation in other areas.

Please note, however, that this does not mean that other matters cannot be discussed at the meeting.

The planned participants of this meeting are:

RED	BLUE
Vice President	Vice President
Courier Business Department Manager	Management and Planning Department Manager
Logistics Business Department Manager	E-Commerce (EC) Business Department Manager
Tourism Business Department Manager	Blue Negoland President

(Exhibit 1)

Changes in USD, Nego-Lira and Abu dollar

	August 2019 and before	From September 1 to September 3, 2019	From September 4 to September 30, 2019	From October 1 to October 31, 2019	<del>From</del> <del>On-</del> <del>and after</del> November 1, 2019 <u>to</u> <u>January 31,</u> <u>2020</u>	<u>From</u> <u>February</u> <u>1 to</u> <u>March</u> <u>31, 2020</u>	<u>On and</u> <u>after</u> <u>April 1,</u> <u>2020</u>
USD	1	1	1	1	1	<u>1</u>	<u>1</u>
Nego- Lira:	1	1	1	1	1	<u>1.05</u>	<u>1.1</u>
Abu dollar	1	1	1	1	1	<u>1</u>	<u>1</u>

\* This shows the value of Nego-Lira and Abu dollar to 1 US dollar.

~~\* For this question, assume that exchange rate was always the same during each period.~~

(Exhibit 2)

Overview of Red Corporation

Establishment: 1950

President: Diamond

Number of employees: 40,000

Capital: 50 million Nego-Lira

Operating revenue (million Nego-Lira)	2017	2018	2019
Domestic cargo transportation	5,000	5,300	5,500
International cargo transportation	700	700	700
Tourism business	300	300	<del>500</del> 300
Logistics and consulting business	100	150	200
Other business	10	20	30

Changes in trading volume of domestic parcels in courier business

	2018 and before	2019 January ~ March	2019 April~June	2019 July ~ September	2019 October ~ December	2020 January ~ March	2020 April~June
Average parcels per month	4,000	4,050	4,100	4,200	4,300	4,500	4,800
BSN portion	400	410	420	450	480	500	540

International cargo transportation business

	2018 and before	2019 January ~ March	2019 April~June	2019 July ~ September	2019 October ~ December	2020 January ~ March	2020 April~June
Average tonnage per month	1,800	1,700	2,000	1,500	2,000	1,600	1,400
Blue's portion	200	200	200	250	200	200	200

(Exhibit 3)

Overview of Blue Inc.

Establishment: 1990

President: Peacock

Number of employees: 20,000

Capital: 50 million Abu dollars

Operating revenue	2017	2018	2019
On-line store (Blue Store and BSN)	5,000	6,000	7,000
Mall	800	900	1,000
System solutions	300	400	500
Other business	10	15	20

\* Mall shows revenue from Blue Global Mall (mainly service charges and advertisement fees).

\* System solutions refer to system development and cloud storage service.

(Exhibit 4)

## Master Delivery and Transportation Agreement

This Agreement entered into effective as of the 14th day of February, 2009, between Red Corporation, a Negoland corporation (“Red”), and Blue Inc., an Arbitrian corporation (“Blue”),

Whereas Blue requires delivery and transportation services in its new business which will be commenced in October 2009 in Negoland; and

Whereas Red desires to provide delivery and transportation service to Blue;

NOW THEREFORE, in consideration of the mutual agreements hereinafter set forth, the parties hereto, intending to be legally bound, hereby agree as follows:

### 1. Delivery and Transportation Service

#### 1.1 General

1.1.1 Red will provide the following logistics services to Blue: (1) the transportation of goods with the airplanes owned by Red between the warehouses of Blue in Arbitria and the warehouses of Blue in Negoland (“International Transportation Service”); and (2) delivery of goods sold at Blue’s e-commerce service called “Blue Store Negoland” (“Delivery Services”).

#### 1.2 International Transportation Service

1.2.1 Blue shall be responsible for the packing of parcels and shall pack parcels in a manner suitable for transport according to the character, weight, volume, etc. of the parcels. In the case where the packing of parcels is determined not to be suitable for transport, Red may request Blue to undertake necessary packing of the parcels, or Red itself may properly pack the parcels at the expense of Blue.

1.2.2 In the case where Red determines it to be necessary, Red may check the contents of parcels for necessary matters. However, the fact that Red performs an inspection does not warrant that the transport of the parcel does not violate the laws and regulations of the originating, transiting, and destination countries.

1.2.3 Red may agree to provide Blue with other transportation services as requested by Blue, such as packing, research of relevant laws and regulations, advices on logistics. If Red arranges procedures or provides services beyond the normal range in accordance with the request of Blue, the expenses or charges shall be collected from Blue.

#### 1.3 Delivery Service

1.3.1 Blue shall create a delivery slip which describes the item, quantity, sender, recipient, and other necessary information (hereinafter the "Delivery Slip") for each parcel when Blue requests transport of a parcel. Blue warrants that the entries and declaration in the Delivery Slip are correct and accurate.

1.3.2 Red shall pick up parcels at the warehouse designated by Blue and deliver the parcels to recipient at the place described in the Delivery Slip. Red may cancel or suspend the transport of parcels when Red cannot deliver them after multiple attempts.

1.3.3 Red shall be able to use electronic devices in order to obtain a certificate of delivery. Blue agrees that Red may use as evidence a hard copy of a certificate of delivery which was obtained and stored electronically.

## 2. Refusal of Service

Red may refuse acceptance of transport and/or delivery of parcels in the following case:

- (a) the transportation request does not comply with this Agreement;
- (b) Blue fails to enter necessary items in the Transportation Documents or the Delivery Slip;
- (c) the contents of the Transportation or the Delivery Slip are false or inaccurate;
- (d) there is no facility suitable for transport;
- (e) the packing is not suitable for transport; or
- (f) existence of unavoidable circumstances, such as a natural disaster.

## 3. Fee and Payment

3.1 The charge for the International Transportation Service shall include collection and delivery fee at the shipping place and destination, customs fee, freight, handling fee, etc. The charge for the International Transportation Service shall be ~~6070~~% of the standard charge that Red applies to general customers.

3.2 The charge for the Delivery Service shall include collection and delivery fee. The charge for the Delivery Service shall be 50% of the standard charge that Red applies to general customers.

3.3 Red shall invoice Blue on a monthly basis (not later than the fifteenth (15th) day of the following month), for the International Transportation Service and the Delivery Service incurred in the prior month.

3.4 Blue shall pay all amounts invoiced by Red on or before thirty (30) days after the date of the invoice. Such payments shall be made by Blue by wire transfer of immediately available funds to an account designated in advance in writing by Red.



. . .

## 7. Liability of Red

7.1 Except for the cases set forth in paragraphs 2 through 3 of this Article, Red shall be liable for damages due to loss, damage, cause of loss or damage, or delay arising from the transport of parcels, or incidental other operations by Red (hereinafter "Damage") when the cause of Damage occurs during the transport; provided that, Red shall not be liable when Damage arises from one of the following circumstances, or when it is proved that Damage was not caused by Red's willfulness or negligence:

- (1) an inherent defect or natural wear and tear of the parcels;
- (2) incompleteness or defect of package or necessary description in the Transportation Documents or the Delivery Slip, such as address, code, number, etc.;
- (3) ignition, an explosion, rot, mold, decay, change in color, rust or any other similar event, caused by the contents of the parcels;
- (4) damages due to X-ray, radiation, magnetism, etc.;
- (5) labor slowdown or strike, social unrest, hijack, terrorism, robbery, incident, war or warlike activities;
- (6) acts of god, fire or other disasters beyond control;
- (7) an unforeseeable extraordinary hazard to traffic conditions, avoidance of danger during navigation, rescue or lifesaving activities;
- (8) an earthquake, tidal wave, tidal surge, flood, storm, landslide, avalanche, or any other natural disaster;
- (9) suspension of transport, unsealing, inspection, condemnation, attachment or surrender to any third person by laws or regulations, or the exercise of public authority; or
- (10) an error in entry of information to be entered at the responsibility of Blue, wrong or incomplete information in a declaration, or other willfulness or negligence of Blue.

7.2 Blue shall, in any case, when their parcels cause damage to other parcels or Red's properties, compensate for damages and expenses incurred by Red. Red may dispose of or destroy parcels which may cause harm to aircraft, personnel or other items without advance notice, and shall not assume any liability for that.

7.3 Unless otherwise agreed by the parties in writing, Red's liability for the failure in the International Transportation Service or the Delivery Service ~~shall be limited to two thousands Nego-Lira per parcel, and in the case where Blue does not declare the value of the parcel, Red's liability~~ shall be limited to twenty-two (22) SDR per kilogram for such parcel. In any

case, the claim amount for damages may not exceed the actual damages to the parcels, calculated based on either the actual purchase price of the goods or ordinary value of goods of the same sort and same quality, or if neither of them exists, the value deemed appropriate within such limitation.

7.4 Red's liability for delay shall be limited to the freight charge for the parcel.

. . .

## 12. Miscellaneous

12.1 This Agreement shall be governed by UNIDROIT Principles of International Commercial Contracts (2016 version).

12.2 Neither party shall be liable to fulfill its obligations hereunder, or for delays in performance, due to causes beyond its reasonable control, including, but not limited to, acts of God, acts or omissions of civil or military authority, fires, strikes, floods, epidemics, riots or acts of war.

12.3 This Agreement sets forth the entire agreement between the parties hereto with respect to the subject matter hereof and is intended to supersede all prior negotiations, understandings and agreements. No provision of this Agreement may be waived or amended, except by a writing signed by the parties hereto.

12.4 This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and together which shall constitute one and the same instrument.

12.5~~4~~ The failure of either party to exercise any right or remedy provided for herein shall not be deemed a waiver of any right or remedy hereunder.

12.6 Any dispute, controversy or difference arising out of or in relation to or in connection with this Agreement or for the breach thereof, shall be settled by arbitration in Tokyo, Japan, pursuant to the UNCITRAL Arbitration Rules and by three (3) arbitrators. The arbitration award shall be final and binding on both parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first set forth above.

Red Corporation

Blue Inc.

| \*Article 12.1 was amended in January 2017.

(Exhibit 5)

Minutes

Date: January 15, 2009 From 10:00 am to noon

Place: Red Head Office

Attendants: Red: Courier Business Department Manager, International Business Department Manager and Legal Affairs Department Manager

Blue: Management and Planning Department Manager, E-Commerce Business Department Manager and Legal Affairs Department Manager

1. Blue explained to Red the services to be started at Blue Store in Negoland (“BSN”) as follows:
  - The services to be provided by Blue Store in Negoland will be similar to those provided by Blue Store in Arbitria.
  - Blue will establish a 100% subsidiary, Blue Negoland Inc., in Negoland.
  - The party to contract with customers in Negoland will be Blue, and Blue Negoland will be in charge of procurement/purchasing, storage/management, and arrangement for delivery of goods/products in Negoland.
  - BSN will also deal with products of Arbitria which are sold at “Blue Store” and are particularly popular, in addition to products of Negoland.
  - In the first 2-3 years, the number of parcels to be handled annually is expected to be around 800,000 to 1 million. One quarter of them are expected to be products of Arbitria.

Based on this, Blue stated that it wished to request Red to provide delivery services in Negoland and air transportation services between Arbitria and Negoland.

2. Red responded to this request that its delivery and transportation capacity had sufficient reserve, and would be capable of providing delivery services in Negoland and air transportation services between Arbitria and Negoland in a responsible manner.
3. Regarding charges, Red proposed that, although charges would vary depending on the weight and size of the cargo as well as the season, both air freight charges and domestic delivery charges would be discounted by 30% from the regular freight charges on the condition that a certain trading volume be achieved. In response, Blue said that it could accept the air freight charges as proposed, but as to domestic delivery charges, as some companies in the e-commerce industry were now offering free shipping, it requested that the charges be discounted by 70%. Red responded that 70% discount for domestic delivery charges would be unacceptable and proposed

that delivery charges be discounted by 50% and air freight charges be discounted by 40%. Blue accepted this proposal.

4. It was also agreed that the terms of agreement would be reviewed as the situation demands.

End of document.

(Exhibit 6)

Changes in BSN's Sales

	Sales (million Abu dollars)	Average number of parcels handled per month (x10,000 parcels)
2009	100	40
2010	180	70
2011	200	100
2012	250	120
2013	320	150
2014	390	200
2015	450	250
2016	580	300
2017	700	360
2018	800	400
2019	900	440

(Exhibit 7)

## System Development Agreement

This Agreement entered into effective as of the 1st day of March, 2018, between Red Corporation, a Negoland corporation (“Red”), and Blue Inc., an Arbitrian corporation (“Blue”),

### WHEREAS:

- A. Red wishes to use the Blue to design, develop, implement and install a computer system for Red’s customer management and database to be used by the Red in its operations.
- B. Blue is in the business of the design, development, implementation, installation, and marketing of computer systems.
- C. Blue has agreed to draft a statement of work for acceptance by Red and upon acceptance, to proceed with the development of a computer system for the purpose as set out below in accordance with and subject to the terms of this Agreement.

NOW THEREFORE, in consideration of the mutual agreements below, and intending to be legally bound, the parties hereby agree as follows:

### 1. DEFINITIONS

In this Agreement unless the contrary intention appears:

- (a) 'Statement of Work' means the Statement of Work developed pursuant to Clause 3 below, including any variations thereof;
- (b) 'Application System' means all the computer programs prepared by Blue and supplied to Red under this Agreement including both source code and object code versions;
- (c) 'Computer Hardware and Systems Software' means all the equipment and operating system software provided by Blue to Red pursuant to the Statement of Work;
- (d) 'Development' means the analysis and programming services provided by Blue pursuant to this Agreement and the establishment of tables, codes, reference files and editing rules for Red's reasonable requirements in relation to a Statement of Work;
- (e) 'Installation' means the delivery, setting up and configuring of the Computer Hardware and System Software and Application Software pursuant to the terms hereof in accordance with the Statement of Work accepted by Red;
- (f) 'Office Procedures' means all facilities, forms and manual processes specified by Blue as

required to use the Computer System;

(g) 'Related Items' means all information and all manuals, documentation, notes, improvements, modifications and alterations prepared by Blue and supplied to Red under this Agreement;

(h) 'Computer System' means all Computer Hardware and Systems Software, Application Software, Office Procedures and Related Items developed pursuant to the Statement of Work;

(i) 'Materials' means all Systems Software, Application Software, Office Procedures and Related Items developed pursuant to the Statement of Work.

## 2. TERM

This Agreement shall take effect from the date hereof and shall continue until terminated in accordance with the terms hereof.

## 3. STATEMENT OF WORK

3.1 Blue shall create a Statement of Work for the Development and Installation of the Computer System.

3.2 Upon delivery of the Statement of Work to Red for its approval Red shall within fourteen (14) days thereafter:

(a) approve it;

(b) reject it; in which case the Agreement shall be deemed to be terminated or,

(c) request variations to and/or explanations of any aspect or aspects of the Statement of Work.

3.3 When agreed by the parties, the terms of the Statement of Work shall be and are hereby imported and incorporated as terms of this Agreement.

3.4 The Statement of Work as agreed by the parties shall not be changed except by written agreement signed by the parties.

## 4. THE PROJECT

4.1 For the consideration herein, Blue shall build the Computer System in accordance with and subject to the terms of this Agreement and the Schedule attached hereto.

4.2 In building the Computer System, Blue shall be responsible for directing its own employees.

4.3 In building the Computer System, Blue agrees that time is of the essence under this



Agreement.

4.4 In providing the services to be performed or procured pursuant to this Agreement, Blue warrants that all programming and other services shall be provided in a proper and workmanlike manner and at all times in compliance with the standards and procedures for the like programming and services specified at the time of entering this Agreement .

## 5. OWNERSHIP

5.1 With effect from the time that the parties mutually agree in writing upon the terms of the Statement of Work pursuant to Clause 3 of this Agreement:

(a) Blue grants Red an irrevocable, nonexclusive, paid up (provided that all payment required under this Agreement have been made) license to use, execute, reproduce, display, perform, distribute copies of, and prepare derivative works based upon, the Materials.

(b) Without prejudice to 5.1 (c) either party is free to use, for any purpose, any idea, concept, know-how or technique, which either party individually or jointly, develops or provides during the term of the Project.

(c) Each party agrees to treat as confidential all information received from the other that is not information, which is already in the public domain, or that is not required by law to be disclosed. Each party agrees to disclose such information only to those of its employees who need to know it for the performance of this Agreement.

## 6. WARRANTIES

6.1 Blue shall indemnify and hold Red harmless from and against any direct loss, damage, cost, liability or expense incurred by Red to the extent directly and proximately caused by and arising out of any infringement by any of the services performed by Blue for Red upon the patent, copyright, trade secret or other proprietary rights of any third party.

6.2 Blue does not warrant uninterrupted or "error free" operation of a Product or Service that is not due to ~~its~~their negligence.

6.3 Except as expressly set forth herein, Blue makes no warranties, expressed or implied, including warranties of merchantability, or fitness for a particular purpose, in connection with this agreement and the transactions contemplated hereby. In no event shall Blue be liable to Red for any indirect, special or consequential damages or lost profits arising out of or related to this Agreement or the performance or breach hereof, even if Blue has been advised of the possibility thereof.

. . .

## 8. TERMINATION

8.1 Either party hereto may terminate this Agreement if the other party fails to observe or perform any provision of this Agreement and fails to remedy such breach within thirty (30) days after written notice thereof has been given to the party in breach.

8.2 In the event that this Agreement is terminated then each party shall within seven (7) days of the effective date of termination deliver to the other all documents and other materials (including magnetic tapes, disks or other storage media) containing any confidential information obtained from the other during the term hereof and the receiving party shall certify its obliteration by erasure or other appropriate means.

## 9. AMENDMENTS

No amendment or modification of this Agreement or any provision of this Agreement shall be effective unless agreed by the parties in writing.

## 10. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with UNIDROIT Principles for International Commercial Contracts 2016.

## 11. ARBITRATION

Any dispute arising out of or under this Agreement shall be settled by arbitration in accordance with UNCITRAL Arbitration Rules, in the edition current at the date of this contract.

## 12. FORCE MAJEURE

12.1 Notwithstanding any other provision in this Agreement, no default, delay or failure to perform on the part of either party shall be considered a breach of this Agreement if such default, delay or failure to perform is shown to be due entirely to causes beyond the reasonable control of the party charged with such default including, but not limited to causes such as strikes, lock-outs or other labour disputes, riots, civil disturbances, actions or inaction of

Governmental authorities or suppliers, epidemics, wars, embargoes, storms, floods, fires, earthquakes, acts of God, of the public enemy, computer downtime that arises out of causes beyond the control of Blue (hereinafter called the 'Force Majeure Event').

12.2 If Blue is prevented from delivering the Computer System due to a Force Majeure Event, it shall notify Red of the fact in writing within ten (10) days after the occurrence of the Force Majeure Event.

12.3 If Blue is prevented from delivering the Computer System due to a Force Majeure Event then Blue shall make a reasonable effort to move or eliminate the circumstances preventing delivery and upon cessation of the cause diligently pursue performance of this Agreement.

### 13. ENTIRE AGREEMENT

This Agreement supersedes and replaces all agreements arrangements and understandings related to the subject matter hereof, whether reduced to writing or not, that may have preceded this Agreement.

IN WITNESS WHEREOF, Red and Blue have executed this Agreement the day and the year first above written.

Red Corporation

Blue Inc.

(Exhibit 8)

## SITE DEVELOPMENT AGREEMENT

THIS AGREEMENT is made and entered into as of this May 1, 2018 (the “Effective Date”) by and between Red Corporation, a Negoland corporation (“Red”) and Blue Inc., an Arbitrian company (“Blue”).

### W I T N E S S E T H

WHEREAS, Red desires to engage Blue to develop, create, test, and deliver a Web Site to be known as “Red Travel” as a work made for hire and to house the Web Site on Red’s Web Server and make the Web Site available for browsing on the Internet; and

WHEREAS, Blue is interested in undertaking such work; and

WHEREAS, Red and Blue mutually desire to set forth the terms applicable to such work;

NOW, THEREFORE, for the mutual consideration set forth herein, the adequacy of which is hereby acknowledged, Red and Blue, intending to be legally bound, hereby agree as follows:

#### 1. Blue’s Responsibilities

##### 1.1 Scope of Work

Red hereby retains the services of Blue to design and develop a Web Site (the “Web Site”) for Red.

##### 1.2 Changes

Changes to this Agreement or to any of the specifications of the Web Site in any of the specifications thereof shall become effective only when Red and Blue agree in writing. Blue agrees to notify Red promptly of any factor, occurrence, or event coming to its attention that may affect Blue’s ability to meet the requirements of this Agreement, or that is likely to occasion any material delay in the schedule.

#### 2. Website Design

##### 2.1 Design

The design of Red’s Web Site shall be in substantial conformity with the material provided to

Blue by Red. Blue shall develop Red's Web Site to project the highest professional image.

## 2.2 Accessibility Of Web Site During Construction

Throughout the construction of the prototype and the final Web Site, the Web Site shall be accessible to Red. Until Red has approved the final Web Site, none of the Web Pages for Red's Web Site will be accessible to end users unless the end users have entered the correct user id and password.

## 2.3 Delivery of Deliverables

Upon Red's approval of its final Web Site, Blue shall deliver to Red all code, documentation, reports and other materials developed by Blue in the course of its performance under this Agreement and any other items reasonably necessary for the operation of Red's Web Site (collectively the "Deliverables").

## 3. Ownership and Rights

### 3.1 Ownership of Work Product by Red

All elements of all Deliverables shall be exclusively owned by Red and shall be considered works made for hire by Blue for Red. Except as set forth below, Red shall exclusively own all copyrights and all other intellectual property rights in the Deliverables.

. . .

## 8. Representations and Warranties

Blue makes the following representations and warranties for the benefit of Red:

### 8.1 No Conflict

Blue represents and warrants that it is under no obligation or restriction that would in any way interfere or conflict with the work to be performed by Blue under this Agreement. Red understands that Blue is currently working on one or more similar projects for other clients. Provided that those projects do not interfere or conflict with Blue's obligations under this Agreement, those projects shall not constitute a violation of this provision of the Agreement.

### 8.2 Ownership Rights

Blue represents and warrants that (1) it is and will be the sole author of all works employed

by Blue in preparing any and all Deliverables; (2) it has and will have full and sufficient right to assign or grant the rights and/or licenses granted in the Deliverables pursuant to this Agreement; (3) all Deliverables have not been and will not be published under circumstances that would cause a loss of copyright therein; and (4) all Deliverables do not and will not infringe any patents, copyrights, trademarks, or other intellectual property rights (including trade secrets), privacy or similar rights of any person or entity, nor has any claim (whether or not embodied in an action, past or present) of such infringement been threatened or asserted, nor is such a claim pending against Blue (or, insofar as Blue is aware, against any entity from which Blue has obtained such rights).

### 8.3 Conformity, Performance, and Compliance

Blue represents and warrants that (1) all Deliverables shall be prepared in a workmanlike manner and with professional diligence and skill; (2) all Deliverables will conform to the specifications and functions set forth in this Agreement; and (3) Blue will perform all work called for by this Agreement in compliance with applicable laws. Blue will repair any Deliverable that does not meet this warranty within a reasonable period of time if the defect affects the usability of Red's Web Site, and otherwise will repair the defect within 24 hours, said repairs to be free of charge to Red.

## 10. Force Majeure

Neither party shall be liable for any loss or delay resulting from any force majeure event, including acts of God, fire, natural disaster, labor stoppage, war or military hostilities, or inability of carriers to make scheduled deliveries, and any payment or delivery date shall be extended to the extent of any delay resulting from any force majeure event.

## 12. Miscellaneous

12.1 This Agreement shall be governed by UNIDROIT Principles of International Commercial Contracts (2016 version).

12.2 Neither party shall be liable to fulfill its obligations hereunder, or for delays in performance, due to causes beyond its reasonable control, including, but not limited to, acts of God, acts or omissions of civil or military authority, fires, strikes, floods, epidemics, riots or acts of war.

12.3 This Agreement sets forth the entire agreement between the parties hereto with respect to the subject matter hereof and is intended to supersede all prior negotiations,

understandings and agreements. No provision of this Agreement may be waived or amended, except by a writing signed by the parties hereto.

12.4 This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and together which shall constitute one and the same instrument.

12.5 The failure of either party to exercise any right or remedy provided for herein shall not be deemed a waiver of any right or remedy hereunder.

12.6 Any dispute, controversy or difference arising out of or in relation to or in connection with this Agreement or for the breach thereof, shall be settled by arbitration in Tokyo, Japan, pursuant to the UNCITRAL Arbitration Rules and by three (3) arbitrators. The arbitration award shall be final and binding on both parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first set forth above.

Red Corporation

Blue Inc.

(Exhibit 9)

## Minutes

Date: July 16, 2019 From 10:00 am to noon

Place: Red Head Office

Attendants: Red: Courier Business Department Manager, International Business Department Manager and Legal Affairs Department Manager

Blue: EC Business Department Manager, Blue Negoland President and Legal Affairs Department Manager

1. Blue provided Red explanation for the “BSN-Super 10<sup>th</sup> Anniversary”.
  - Period: From October 1 to October 7, 2019
  - Description: A big sale offering 20% to 50% discount for all products will be held. In addition, two signature products of Arbitria which were not normally dealt with, “Abu Propolis” and “Abu Watch,” will be sold as featured products.
  
2. The following request was made by Blue to Red in connection with the above sale.
  - ①. To make a special arrangement to prepare for the expected increase in the volume of delivery in Negoland and transportation from the warehouse in Arbitria to the warehouse in Negoland.
  - ②. There will be a shortage of labor due to another event, “Blue Ultra Sale”, which will take place at the same time in Arbitria, and Blue requests Red’s cooperation for packaging work for the air transportation.
  - ③. Blue requests that Red send two people to facilitate smooth packaging of parcels for the air transportation. Also, Blue requests Red to procure cushioning materials.
  - ④. The cost for this cooperation will be paid separately from the regular transportation charges.
  - ⑤. As special featured products, “Abu Propolis” and “Abu Watch,” which have never been dealt with before will be sold, Blue wishes Red to pay special attention to their smooth transportation.
  
3. Red accepted Blue’s above requests. It was agreed that the cost for 2④ would be 50,000 Nego-Lira. It was also agreed to enter into a memorandum of understanding based on the above agreement.

End of document



(Exhibit 10)

MEMORANDUM for the Special Sales at Blue Store Negoland

Date: July 16, 2019

1. Blue decides to conduct the Special Sales at the Blue Store Negoland for its 10<sup>th</sup> anniversary.
2. To prepare for the increase of the volume of parcels in the period of the Special Sales, Red agrees to make a special arrangement of staffs, relevant materials, vehicles, and carriers.
3. Red will cooperate in packaging of parcels at the warehouse of Blue for air transportation from Arbitria to Negoland.
4. Red will send two people to facilitate the smooth packaging for the air transportation and procure cushioning material.
5. The cost for the cooperation is 50,000 Nego-Lira and must be paid by Blue to Red separately from the normal transportation cost.

Red Corporation

Blue Inc.

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(Exhibit 11)

#### Written Statement

1. I am responsible for managing procurement, storage and shipping of products related to BSN at Blue's warehouse.
2. When we internally examined the preparedness for the special sale at BSN in October 2019, it was found that the shipping of products for the special sale would be affected by another event in Arbitria for which warehouse personnel who normally manage goods for Negoland would be sent to another warehouse. Therefore, I consulted with the head office and requested that the head office request Red to cooperate for packaging work for air transportation, of which we were normally in charge.
3. Our request was accepted, and it was decided that Red would conduct packaging work. Two people were sent from Red and they did packaging and shipping work. The work started on September 17. Our company's staff also did this work for the first two days, but from the third day, this work was performed exclusively by Red's staff. I received a report from Red's staff every day regarding the situation of their packaging work. This work went very smoothly thanks to Red's three people. We handed a tablet used in Blue's warehouse to Red's staff, which displays the information needed to ship the products, so that we can see which products need to be shipped to Arbitria. According to the instructions on this tablet, Red's staff picked up the necessary products from the product shelves and packed them as necessary.
4. Red's staff were originally using cushioning materials for packing they brought from Negoland, but soon they ran short. Therefore, on September 20, we gave them materials our company had. They also ran out, so that on September 22, Red's staff asked us to procure additional cushioning materials urgently. Then, my junior staff procured cushioning materials as instructed by me and the materials were given to Red's staff on September 23. At that time, there was no special request made by Red's staff as to the quality, etc. of cushioning materials.
5. The price of the cushioning material was 1000 Abu dollars. This was paid to us by Red.
6. I realized later that the cushioning materials my junior staff member purchased seemed to be different from what our company usually used. According to that junior staff member, as the manufacturer was out of stock of the cushioning materials we usually used, he purchased different materials. The amount of the usual material is about 2000 Abu dollars for the same amount, but I wasn't particularly curious about the price at that time. As Red's staff did not say anything when I gave these materials to them, I thought they were OK.
7. I think that as Red was responsible for the packaging work and Red was an expert in air transportation, Red should be responsible for what happened, caused by using the cushioning

materials that were not suitable for air transportation.

Blue Management Department 1 Manager

Emerald

## Written Statement

1. I work for Red and am in charge of air cargo transportation. In September 2019, I was sent to Blue's warehouse in Arbitria to handle shipping for a special sale celebrating Blue's 10th anniversary.
2. When we were going to be sent to Blue, we were told that according to Blue, they were short of manpower for their packaging work and thus our company decided to help them for their packaging work. I was instructed to deal with the situation in cooperation with Blue.
3. Packaging and shipping work for the sale started on September 17. People from Blue worked with us for the first two days, as we had to do such work in Arbitria that were not familiar to us. However, from the third day, only two of us from our company did the work. It appeared that Blue had a difficult time to secure enough manpower. Blue has lent me a tablet that displays the information needed to ship the products used in Blue's warehouse. We have done the necessary packing work for the items that we were instructed to ship to Negoland, Arbitria as set out on this tablet. Every day, I reported to Mr. Emerald of Blue about the status of the work.
4. We brought some cushioning materials when we went there, but they were gone in no time. Then, we requested people of Blue to supply materials, and they gave us materials that were stored at Blue. However, they were also quickly used up, and we requested them to get more materials urgently. They then procured cushioning materials, but a different type. When I asked for the price, it was 1,000 Abu dollars. I thought it was pretty cheap, but I thought it was like that in Arbitria.
5. The cushioning materials supplied by Blue were different from those our company generally uses, but I thought that they were standard materials in Arbitria, and thus I did not raise any specific question about their quality. Blue has done packaging for air transportation in the past, and I never thought that cushioning materials procured by Blue were not suitable for air transportation. In fact, when we used them there was no difference in appearance and feel between the cushioning materials delivered by Blue and those we had brought.
6. I think that as this accident occurred because of the cushioning materials supplied by Blue, Blue should be responsible.

Red Air Transportation Business Department Chief

Swan

(Exhibit 12)

Excerpt of Conditions of Contract on Reverse Side of the Air Waybill

- 1 Shipper is responsible for ensuring that the Cargo is packed in an appropriate way for air carriage so as to ensure that it can be carried safely with ordinary care in handling and so as not to injure or damage any persons, goods or property. Each package shall be legibly and durably marked with the name and full street address of the Shipper and the Consignee. The Carrier is not liable for defective packaging or marking of the Cargo unless performed by the Carrier or someone in the Carrier's service.
- 2 The Carrier's liability for damage sustained in the event of destruction or loss of, or damage to, or delay in the Carriage of Cargo shall be as set forth herein below. The Carrier shall not be liable towards any person to whom the Shipper or Consignee has issued a separate air waybill (or equivalent) in respect of such Carriage. Except as may be otherwise provided for in the Convention, Carrier is not liable for any damage, delay or loss of whatsoever nature arising out of or in connection with the Carriage of Cargo or other services performed by Carrier or its Agents, unless such damage, delay or loss is proved to have been caused by the gross negligence or willful misconduct of Carrier.
- 3 Carrier is liable for damage sustained in the event of destruction or loss of, or damage to, or delay in the Carriage of Cargo only if the occurrence which caused the damage so sustained took place during the Carriage. Carrier will not, however, be responsible for damage, delay or loss of, if carrier can prove that carrier or its staff have taken all possible action to prevent incident from happening or that it was impossible to do so.
- 4 The Carrier shall not be liable in any event for any consequential loss or damage arising from Carriage subject to these conditions, whether or not Carrier had knowledge that such loss or damage might be incurred.
5. Contributory negligence on the part of the Shipper, Consignee or other claimants releases the Carrier of its liability to the extent provided by the Montreal Convention ("Convention") and applicable law.
- 6 Liability of Carrier shall not exceed the Convention limit or, if no Convention applies, 22 Special Drawing Rights, per kilogram of Cargo destroyed, lost, damaged or delayed. If, with the

agreement of the Carrier, the Shipper has made a special declaration of value for Carriage ~~as set forth in article 3.2~~ and has paid the supplementary sums applicable, it is agreed that any liability shall in no event exceed such declared value for Carriage stated on the face of the Air Waybill. All claims shall be subject to proof of value.

- 7 No action shall be maintained in the case of loss or damage to Goods unless a complaint is made to Carrier in writing by the person entitled to delivery. Such complaint shall be made:
- (1) in the case of visible damage to or partial loss of the goods, immediately after its discovery and at the latest within fourteen (14) days from the date of receipt of the goods;
  - (2) in the case of other damage to the Goods, within fourteen (14) days from the date of receipt of the goods.

(Exhibit 13)

October 10, 2019

To: Red Corporation

Order

Personal Information Protection Commission of Arbitria

Red shall pay a fine of 2 million Abu dollars within three months from the date of this order.

<Reasons>

1. When collecting personal information from a customer, Red Travel having a store in Blue's Blue Global Mall requests its customers to provide their consent for the use of collected personal information for the provision of Red's services, as well as for solicitation of other services. The method Red used to obtain this consent was to have a customer click on the button on their website saying, "I enter into transactions with Red upon consenting to Red's policy on the use of personal information."

However, according to the General Data Protection Act, "consent" of the data subject means any freely given, specific, informed and unambiguous indication of the data subject's wishes by which he or she, by a statement or by a clear affirmative action, signifies agreement to the processing of personal data relating to him or her. However, according to the method used by Red Travel, people who wish to use services of Red Travel have no other option but agreeing to consent, and cannot refuse to consent. Therefore, consent given under such circumstances cannot be said to be consent "freely given." Using customers' personal information and data based on such consent that was not freely given is a violation of the General Data Protection Act.

In addition, in this case, when moving from the "Blue Global Mall" site to the "Red Travel" site, there is no description to inform that the site from here is operated by a foreign entity and the laws of Negoland apply in the manner that customers can easily understand, and there is no measure to confirm that customers understand the description before moving to the site of "Red Travel", though in the webpage of Blue Global Mall where the names of stores are listed there is a note that the site of "Red Travel" is managed by Red.

This Commission is authorized to impose a fine considering the seriousness of the violation in accordance with Article 83 of the General Data Protection Act. This Commission hereby imposes a fine of 500,000 Abu dollars for this violation.

2. On January 25, 2019, the customer management system of Red, R-CMS, was hacked, and the personal information of 50,000 people, including 5,000 customers in Arbitria who used Red Travel or BSN, was leaked. The personal information manager has the duty to ensure the confidentiality and integrity of the system under Article 32 of the General Data Protection Act. Red was using a system which allowed hacking to take place. This is a violation of the General Data Protection Act. This Committee hereby imposes a fine of 1.5 million Abu dollars for this violation.

End of document

<Reference>

~~General Data Protection Act.~~

~~Article 4, Paragraph 11: 'consent' of the data subject means any freely given, specific, informed and unambiguous indication of the data subject's wishes by which he or she, by a statement or by a clear affirmative action, signifies agreement to the processing of personal data relating to him or her.~~

~~Article 32: Taking into account the state of the art, the costs of implementation and the nature, scope, context and purposes of processing as well as the risk of varying likelihood and severity for the rights and freedoms of natural persons, the controller and the processor shall implement appropriate technical and organisational measures to ensure a level of security appropriate to the risk, including inter alia as appropriate:~~

~~(a) the pseudonymisation and encryption of personal data;~~

~~(b) the ability to ensure the ongoing confidentiality, integrity, availability and resilience of processing systems and services;~~

~~Article 83: The Personal Information Protection Commission may impose an appropriate fine on the controller and/or the processors who have violated the obligations stipulated by this Act, considering the nature and seriousness of the violation.~~



(Exhibit 14)

~~February~~May 10, 2019

To: Crane (Red)

From: Ruby (Blue)

ReReReReReReReReReRe: System bug

It is inevitable that there are bugs in the development of the system, and the bug does not mean that we are responsible. Also, this bug was hard to find. Our staff was so busy that we were not able to spend time to address the matter even if we wanted to. Also, if there were unauthorized accesses, your company should have been able to take measures such as temporarily suspension of the system. We cannot accept your claim that we are liable in this case.

-----  
~~February~~May 7, 2019

To: Ruby (Blue)

From: Crane (Red)

ReReReReReReReReReRe: System bug

I asked you to pay particular attention to preventing hacking and strict data management. In addition, even though we had requested an inspection of the customer management system to avoid hacking on January 18, you did not respond promptly. If we incur damages in relation to this information leak, we would claim compensation from your company.

-----  
~~February~~May 5, 2019

To: Crane (Red)

From: Ruby (Blue)

ReReReReReReReReReRe: System bug

Our staff confirmed that it was the result of a bug in the R-CMS that allowed someone to steal the passcode needed to access a part of the R-CMS customer data. This bug was something I hadn't thought of before. I think we could have found it if we had spent three or four days doing intensive checks, but it was not something we could find in a day or two. Please be assured that the bug has been fixed.

---

January 26, 2019

To: Crane (Red)

From: Ruby (Blue)

ReReReReReReReRe: System bug

Thank you very much for your message. I am sorry for my delay in replying. I was absent for cold.

We will send our staff to your company immediately. They will probably arrive at your company tomorrow morning. Until then, would you please temporarily suspend the relevant portion of the R-CMS? Thank you very much for your cooperation.

---

January 26, 2019

To: Ruby (Blue)

From: Crane (Red)

ReReReReReReReRe: System bug

We have a situation here. Our customer management system was hacked, and our customers' personal information was leaked. We are currently investigating the cause, but it is most likely due to a system bug. Would you please immediately take necessary measures?

---

January 23, 2019

To: Ruby (Blue)

From: Crane (Red)

ReReReReReReReRe: System bug

Yesterday, there is also evidence of another unauthorized access attempt to the R-CMS customer database. Please respond immediately.

---

January 21, 2019

To: Ruby (Blue)

From: Crane (Red)

ReReReReReReReRe: System bug

Yesterday, there is an evidence of an unauthorized access attempt to the R-CMS customer database.  
Please take necessary measures as soon as possible.

---

~~January 23, 2019~~

~~To: Ruby (Blue)~~

~~From: Crane (Red)~~

~~ReReReReRe: System bug~~

~~Understood. Please take necessary measures as soon as possible.~~

---

January 20, 2019

To: Crane (Red)

From: Ruby (Blue)

ReReReRe: System bug

Thank you very much for your message. Unfortunately, our system staff are currently extremely busy, and cannot respond to your request immediately. We will take necessary measures as soon as we can. I would appreciate if you could wait a little longer.

---

January 18, 2019

To: Ruby (Blue)

From: Crane (Red)

ReReRe: System bug

Thank you very much. As to the two issues I told you via e-mail, I confirmed that they have been fixed. Yesterday, a company in the same industry had a situation where their customer management system was hacked. In the case of that company, we heard that although the system was hacked, there was no impact on any important data. Would you please inspect R-CMS again to check if there is any bug that could allow any hacking to take place?

---

January 16, 2019

To: Crane (Red)  
From: Ruby (Blue)  
ReRe: System bug

Thank you very much for your message. We reviewed your company's system program, and necessary corrections have been made. Please confirm these fixes.

---

January 15, 2019

To: Ruby (Blue)  
From: Crane (Red)  
Re: System bug

Regarding the customer management system which we requested your company to develop, we found several bugs. For example, we found a bug that causes freezing when searching customer data that meets certain criteria, and a bug that causes text garbling of customer data. Please immediately fix these bugs.

(Exhibit 15)

### 1. Transportation Case

Arbitral award sought by Blue: Red shall pay ~~76,7~~50,000 Abu dollars to Blue.

Arbitral Award sought by Red: The tribunal shall dismiss the claim of Blue.

Points at issue

- (1) ~~Was there~~Is a Red breach of Red's contractual obligation in relation to ~~liable to Blue for damages~~  
~~for~~ the damage to the goods “Abu Propolis” and “Abu Watch”?
- (2) If ~~there was a breach~~Red is liable, then what is the amount of damages?

### 2. Information Case

Arbitral award sought by Red: Blue shall pay 7 million Nego-Lira to Red.

Arbitral Award sought by Blue: The tribunal shall dismiss the claim of Red.

Points at issue

- (1) In relation to the first point regarding the order issued by the Personal Information Protection Commission, is Blue legally liable to pay 500,000 Nego-Lira to Red as compensation?
- (2) In relation to the second point regarding the order issued by the Personal Information Protection Commission, is Blue legally liable to pay ~~64~~500,000 Nego-Lira to Red as compensation?

### 3. Arbitration Procedure

Point at issue

Does the arbitral panel have authority to ~~conduct~~ the on-line examination of witnesses ~~allowed~~  
without the consent of both parties? ~~consent?~~

(Exhibit 16)

Current situation of novel coronavirus cases and deaths in Negoland and Arbitria

The number shown is one month total.	Negoland		Arbitria	
	New cases	Deaths	New cases	Deaths
March 2020	520,000	5,000	100,000	5,000
April 2020	230,000	2,000	50,000	2,000
May 2020	130,000	1,000	20,000	1,000
June 2020	50,000	500	10,000	400
July 2020	100,000	1,000	25,000	1,500
August 2020	200,000	2,000	50,000	2,000
September 2020	280,000	2,500	100,000	2,500
October 2020	350,000	3,000	150,000	3,500

- \* The number of new cases is the number of people who newly tested positive through PCR testing, as published by the government of each country.
- \* The policy of ~~the Arbitria~~~~Negoland~~ government is that it is not necessary to make PCR testing available to people with no symptoms, and PCR testing should be made available in a flexible manner mainly to people with symptoms and people who had contact with infected people. The policy of ~~the Negoland~~~~Arbitria~~ government is that the government should make PCR testing available at any time to as many citizens as possible, regardless of whether the person has any symptoms.

(Exhibit 17)

Record of meeting between Red's president Peacock and Blue's president Diamond

Red: In Negoland, cases of novel coronavirus infection are increasing again. Until some breakthrough preventive measures against the virus are implemented, we need to find a way to live with the virus.

Blue: That is true for our country too. We are trying to find the way our company should be in the future during the coronavirus era and in the post-coronavirus era.

Red: That is the same for us. It is difficult to predict the future of our society after coronavirus, however we are not just passively dealing with the virus, but thinking of taking this opportunity to formulate a positive approach that is suitable to the coming new era.

Blue: I feel the same way. In this new era, the role of e-commerce will definitely expand, and we think that on-line business will become the new standard. For e-commerce, logistics is extremely important. We are thinking that we need to cooperate with your company more than ever, as your company is an expert in logistics.

Red: We certainly think that logistics will be the key to economic success in the next era. No matter how much e-commerce progresses, economic development cannot be expected unless logistics, i.e. the transportation and delivery of products, functions well. Our company has enhanced our human resources, but furthermore, we are trying to achieve logistics in this new era using autonomous cars and drones. Our experiments are going well, and practical use of these means has already started in a special district. We intend to actively proceed with more experiments and practical use.

Blue: I think that utilization of autonomous cars and drones is urgently needed, as logistics in our country is suffering from a shortage of labor. Various experiments are underway, but it will take more time to realize practical use. Is it possible for our company to participate in your company's projects on delivery technologies using autonomous cars and drones?

Red: We cannot make a decision ourselves, as we have a relationship with Yellow, but we will think about it.

Blue: By the way, we have a request for your company. We would like to ask your company to change the discount rate for BSN's delivery charge from the current 50% of the regular charge to 70%. It is especially important to cut down shipping charges to spur competitiveness in e-commerce.

Red: Our company was actually thinking of asking your company to increase the charge, as 50% discount brings the charge down too much. The cost of delivery of parcels does not go down even if the number of parcels increases. The more parcels to transport, the more load is

applied to our transportation capacity. Our company is strengthening human resources and making investments in automation technologies to ensure sufficient transportation capacity.

To secure funds for that purpose, it is also important to make stable revenue.

Blue: Although we have different directions, we have been doing business for 10 years now, and it is a good time to review the terms of our agreement. Could we continue discussions?

Red: Yes, I understand. By the way, we also have a request for your company. Our tourism business section is now suffering due to coronavirus. Our tourism business was first modeled after Hato Bus in Japan. We operate regularly scheduled tour buses and chartered tour buses not only within our county's capital but also other major cities. In addition, we also started to own tour taxis recently, and they were extremely popular among foreign tourists. However, this business is completely crippled due to coronavirus. It will still take more time for tourists to actually come back, but the tourism section is important, and tourists from Arbitria are particularly important for us. Our tourism section is now considering virtual tours. We are thinking of selling virtual tour services at Red Travel, and we would like to ask your cooperation.

Blue: Our company is interested in your international air cargo business. As I said earlier, our company thinks that logistics are important and we are thinking of entering into the air cargo business. What does your company think about the international air cargo business?

Red: Our company focuses on the domestic transportation business, and as to the international air cargo business, we are now re-examining whether or not our company being a carrier is the best way to do this business. Is your company interested in our international air cargo business?

Blue: We will think about it depending on the conditions. Our company is thinking of entering into the logistics business, and this is one of the possibilities.

Red: I understand your company's intention. Our company is also interested in the domestic transportation business in Arbitria. Is it difficult to enter the domestic transportation business in Arbitria?

Blue: The transportation business requires a license, but your company has a proven track record in Negoland. I think that entering the market itself is easy, but there is a shortage of labor in the transportation industry, and it might be difficult to secure human resources even if you enter the market. Our company sometimes has difficulty finding delivery business operators for the delivery of products of Blue Store. It will be great if a company like yours takes on the delivery business in Arbitria.

Red: Our company thinks that further utilization of customer data is important. Our company is connected to the lives of many individuals, through delivering goods to their homes, but it is such a waste to use such connections only to deliver parcels. We would like to grow into a



company which can offer services that are useful for consumers' lives, by utilizing this connection with customers.

Blue: Using and utilizing data is also our agenda. Let's discuss what kind of utilization of data is possible. However, we need to pay particular attention to the GDPR and the General Data Protection Act.

Red: In our country, a lot of information is public information, and people's perception of personal information is different from that in Europe and your country. However, it is also expected that people will become more concerned about the protection of personal information in the future. We think that in the next era, we will be expected to provide sophisticated services utilizing information and data, while paying proper attention to the protection of personal information.

Blue: Exactly. Let's work together for whatever we can do together. I will inform people in our company of what we discussed today. To recap, ① to review the delivery service charge for BSN in Negoland; ② to consider the possibility of cooperation between our two companies concerning Red's international cargo transportation business; ③ to look at the possibility of cooperation between our two companies concerning Red's tourism business; ④ to discuss the possibility of cooperation concerning courier services using autonomous cars and drones; and ⑤ to explore the possibility of future collaboration and cooperation. Is this correct?

Red: I think that's it. After reviewing this internally, let's have an opportunity to meet to discuss things further in November.

Blue: All right.

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